GCP Infrastructure Investments Limited

Half-Yearly Financial Report for the period from 21 May 2010 to 31 March 2011

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Company Information

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Mr. Trevor Hunt
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Company Summary

Incorporation and Organisation

GCP Infrastructure Investments Limited (the "Company") is a public company 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.

The Company is a closed-ended investment company incorporated under the laws of Jersey. The shares of the Company were listed on the London Stock Exchange on 22 July 2010.

Investment Objective 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 will achieve its investment objectives by investing substantially all of its capital in the Ordinary Redeemable Income Shares of GCP Infrastructure Fund Limited (the "Master Fund").

The Company's borrowing shall not exceed 20% of the Company's net asset value as at the time any such borrowing is drawn down.

The Master Fund may only use borrowings for short-term purposes as may be necessary for the settlement of transactions, to facilitate share redemptions (where applicable) or to meet ongoing expenses shall not in any event exceed 10% of the Master Fund's net asset value as at the time any such borrowings are drawn down.

Distribution Policy

The Company will, as far as reasonably practicable and taking into account the costs of the Company and its working capital requirements, distribute by way of dividend payments all income that it receives from the Master Fund up to the Target Net Yield of 8 per cent. per annum (by reference to the Offer Price) per Ordinary Share.

Overview

For the period from 21 May 2010 to 31 March 2011

- Successful IPO of the Company raised £40.0 million through the placing, the offer for subscription and the arrangements for switching (the “Issue”)
- Shares of the Company admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities on 22 July 2010
- Further issues of 1,000,000 and 1,500,000 new ordinary shares in August 2010 and October 2010 respectively (the “Further Issues”)
- Investment of substantially all of the proceeds from the Issue and Further Issues in GCP Infrastructure Fund Limited (the “Master Fund”)
- Master Fund investments all performing in line with expectation, with loan interest payments all received in full
- Underlying assets reporting no material operational issues
- Four acquisitions made by the Master Fund during the period totalling £8.8m
- A further acquisition of £23.5 million in late stage due diligence, subsequently completed on 26 May 2011 resulting in the Master Fund now being substantially fully invested
- Strong pipeline of assets is being considered
- Net asset value as at 31 March 2011 of £42,029,965
- A distribution of 2.15p was paid for the period to 30 September 2010, and an interim distribution of 2.30p was declared on 17 May 2011 for the six month period to 31 March 2011 by the Company
- Third party valuation of investments as at 31 March 2011 of £40,325,989
- Net profit for the period was £328,615

Chairman's Statement

Group update

The initial public offering of the Company in July 2010 raised £40.0 million, with a further £2.5 million raised through issues later in 2010. Substantially all of the capital was invested directly into the Master Fund. The success of the IPO at a difficult time in the wider capital markets was a welcome and encouraging indication of investor support for the Company's investment strategy.

The Master Fund made four new acquisitions during the period totalling £8.8 million. Post the period end on 26 May 2011 a series of loans totalling £23.5 million were advanced against a portfolio of health and accommodation PFI assets, resulting in the Master Fund being substantially fully invested.

The Master Fund's loan investments have all performed as expected and all interest payments were received in full. The infrastructure projects that support the loans (all operational, availability based, UK PFI projects) have continued to run without serious operational issues and hence without material financial penalties.

The Investment Adviser has a strong pipeline of assets under consideration. As well as direct subordinated lending to UK PFI project companies, the Investment Adviser is also considering opportunities regarding a number of senior PFI debt portfolios and a variety of photovoltaic solar projects backed by the UK government-sponsored feed-in-tariffs.

During the period, the infrastructure market received with some trepidation the UK government's Comprehensive Spending Review and National Infrastructure Plan. The primary pledge was to focus on "economic infrastructure that supports growth", but there remains a lack of clarity as to exactly how the government intends the various UK PFI sectors to develop over the coming years.

From the Group's perspective, however, two key aspects of the market do seem clear. The first is that amidst all this uncertainty, it appears certain that private investment will be an integral component in the funding of future UK infrastructure projects. The second is that operational PFI projects, such as those that currently underpin the entire Master Fund investment portfolio, are well insulated from changes in government policy. As such we remain confident that the existing portfolio will continue to perform as expected, and that there will be a considerable number of suitable future investment opportunities, and that the Group's strategy remains appropriate.

Financial Results

On a consolidated IFRS basis, the increase in Net Assets attributable to owners of the Company before tax for the Group was £328,615.

Chairman's Statement *(continued)*

Distributions

A distribution of 2.15p was paid for the period to 30 September 2010, an interim distribution of 2.30p was declared on 17 May 2011 for the six month period to 31 March 2011 by the Company.

NAV and share price

The Company's share price and net asset value per ordinary share at 31 March 2011 were 108p and 99.08p respectively.

Risks

The Company issued a Prospectus at the time of the IPO that contained a section entitled "Risk Factors" in which the Board sets out all the key risks associated with investing in the Company.

Mr. Ian Reeves CBE

Date:

Interim Management Report

For the period from 21 May 2010 to 31 March 2011

Background to the UK Infrastructure market and the Group's investment strategy

The UK Private Finance Initiative ("PFI") was introduced in the UK in the mid 1990's to provide the Government with a way of funding major capital investments in infrastructure assets such as schools, hospitals, prisons and court buildings, without immediate use of public sector capital, and to provide a mechanism whereby the private sector could bear a proportion of the risks associated with constructing and maintaining such assets.

In a typical UK PFI project, a private company (the "Project Company") is contracted by a public sector entity (for example, a local authority in the case of schools, an NHS Trust in the case of hospitals) to design, finance, build and manage new infrastructure assets.

Once the infrastructure asset is built, the management contract between the public sector entity and the Project Company typically lasts for 20 to 30 years, during which time:

(i) the Project Company operates the asset for the relevant public sector entity, and

(ii) the public sector entity pays the Project Company a fixed series of payments (in many cases these payments are linked to inflation).

