

## GCP Infrastructure Investments Limited

Annual Report and Audited Consolidated Financial Statements  
For the year ended 30 September 2012



**GCP**



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## Company Information

### The Company

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

### Directors

Mr. Ian Reeves CBE  
Mr. Trevor Hunt  
Mr. David Pirouet

### Investment Adviser

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

### Financial Adviser & Broker

Oriel Securities Limited\*  
150 Cheapside  
London EC2V 6ET

### Independent Auditors

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

### 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

### Custodian

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

### Administrator, Secretary and Registered Office of the Company

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

### Registrar

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

### Advisers on Jersey Law

Carey Olsen  
47 Esplanade  
St. Helier  
Jersey JE1 0BD

### Advisers on UK Law

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

### Valuation Agent

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

\* authorised and regulated by the Financial Services Authority.

## Overview

For the year ended 30 September 2012 (the “year”)

- Successful capital raise in December 2011 of £67.4 million (the “2011 C Share Issue”), with £63.7 million raised through the Placing and Offer for Subscription of C Shares and £3.6 million raised through the arrangement for switching
- Investment of substantially all of the proceeds from the 2011 C Share Issue in GCP Infrastructure Fund Limited (the “Master Fund”) C Shares
- Deployment by the Master Fund of capital raised through the 2011 C Share Issue triggered conversion of C Shares into Ordinary Shares in May 2012
- Tap issue in June 2012 raised a further £11.3 million (the “Tap Issue”)
- Company holding 74.35% of issued share capital in the Master Fund as at 30 September 2012; together, the Company and the Master Fund form the “Group”
- Investments made by the Master Fund totalling £86.8 million during the period
- Third party valuation of the Master Fund’s investment portfolio of £157.1 million as at 30 September 2012, of which the Company’s share totalled £116.8 million
- Master Fund investment portfolio performing in line with expectation, with underlying infrastructure assets reporting no material operational issues
- Net asset value (“NAV”) of 100.95 pence per Company Ordinary share as at 28 September 2012\*
- Net profit for the year of £4.3 million
- Company distribution of 3.7 pence per share for the six month period to 31 March 2012 paid in June 2012, and distribution of 3.8 pence per share for the six month period to 30 September 2012 declared on 19 November 2012
- Successful capital raise post year-end in October 2012 of £144.4 million (the “2012 C Share Issue”) considerably oversubscribed

\*The NAV referred to in the Annual Report is calculated in accordance with the prospectus and a reconciliation to the NAV per the financial statements, prepared in accordance with IFRS, is provided in note 21.

## The Board of Directors



**Ian Reeves, CBE – Chairman (Non-executive Director)**

**Age:** 68

**Length of Service:** Appointed on 15 June 2010

**Current Appointments:** Constructing Excellence Limited, FSI Worldwide Limited, Zigmaney Consulting Limited, New Airport Limited, Synaps Limited, Synaps Partners LLP, Dealpride Limited, G4S, FSI Limited, FSI Europe Limited

**Employment by the Investment Adviser:** None

**Other Connections with Company or Investment Adviser:** None

**Shareholding In Company:** None



**David Pirouet – (Non-executive Director)**

**Age:** 58

**Length of Service:** Appointed on 15 June 2010

**Current Appointments:** D.L.R.S Advisory Services Limited, EMSA Fund Management (Jersey) Limited, Kames Target Healthcare General Partner Limited, Ludgate Environmental Fund Limited, Nordic Capital V Limited, Nordic Capital VI Limited, Kreos Capital Group Limited

**Employment by the Investment Adviser:** None

**Other Connections with Company or Investment Adviser:** None

**Shareholding In Company:** None



**Trevor Hunt – (Non-executive Director)**

**Age:** 59

**Length of Service:** Appointed on 15 June 2010

**Current Appointments:** GCP Infrastructure Fund Limited, Purisima Investment Fund (CI) Limited, Hero Absolute Return Fund PC (formerly Hero Income Fund PC), Hero Funds PCC Limited, Hero Portfolio Fund PC, Hero Liquid Reserve Fund PC, Ukraine Liberty Fund Limited, KIC Fund Managers (Guernsey) Limited, KIC Global Strategy Fund Limited, Wellington Partners Ventures Special (GP) Limited, Wellington Partners Management Limited, Overlord Europe Limited, Overlord Europe Asset Managers Limited, Overlord Europe Holdings Limited, Standfast Vision 1 Limited, Harewood Structured Investments PCC Limited, Palio UK Mid-Market Debt Fund Limited, Wellington Partners Technology V Management Limited

**Employment by the Investment Adviser:** None

**Other Connections with Company or Investment Adviser:** Member of the Master Fund Board of Directors

**Shareholding In Company:** None

## Chairman's Statement

### Introduction

On behalf of the Board, I am pleased to report a period of substantial growth for the Company and the Group. The Company raised £67.4 million in December 2011, £11.3m in June 2012, and a further £144.4 million shortly after the year end in an offering that was considerably oversubscribed. We have seen consistent ongoing investor demand for the Company's shares resulting in both the Ordinary Shares and C Shares trading at a premium to net asset value ("NAV").

The support for the three capital raisings from both existing and new shareholders was a strong demonstration of confidence not only in the infrastructure sector, but more specifically in the Company's investment strategy. All investors, from individuals to institutions, are currently faced with a significant challenge in finding lower risk investments that generate a meaningful yield. This search is often complicated by a competing desire to secure investments that mitigate the dangers of high inflation.

Investors are increasingly looking to the infrastructure sector, and to the Company, to address these issues, drawing comfort from investments that benefit from the security and predictability of public sector-backed, inflation protected cash flows whilst producing yields considerably in excess of government bonds.

Deployment of the capital raised in December 2011 proceeded as expected, with the C Shares issued converting into Ordinary Shares in May 2012. In light of the Master Fund's increasingly prominent position as one of the very few specialist lenders to the UK infrastructure sector, the Board remains confident that a sufficient pipeline of attractive investment opportunities exists to enable the timely investment of the capital raised in October 2012.

### Group Update

Substantially all of the capital raised by the Company through the 2011 C Share Issue and the Tap Issue was invested, via the Master Fund, in a variety of infrastructure debt investments. The Master Fund made investments totalling £86.8 million during the period. The Investment Adviser is actively progressing a pipeline of opportunities in order to deploy the capital raised from the 2012 C Share Issue.

The Master Fund's investment portfolio as at 30 September 2012 consisted of 23 infrastructure loans with a value of £157.1 million secured against the cash flows of a wide variety of Private Finance Initiative ("PFI") and Feed in tariff ("FIT") projects. The Board remains confident that the contracts that govern the cash flows associated with these projects will be honoured and the payments due under the Group's investments paid in full.

## Chairman's Statement *(continued)*

### Market overview and target investments

In his Autumn 2012 Statement, Rt. Hon George Osborne MP, the Chancellor of the Exchequer, unveiled the government's