The Master Fund makes infrastructure investments typically through acquiring (or acquiring interests in) subordinated 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. The Master Fund primarily targets projects structured and financed under the UK PFI.

It is the view of the Directors and the Investment Adviser that once a public infrastructure asset has been constructed and the contracted cash flows relating to the project have commenced, many of the risks associated with investments in such assets are significantly reduced. Therefore, the Master Fund primarily targets PFI investments after the design and build phases have been completed and the assets are operational.

Portfolio overview and performance

During the period, the Master Fund made four acquisitions totalling £8.8 million:

1. £2.40 million (in addition to c. £7.0 million acquired in July 2010) of loan notes advanced against 3 operational leisure PFI projects, yielding 10.51% p.a. annual equivalent with an average life of c. 28 years.
2. a £2.30 million loan note that provides a subordinated exposure to a portfolio of senior PFI loans originated by a major bank lender to the UK PFI sector. The initial yield on the loan notes is 9.84% p.a. annual equivalent, rising to 10.11% from the end of year five, plus the extent to which, on average over the expected 10 year term, Libor exceeds 2.85%.
3. a £1.80 million subordinated loan secured against four PFI schools in North Yorkshire, yielding 9.62% p.a. annual equivalent with an average life of 27 years.
4. a £2.30 million subordinated loan secured against three education PFI projects in Kirklees, yielding 9.62% p.a. annual equivalent with an average life of 19 years.

Interim Management Report *(continued)*
For the period from 21 May 2010 to 31 March 2011

As at 31 March 2011, the Master Fund's investment portfolio consisted of 14 subordinated infrastructure loans (the "Loans"). The Loans are all secured against cash flows arising from operational, availability based, UK PFI projects (the "Projects"). 35% of the Loans are exposed to the healthcare sector, 28% to the leisure sector, 34% to the education sector and the remainder to street lighting and housing projects. The weighted average term of the Loans is twenty one years.

The valuation of the Master Fund's investment portfolio as at 31 March 2011 was £40,325,989. The discount rates used by the Valuation Agent to value the Master Fund's investments varied between 9.62% and 10.51%, with a weighted average discount rate across the portfolio of 9.92%.

None of the Projects has reported any material operational performance issues during the period and, to date, all interest payments due under the Loans have been paid in full.

The Investment Adviser executed heads of terms on 2 March 2011, on behalf of the Master Fund, to advance a series of loans in aggregate totalling £23.5 million with an average life of 26 years, secured on a subordinated basis against a portfolio of healthcare and accommodation PFI assets. Following the completion of this transaction on 26 May 2011 the Master Fund is substantially fully invested.

UK PFI market update
In the view of the Investment Adviser, the UK Government's Comprehensive Spending Review 2010 and the National Infrastructure Plan 2010 will not materially impact operational, availability based, government or quasi-government backed UK infrastructure projects.

There has been considerable speculation as to how the government might seek to alter the economics of existing PFI projects, specifically through the renegotiation of existing contracts and the harsher implementation of penalty regimes. Whilst it is possible that project grantors (NHS Trusts or local authorities for example) could attempt to reduce contracted unitary charge payments, the project sponsor would be under no obligation to agree to such requests, and any reduction would in all likelihood be in the form of a reduction in the scope of work so as to not adversely affect the total economics of the project. Attempts to increase performance deductions and thus reduce unitary charge payments would be difficult to implement. Payment mechanisms that govern the unitary charge payments due under PFI projects are defined very precisely in project agreements meaning there is limited scope for interpretation. Additionally, for projects that have been operating for some time a sudden stricter interpretation of the performance tests by the public sector would not be credible.

There has also been some concern that cuts in local government and healthcare budgets will affect the credit quality of government or quasi-government bodies. However, given the integral social role of most infrastructure projects and the adverse publicity that would arise from a failing public body, it seems likely that central government would support struggling grantors. Indeed, in the case of healthcare assets, NHS Trusts are explicitly supported by central government through the Residual Liabilities Act, 1996.

The direct impact of cuts would seem to relate primarily to the pipeline of new PFI projects, with many of these in the UK having already been cancelled or curtailed. However, we still believe that whilst the exact procurement methodology of infrastructure projects might change, the fact that the Government is continuing to investigate the use of a range of alternative private financing mechanisms to use in the future should mean, in the view of the Investment Adviser, that there will continue to be a stream of new investment opportunities for the Master Fund under similar structures that essentially give similar exposure and risk / reward profiles.

UK debt market update

The impact of the financial crisis remains evident in the balance sheets and lending activities of banks. The majority of banks are very reluctant to advance any form of longer term (>7 year) debt, and those that are willing currently only offer relatively low loan to value financing with margin step up terms that heavily incentivise borrowers to refinance in the medium term. This reduction in banks' appetite to provide debt is further exacerbated by the banks' capital constraints, particularly with the spectre of Basle III approaching, and their concerns in relation to long-term liquidity and the additional capital costs of not matching long dated assets with scarce funding of a similar term. As such, the Master Fund's offering of long dated, fixed interest, subordinated financing remains, in the view of the Investment Adviser, an attractive option for many holders of operational infrastructure assets and infrastructure senior debt.

Investment pipeline

Over the last three months, the Investment Adviser has begun to see an increase in the flow of potential investments. This seems to be due to the Group's increasing visibility in the sector and also due to a rising number of secondary transactions coming to the market. The Investment Adviser is in advanced discussions on a range of transactions across the infrastructure sector, specifically relating to healthcare and education PFI assets, a number of senior PFI debt portfolios, and photovoltaic solar projects.

Investment valuation

An independent third party valuation is carried out on a monthly basis by the Valuation Agent, Mazars LLP. 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 Master Fund is calculated by applying a discount rate (determined by the Valuation Agent) to the cash flow expected to arise from each such asset.

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

- sterling interest rates;
- movements of comparable credit markets;
- general infrastructure market activity and investor sentiment
- 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 Master Fund will be fixed income debt instruments (in some cases with elements of inflation protection), 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.

Related Party Transactions

The Group has no direct employees. For the services provided, the Investment Adviser and the Administrator receive contractual fees which have a set minimum payment and an element related to the Group size. The Group has no ownership interest in the Investment Adviser or the Administrator. Related party transactions are disclosed in further detail in note 18 to the financial statements.

Directors' Responsibility Statement

The Directors of the Company acknowledge responsibility for the interim results and approve this Half-Yearly Financial Report. The Directors of the Company confirm that to the best of their knowledge:

(a) the Half-Yearly Financial Report has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit for the period of the Group as required by the Disclosure and Transparency Rules ('DTR') 4.2.4R;

(b) the Chairman's Statement together with the following Reports includes a fair review of the information required by DTR 4.2.7R (indication of important events during the period and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Half-Yearly Financial Report includes a fair review of the information required by DTR 4.2.8R.

D. R. Pirouet

On behalf of the Board
Mr. David Pirouet
27 May 2011

Portfolio

For the period from 21 May 2010 to 31 March 2011

Total Exposure by Borrowers	£	%
White Rock Insurance (SAC) Ltd, T-26 GEM Infrastructure	14,187,303	35
Grosvenor PFI Holdings Limited	14,097,579	35
Leisure Infrastructure Investors Limited	9,687,874	24
Kirklees PFI Limited	2,353,233	6
Total	**40,325,989**	**100**

Top Ten Exposures by Project Counterparty	£	%
Amber Valley Borough Council	4,114,742	10
Leeds City Council	3,347,114	8
Rotherham Metropolitan Borough Council	3,125,121	8
County Durham Primary Care Trust	3,064,691	8
Mid Essex NHS Trust	3,064,691	8
South Essex Partnership University NHS Foundation Trust	3,064,691	8
Tees, Esk and Wear Valleys NHS Foundation Trust	3,064,691	8
Kent County Council	2,518,198	6
Wolverhampton City Council	2,448,011	6
Kirklees County Council	2,353,233	5
Other (10 project conterparties each with exposures less than £1.9m)	10,160,806	25
Total	**40,325,989**	**100**

Top Ten Exposures by Facilities Manager	£	%
Grosvenor Facilities Management	14,097,579	35
Emcor	5,573,132	14
DC Leisure Management	4,114,742	10
Interserve FM Ltd	3,347,114	8
Pinnacle	2,353,233	6
OCS Group UK Ltd	1,796,173	5
Trillium FM (Kent BSF) Ltd	1,796,173	5
Carillion FM Ltd	1,106,203	3
VT Education and Skills Limited	999,069	2
Amey Business Services Ltd	981,654	2
Other (6 facilities managers, each with exposures less than £0.98m)	4,160,917	10
Total	**40,325,989**	**100**

Consolidated Statement of Financial Position
As at 31 March 2011

	Notes	As at 31 March 2011 £
Assets		
Cash and cash equivalents	13	24,118,197
Amounts held on Security Account	14	2,581,292
Other receivables and prepayments	10	266,424
Amounts receivable on subscription of Master Fund shares		2,904,423
Financial assets at fair value through profit or loss	17	40,325,989
Total Assets		70,196,325
Liabilities		
Custodian and administration fees payable		(27,315)
Other payables and accrued expenses	11	(154,332)
Amounts payable on redemption of Master Fund shares		(130,216)
Distribution payable on participating Master Fund shares		(381,629)
Amounts held on Security Account	14	(2,556,603)
Sub total liabilities		(3,250,095)
Financial liabilities at fair value through profit or loss	17	(24,916,265)
Net assets attributable to owners of the Company		42,029,965
Equity attributable to owners of the Company		
Share Capital	12	425,100
Share Premium	12	42,190,000
Retained earnings		(585,135)
Total equity attributable to the owners of the Company		42,029,965

On behalf of the Board of Directors

D. R. Pirouet

Mr. David Pirouet

Mr. Trevor Hunt

Date: 27 May 2011

The accompanying notes on pages 16 to 38 form an integral part of these unaudited Half-Yearly consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the period from 21 May 2010 to 31 March 2011

	Notes	£
Income		
Deposit interest income	3	128,010
Net movement on financial assets and liabilities at fair value through profit or loss	3	2,756,593
		2,884,603
Expense		
Investment advisory fees	18	(68,073)
Custodian fees	18	(12,447)
Administration fees	18	(100,959)
Directors' fees	5	(89,510)
Setup costs	4	(827,201)
Other general expenses	4	(278,822)
Total operating expenses before finance costs		(1,377,012)
Finance costs	16	(1,178,976)
Increase in net assets attributable to owners of the Company		328,615
Earnings per share	8	0.7908
Other Comprehensive Income		–
Total Comprehensive Income		328,615

The accompanying notes on pages 16 to 38 form an integral part of these unaudited Half-Yearly consolidated financial statements.

Consolidated Statement of Changes in Equity
For the period from 21 May 2010 to 31 March 2011

	Notes	Share Capital	Share Premium	Retained Earnings	Total equity attributable to owners of the Company
Balance as at the beginning of the period		–	–	–	–
Profit for the period		–	–	328,615	328,615
Other Comprehensive Income		–	–	–	–
Total Comprehensive Income		–	–	328,615	328,615
Equity shares issued	12	425,100	42,190,000	–	42,615,100
Distributions		–	–	(913,750)	(913,750)
As at 31 March 2011		425,100	42,190,000	(585,135)	42,029,965

The accompanying notes on pages 16 to 38 form an integral part of these unaudited Half-Yearly consolidated financial statements.

Consolidated Statement of Cash Flow
For the period from 21 May 2010 to 31 March 2011

Cash flows from operating activities	Notes	£
Profit for the period		328,615
Increase in other receivables and prepayments		(266,424)
Increase in amounts receivable on subscription of Master Fund shares		(2,904,423)
Net movement on financial assets at fair value through profit or loss		(596,569)
Increase in custodian and administration fees payable		27,315
Increase in other payables and accrued expenses		129,643
Increase in amounts payable on redemption of Master Fund shares		130,216
Increase in distribution payable on participating Master Fund shares		381,629
Net movement on financial liabilities at fair value through profit or loss		(356,678)
Net cash flow used in operating activities		(3,126,676)
Cash flows from investing activities		
Acquisition of subsidiary net of cash		(39,729,420)
Acquisition of non controlling interest net of cash		25,272,943
Net cash flow used in investing activities		(14,456,477)
Cash flows from financing activities		
Proceeds from issue of share capital	12	425,100
Premium received	12	42,190,000
Distribution paid		(913,750)
Net cash flow from financing activities		41,701,350
Net increase in cash and cash equivalents	13	24,118,197
Cash and cash equivalents at beginning of the period		–
Cash and cash equivalents at end of the period		**24,118,197**
Non cash items		
Increase in amounts held on security		(2,581,292)
Increase in amounts held on security payable		2,556,603
Interest payable on amounts held on security		24,689
		–
Net cash generated by operating activities includes:		
Interest received		124,721

The accompanying notes on pages 16 to 38 form an integral part of these unaudited Half-Yearly consolidated financial statements.

Notes to the Financial Statements

For the period from 21 May 2010 to 31 March 2011

1. General Information

GCP Infrastructure Investments Limited (the "Company") is a public company incorporated in Jersey with registration number 105775, on 21 May 2010. The Company is governed by the provision of the Companies (Jersey) Law, 1991, as amended.

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.

The Company holds a 61.94%, investment in GCP Infrastructure Fund Limited (the "Master Fund"), (together the "Group").

The Master Fund makes infrastructure investments through acquiring (or acquiring interest in) subordinated 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. The Master Fund primarily targets projects structured and financed under the UK PFI.

2. Accounting Policies

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board ("IASB") in force on 31 March 2011 as required by IFRS and as adopted by the European Union.

The consolidated Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current assets.

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.

These Consolidated Financial Statements consolidate the financial statements of the Company and its Subsidiary, the Master Fund on the basis that it has the power to exercise control over the operations of the Master Fund. All transactions and balances between the Company and the Master Fund have been eliminated on consolidation. The remaining outstanding Ordinary Redeemable Income Shares and Ordinary Redeemable Accumulation Shares of the Master Fund, equate to 38.06% and are represented as Financial Liabilities at fair value through profit or loss within the Consolidated Statement of Financial Position. Liabilities arising from the redeemable shares are carried at the redemption amount being the net asset value of the Master Fund calculated in accordance with IFRS.

Master Fund shareholders have the right to have their shares redeemed at a proportionate share based on the Master Fund's net asset value per share on the redemption date. For the purpose of calculating the net assets attributable to shareholders in accordance with the Master Fund's constitution, the Master Fund's valuation of net asset value is different from the IFRS valuation requirements. This is due to the treatment of set up costs where under IFRS they are expensed in full.

2.1 Basis of preparation *(continued)*

The following interpretations, accounting standards and their amendments were in issue at the period end but have not yet been applied by the Group. They are not expected to significantly impact the Group's financial statements.

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)
- Minor amendments to various standards and interpretations resulting from the May 2010 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2011)
- IAS 24 – Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 14-IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction — November 2009 Amendments with respect to voluntary prepaid contributions (effective for annual periods beginning on or after 1 January 2011)
- IFRS 7 Financial Instruments: Disclosures – amendments enhancing disclosures about transfers of financial assets (effective for annual periods beginning on or after 1 July 2011)
- IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets) (effective for annual periods beginning on or after 1 January 2012)

2.2 Significant accounting judgements and estimates

The preparation of consolidated financial statements in accordance with IFRS requires the Directors of the Group to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. Please refer to note 2.3 (b) for details of significant estimates.

Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group 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 Group'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 financial statements are set out below.

(a) Financial Instruments

(i) Classification

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

Notes to the Financial Statements *(continued)*
For the period from 21 May 2010 to 31 March 2011

2.3 Summary of significant accounting policies *(continued)*

Financial assets and liabilities at fair value through profit or loss
This category consists of financial instruments designated as fair value through profit or loss upon initial recognition. These include debt instruments that are not held for trading. 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 Information Memorandum document dated 28 June 2010. The financial information about these financial assets of the Group is provided by the Investment Adviser to the Directors of the Master Fund with the valuation model being supplied by Mazars LLP (the "Valuation Agent").

The outstanding Ordinary Redeemable Income Shares and Ordinary Redeemable Accumulation Shares of the Master Fund, equate to 38.06% and are represented as Financial Liabilities at fair value through profit or loss within the Consolidated Statement of Financial Position. Liabilities arising from the Master Fund redeemable shares are carried at the redemption amount being the Master Fund net asset value calculated in accordance with IFRS.

Loans and receivables
Loans and receivables are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. The Group includes in this category amounts relating to short-term receivables.

(ii) Recognition
The Group 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 Group 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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group's continuing involvement in the asset.

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

2.3 Summary of significant accounting policies *(continued)*

(iv) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in the Statement of Comprehensive Income.

Loans and receivables and other financial liabilities (other than those classified as at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(v) Subsequent measurement

After initial measurement, the Group measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in 'Statement of Comprehensive Income'.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the Statement of Comprehensive Income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(b) Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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, reference 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 17.

(c) Functional and presentation currency

The primary objective of the Group is to generate returns in Sterling, its capital-raising currency. The Group'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.

Notes to the Financial Statements *(continued)*

For the period from 21 May 2010 to 31 March 2011

2.3 Summary of significant accounting policies *(continued)*

(d) Distributions to shareholders

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

(e) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position 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.

For the purpose of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above.

(f) Deposit interest revenue and expense

Interest revenue and expense are recognised in the Statement of Comprehensive Income for all interest-bearing financial instruments using the effective interest method.

(g) Net gain or loss 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 excludes interest and dividend income and expense.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior periods' unrealised gains and losses for financial instruments which were realised in the reporting period.

(h) Arrangement fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accrual basis. Legal and audit fees are included within 'other general expenses'.

(i) Finance costs

Finance costs are recognised in the Statement of Comprehensive Income in the period they are incurred and are in relation to distributions payable by the Master Fund to Non Controlling Interest (classified as financial liability at fair value through profit or loss). This is in accordance with the Master Fund's constitution, the Master Fund will distribute the income it receives to the fullest extent that is deemed appropriate. The distributions are payable in May and November.

(j) Share Capital

The share capital of the Company comprise of non-redeemable shares.

The non-redeemable shares are classified as an equity instrument due to the following features:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The non redeemable shares are in the class of instruments that is subordinate to all other classes of instruments.

2.3 Summary of significant accounting policies *(continued)*

(j) Share Capital *(continued)*

- All non redeemable shares in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The non redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Company's net assets.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Company over the life of the instrument.

In addition to the non redeemable shares having all the above features, the Company must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets and unrecognised net assets of the Company.
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders.

The Company continually assesses the classification of the non-redeemable shares. If the non-redeemable shares cease to have all the features or meet all the conditions set out to be classified as equity, the Company will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the non-redeemable shares subsequently have all the features and meet the conditions as equity, the Company will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of reclassification.

The issuance, acquisition and resale of non redeemable shares are accounted for as equity transactions.

Upon issuance of shares, the consideration received is included in equity.

Transaction costs incurred by the Company in issuing, acquiring or reselling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

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.

Notes to the Financial Statements *(continued)*
For the period from 21 May 2010 to 31 March 2011

3. Segment Information

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

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

	March 2011 £
United Kingdom	2,756,593
Channel Islands	128,010
Total	**2,884,603**

The table below analyses the Group's operating income for the period ended 31 March 2011 per investment type.

	March 2011 £
Cash and cash equivalents	128,010
Financial assets and liabilities at fair value through profit or loss	2,756,593
Total	**2,884,603**

4. Expenses

Other General Expenses	March 2011 £
Audit fee	41,027
Director's insurance	17,073
Financial adviser fee	41,087
Legal and professional fee	58,010
Registrar's fee	13,369
Printing fee	8,103
General insurance fee	13,106
Public relations fee	25,690
Other expenses	61,357
Total	**278,822**
Set up costs	**827,201**

5. Directors Remuneration

The Directors of the Company and Master Fund are remunerated on the following basis.

	March 2011 £
Mr. Ian Reeves CBE	25,593
Mr. Trevor Hunt	17,219
Mr. David Pirouet	17,219
Master Fund Directors' fees	28,576
Directors expenses	903
Total fees	**89,510**

6. Taxation

Profits arising in the Group for the period of assessment from 21 May 2010 to 31 March 2011 will be subject to tax at the rate of 0%.

7. Dividends per share

The Dividend per share paid at Company level was 2.15 pence.

8. Group earnings per share

Basic (and diluted) earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Notes to the Financial Statements *(continued)*

For the period from 21 May 2010 to 31 March 2011

8. Group earnings per share *(continued)*

	Profit	Weighted average number of shares	March 2011 pence per share
Earnings per share (basic and diluted)	328,615	41,553,968	0.7908

Weighted average number of shares have been calculated by dividing the total shares in issue by the total days in the period, multiplied by the number of days they were in issue:

	Shares in issue	Days	Weighted
17 May 2010 to 16 August 2010	40,000,000	88	11,174,603
17 August 2010 to 7 October 2010	41,000,000	52	6,768,254
8 October 2010 to 31 March 2011	42,500,000	175	23,611,111
Total		315	41,553,968

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

9. Business combinations

The Company invested in the subsidiary GCP Infrastructure Fund Limited (the 'Master Fund'), (together the 'Group'), and in accordance with the Company's investment objective, the investment in the Master Fund will aim to provide its shareholders with regular sustained long term distributions. The Company will achieve its investment objective by investing substantially all of its capital in the Ordinary Income shares of the Master Fund, which in turn will generate income from subordinated PFI debt and /or similar assets.

9. Business combinations *(continued)*

The fair value of the identifiable assets and liabilities of the Master Fund at acquisition (31 July 2010) were:

Assets	**£**
Investment at fair value	30,835,162
Cash and cash equivalents	557,883
Receivables	270,817
	31,663,862
Liabilities	
Payables	(125,346)
Purchases awaiting settlement	(116,309)
	(241,655)
Total identifiable net assets at fair value	**31,422,207**
Total Ordinary shares in issue	30,757,582
Net asset value per Ordinary Income share	1.0216

Upon initial acquisition the company acquired 37,860,674 shares at a fair value of £38,678,444 (£1.0216 per ordinary income share).

The Company owned 61.94% of the issued share capital (£1) of the Master Fund as at 31 March 2011.

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

Acquisition of additional holdings in the subsidiary (the 'Master Fund')

On 30 September 2010, the Company bought an additional 1,007,069 (1.71%) Ordinary income shares at a fair value of £1,040,000. At this point the Company owned 64.92% of the Master Fund, with a non controlling interest of 35.08%. On 31 October 2010, the Company bought a further 1,560,951 Ordinary income shares (2.6%) at a fair value of £1,575,000, at this point the Company owned 62.4% with a non controlling interest share of 37.6%.

Notes to the Financial Statements *(continued)*
For the period from 21 May 2010 to 31 March 2011

10. Other receivables and prepayments

	March 2011 £
Loan fee income	175,000
Legal and professional fees	65,131
Other receivables and prepayments	22,904
Amounts receivable on unpaid Ordinary Shares	100
Bank interest	3,289
Total	266,424

11. Other payables and accrued expenses

	March 2011 £
Audit fee	26,229
Directors' fees	27,804
Company secretarial fees	1,600
Publishing fees	8,492
Other expenses	54,016
Setup costs	11,502
Security interest held	24,689
Total	154,332

12. Authorised and issued share capital

	Number of shares	£
Authorised Shares		
Ordinary Shares of £0.01 each	200,000,000	2,000,000
	200,000,000	2,000,000
Ordinary Shares issued and unpaid		
Ordinary shares of £0.01 each		
At 21 May 2010		
Issued on incorporation of the Company	10,000	100
Ordinary Shares issued and fully paid		
Ordinary shares of £0.01 each		
At 21 May 2010	-	-
Issued upon the Company's admission to the London Stock Exchange	40,000,000	400,000
Issued on 17 August 2010	1,000,000	10,000
Issued on 8 October 2010	1,500,000	15,000
At 31 March 2011	42,500,000	425,000
Total Ordinary Shares of £0.01 each	42,510,000	425,100

	£
Share Premium	
At 21 May 2010	–
Issued upon the Company's admission to the London Stock Exchange	39,600,000
Issued on 17 August 2010	1,030,000
Issued on 8 October 2010	1,560,000
At 31 March 2011	**42,190,000**

As at the date of incorporation of the Company, the authorised share capital of the Company was £1,000,000 divided into 1,000,000 Ordinary Shares of £1.00 each and the issued share capital of the Company was £100 divided into 100 Ordinary Shares of £1.00 each.

Notes to the Financial Statements *(continued)*
For the period from 21 May 2010 to 31 March 2011

12. Authorised and issued share capital *(continued)*

The authorised share capital of the Company was amended on 28 July 2010 resulting in an authorised share capital of the Company of £2,000,000 divided into 200,000,000 Ordinary Shares. The issued share capital of the Company at this date was £100 divided into 10,000 Ordinary Shares of £0.01 each.

Upon the Company's admission to the London Stock Exchange ("LSE") on 22 July 2010, 40,000,000 Ordinary Shares with an aggregate nominal value of £400,000 were issued at £1.00 each.

On 17 August 2010 following the Company's "Block Listing Application" dated 16 August 2010, 1,000,000 Ordinary Shares with an aggregate nominal value of £10,000 were issued at £1.04 each. On 8 October 2010, 1,500,000 Ordinary Shares with an aggregate nominal value of £15,000 were issued at £1.05 each.

The Company's Share Capital is represented by Ordinary Shares. Quantative information about the Company's capital is provided in the Consolidated Statement of Changes in Equity.

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

13. Group Reconciliation of Net Cash Flow to Movement in Cash and Cash Equivalents

	March 2011 £
Increase in cash in period	24,118,197
Cash and cash equivalents at beginning of period	–
Cash and cash equivalents at end of period	**24,118,197**

14. Amounts held on Security Account

	March 2011 £
Amounts held on Security Account payable	2,556,603
Interest payable on Security Account	24,689
Total amounts held on Security	**2,581,292**

'Amounts held on Security' relates to a cash deposit of £2,581,292 belonging to GPFI Holdings Limited. The cash is held in a segregated Master Fund account (the "Security Account"). The Master Fund is holding the cash as collateral to protect the Master Fund against underperformance of the GPFI Loans.

14. Amounts held on Security Account *(continued)*

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 £1,000,000 for as long as the Company owns the GPFI loans.

The amount is held as an asset and a liability on the face of the Statement of Financial Position.

15. Group Capital Commitments and Contingent Liabilities

At 31 March 2011 there were no contingent liabilities or capital commitments.

16. Finance costs

The finance costs payable to Non-Controlling Interest of the Group comprise of the following:

	March 2011
	£
Distribution in respect of income shares	756,675
Distribution in respect of accumulation shares	422,301
Total finance costs	**1,178,976**

17 Financial Risk and Management Objectives and Policies

The Company has an investment policy and strategy as summarised in its Information Memorandum dated 28 June 2010 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 risks. The Investment Adviser reports regularly to the Directors as ultimate responsibility for the overall risk management approach lies with the Directors.

The Investment Adviser and the Directors ensure that all investment activity is performed in accordance with investment guidelines. The Group'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 Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring. The financial risks to which the Group is exposed include market risk, credit risk and liquidity risk.

Fair Value

The Group's existing financial assets are the GPFI Loans, the GEM Loans, the LIIL Loans and the Kirklee Loans (as described in the Investment Adviser's Report) designated as financial assets at fair value through profit or loss. These financial instruments are held at fair value.

The Valuation Agent carries out monthly fair valuations of the financial assets of the Master Fund. These valuations are reviewed by both the Investment Adviser and the Directors of the Master Fund. The valuation methodology is outlined in the Information Memorandum dated 28 June 2010, and in the section below entitled 'Fair Valuation Methodology of Financial assets at fair value through profit or loss'.

Notes to the Financial Statements *(continued)*
For the period from 21 May 2010 to 31 March 2011

17. Financial Risk and Management Objectives and Policies *(continued)*

Fair Value

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:

- Quoted prices in active markets for identical assets or liabilities (level 1);
- 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) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

The table below summarises all securities held by the Group based on the fair valuation technique adopted at the period end.

		As at 31 March 2011		
Financial assets at fair value through profit or loss	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Financial assets designated at fair value through profit or loss				
Subordinated loan notes	–	40,325,989	–	40,325,989
	–	40,325,989	–	40,325,989

		As at 31 March 2011		
Financial liabilities at fair value through profit or loss	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Financial liabilities designated at fair value through profit or loss				
Non Controlling Interest	–	24,916,265	–	24,916,265
	–	24,916,265	–	24,916,265

During the period ended 31 March 2011 there were no transfers of investments between levels therefore no further disclosure is considered necessary by the Board of Directors. No level 3 reconciliation has been disclosed as it is the first reporting period of the Company and there have been no assets classified or transferred requiring reconciliation to the level 3 hierarchy.

17. Financial Risk and Management Objectives and Policies *(continued)*

Fair Valuation Methodology of Financial assets at fair value through profit or loss
The Valuation Agent has been appointed to carry out the fair market valuation of the Group's investments (classified as Financial assets at fair value through profit or loss) on a monthly basis.

The valuation principles used are based on a discounted cash flow methodology. A fair value for each asset acquired by the Group is calculated by applying what the Valuation Agent believes at the relevant time to be a market discount rate to the contractual cash flow expected to arise from each such asset.

The Valuation Agent believes that a discount rate driven solely by publicly-available electronic feeds is not possible or appropriate when valuing the investments of the Group due to the lack of publicly-disclosed financial information relating to UK infrastructure transactions, and the fact that it is often in the detail of each individual infrastructure project that the value or areas of concern are to be found.

The Valuation Agent therefore exercises its judgement in assessing the discount rate used for valuing each investment taking, inter alia, the following into account:

- Sterling interest rates;
- movements of comparable credit markets;
- the performance of the underlying assets, specifically any actual or potential event in relation to the underlying assets that may be expected to have a material impact on the ability of the borrower to meet its obligations to the Group, such as operating performance failures, or the credit impairment of the contract obligor;
- general infrastructure market activity and investor sentiment, which the Valuation Agent assesses by taking into account its knowledge of the infrastructure market gained from discussions with all forms of market participants and from publicly-available information on relevant transactions and publicly-traded infrastructure funds; and
- changes to the economic, legal, taxation or regulatory environment.

The Valuation Agent exercises its judgment in assessing the expected future cash flows from each investment. Given that the investments of the Master Fund will typically be fixed income debt instruments (with elements of inflation protection), the focus of the Valuation Agent is on assessing the likelihood of any interruptions to the debt service payments given the operational performance of the underlying asset.

Notes to the Financial Statements *(continued)*
For the period from 21 May 2010 to 31 March 2011

17. Financial Risk and Management Objectives and Policies *(continued)*

Fair Valuation Methodology of Financial assets at fair value through profit or loss (continued)
The table below shows how changes in discount rate affect the changes in the valuation of financial assets at fair value:

Change in discount rate	0.50%	0.25%	0%	(0.25%)	(0.50%)
Valuation of financial assets at fair value	38,868,220	39,584,800	40,325,989	41,092,930	41,886,840
Change in valuation of financial assets at fair value	(1,457,760)	(741,180)	–	766,950	1,560,860

Fair Value Methodology of Financial liabilities through profit and loss.
The Group recognises the Non Controlling Interest as a financial liability at fair value through profit or loss. The value is recognised as the net asset value price of the Master Fund.

For all other financial assets and liabilities, the carrying amounts are approximate to their respective fair value.

Currency Risk
The Group would engage in currency hedging only with a view to protecting the level of sterling dividends and other distributions to be paid by the Group in relation to the Ordinary Shares. It is not currently the intention of the Group to invest in non-sterling denominated assets, or raise non-sterling denominated liabilities, and such currency hedging is therefore not currently envisaged.

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. Sensitivity analysis on the discount rate used in the valuations which will be impacted by the interest rate, is included above.

17. Financial Risk and Management Objectives and Policies *(continued)*

Future cash flows

The Group primarily invests in subordinated loans of infrastructure Project Companies. The Group's current 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 Group.

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 Group in line with its investment policy and strategy.

The Group 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

The Master Fund has made no use of borrowings to finance the acquisition of its current investments, and may only use borrowings for short-term purposes as may be necessary for the settlement of transactions, to facilitate share redemptions (where applicable) or to meet ongoing expenses. The Master Fund's borrowings shall not in any event exceed 10 per cent of the Master Fund's net asset value as at the time any such borrowings are drawn down.

The Company's borrowing shall not in any event exceed 20 per cent of the Company's net asset value as at the time any such borrowing are drawn down.

Any potential financial impact of movements in interest rates on the cost of borrowings on the Group will be mitigated by the short term nature of such borrowings.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty is not an exchange-clearing house.

The role and position within an infrastructure project structure of the Group's direct counterparty will vary from deal to deal. However, in most cases it is the credit position of the Project Company and its group companies that is of ultimate importance.

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 of the Master Fund quarterly.

Notes to the Financial Statements *(continued)*
For the period from 21 May 2010 to 31 March 2011

17. Financial Risk and Management Objectives and Policies *(continued)*

Credit Risk (continued)
All the existing financial assets at fair value of the Group are unrated debt instruments issued by Grosvenor PFI Holdings Limited, White Rock Insurance (SAC) Ltd, T-26 GEM Infrastructure, Leisure Infrastructure Investors Limited and Kirklees PFI Limited who manage the affairs of the portfolios.

Total Exposure by Borrowers	£	%
White Rock Insurance (SAC) Ltd, T-26 GEM Infrastructure	14,187,303	35
Grosvenor PFI Holdings Limited	14,097,579	35
Leisure Infrastructure Investors Limited	9,687,874	24
Kirklees PFI Limited	2,353,233	6
Total	**40,325,989**	**100**

Top Ten Exposures by Project Counterparty	£	%
Amber Valley Borough Council	4,114,742	10
Leeds City Council	3,347,114	8
Rotherham Metropolitan Borough Council	3,125,121	8
County Durham Primary Care Trust	3,064,691	8
Mid Essex NHS Trust	3,064,691	8
South Essex Partnership University NHS Foundation Trust	3,064,691	8
Tees, Esk and Wear Valleys NHS Foundation Trust	3,064,691	8
Kent County Council	2,518,198	6
Wolverhampton City Council	2,448,011	6
Kirklees County Council	2,353,233	5
Other (10 project counterparties each with exposures less than £1.9m)	10,160,806	25
Total	**40,325,989**	**100**

17. Financial Risk and Management Objectives and Policies *(continued)*

Credit Risk (continued)

Top Ten Exposures by Facilities Manager	£	%
Grosvenor Facilities Management	14,097,579	35
Emcor	5,573,132	14
DC Leisure Management	4,114,742	10
Interserve FM Ltd	3,347,114	8
Pinnacle	2,353,233	6
OCS Group UK Ltd	1,796,173	5
Trillium FM (Kent BSF) Ltd	1,796,173	5
Carillion FM Ltd	1,106,203	3
VT Education and Skills Limited	999,069	2
Amey Business Services Ltd	981,654	2
Other (6 facilities managers, each with exposures less than £0.98m)	4,160,917	10
Total	**40,325,989**	**100**

Liquidity Risk

Liquidity risk is defined as the risk that the Group 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 Group could be required to pay its liabilities or redeem its shares earlier than expected.

The Group is exposed to cash redemptions of participating redeemable shares of the Master Fund, on a regular basis. Shares of the Master Fund are redeemable at the holder's option based on the Fund's net asset value per share at the time of redemption, calculated in accordance with the Master Fund's constitution.

The Master Fund manages its obligation to repurchase the shares when required to do so and its overall liquidity risk by requiring a four week notice period before redemptions. The Directors of the Master Fund also have the right to declare a suspension of redemption of shares.

The table below analyses all of the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the Consolidated Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows balances due.

Notes to the Financial Statements *(continued)*
For the period from 21 May 2010 to 31 March 2011

17. Financial Risk and Management Objectives and Policies *(continued)*

Liquidity Risk (continued)

	Less than 1 month £	1 – 3 months £	3 – 12 months £	Greater than 12 months £	No stated maturity £	Total £
Financial Assets						
Cash and cash equivalents	24,118,197	–	–	–	–	24,118,197
Amounts held on Security Account	–	–	–	2,581,292	–	2,581,292
Other receivables and prepayments	–	–	266,324	–	–	266,324
Amounts receivable on subscription of Master Fund shares	2,904,423	–	–	–	–	2,904,423
Financial assets at fair value through profit or loss	1,096,325	324,301	2,155,624	107,749,915	–	111,326,165
Total financial assets	**28,118,945**	**324,301**	**2,421,948**	**110,331,207**	**–**	**141,196,401**
Financial Liabilities						
Custodian and administration fees payable	–	27,315	–	–	–	27,315
Other payables and accrued expenses	–	154,332	–	–	–	154,332
Amounts payable on redemption of Master Fund shares	130,216	–	–	–	–	130,216
Distribution payable on participating Master Fund shares	–	381,629	–	–	–	381,629
Amounts held on Security Account	–	–	–	2,556,603	–	2,556,603
Financial liabilities at fair value through profit or loss	–	–	–	–	24,916,265	24,916,265
Total financial liabilities	**130,216**	**563,276**	**–**	**2,556,603**	**24,916,265**	**28,166,360**

18. 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.

Investment Adviser

The Company and the Master Fund are party to Investment Adviser Agreements with the Investment Adviser, dated 28 June 2010 and 3 June 2009 respectively, pursuant to which the Company and the Master Fund have appointed the Investment Adviser to provide advisory services with respect to the respective assets on a day-to-day basis in accordance with their respective investment objectives and policies, subject to the overall supervision and direction of their respective Boards of Directors.

For its services to the Company, the Investment Adviser receives an annual fee of £20,000.

For its services to the Master Fund, the Investment Adviser receives a fee at the rate of 0.90% p.a. (or such lesser amount as may be demanded by the Investment Adviser at its own absolute discretion) multiplied by the sum of:

- the net asset value of the Master Fund, less
- the value of the cash holdings of the Master Fund 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 in respect of the Master Fund.

During the period, the Group expensed £68,073 in respect of Investment Advisory fees and expenses. This comprised as follows:

- £15,123 related to the contractual fee at Company level for the period 21 May 2010 to 31 March 2011;
- £52,194 related to the contractual fee at Master Fund level for the period 31 July 2010 to 31 March 2011. During this period, the Investment Adviser waived the right to receive £169,012 of their contractual fee at Master fund level; and
- £756 related to expenses claimed at Group level for the period 31 July 2010 to 31 March 2011.

Administrator

The Company and the Master Fund are party to Administration Agreements with the Administrator, dated 28 June 2010 and 9 June 2009 respectively, pursuant to which the Company and the Master Fund have appointed the Administrator to provide administrative services on a day-to-day basis.

Notes to the Financial Statements *(continued)*
For the period from 21 May 2010 to 31 March 2011

18. *Related Party Disclosures (continued)*

Administrator (continued)
For its services to the Company, the Administrator receives an annual fee of £40,000.

For its services to the Master Fund, the Administrator receives fees charged on the net asset value of the Master Fund, subject to a minimum annual fee of £110,000.

The Administrator is also entitled to claim for expenses arising in relation to the performance of certain duties in respect of the Group.

During the period, the Group expensed £100,959 in respect of Administration fees, of which £24,247 is included within custodian and administration fees payable as at 31 March 2011. The expense balance comprised as follows:

- £27,726 related to the contractual fee at Company level for the period 21 May 2010 to 31 March 2011, of which £6,466 was outstanding at the end of the period; and
- £73,233 related to the contractual fee at Master Fund level for the period 31 July 2010 to 31 March 2011, of which £17,781 was outstanding at the end of the period.

Custodian
The Master Fund is party to a Custodian Agreement with the Custodian, dated 21 July 2009. For its services to the Master Fund, the Custodian receives fees charged on the net asset value of the Master Fund, subject to a minimum annual fee of £10,000.

During the period 31 July 2010 to 31 March 2011, the Group expensed £12,447 in respect of Custodian fees, of which £3,068 was outstanding at the end of the period.

19. Subsequent events after the Report date

On 26 May 2011 the Master Fund acquired a series of loans in an aggregate total value of £23.5 million with an average life of 26 years secured on a subordinated basis against a portfolio of healthcare and accommodation PFI assets. Following the completion of this transaction, the Master Fund is substantially fully invested.

20. Ultimate Controlling Party

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

GCP

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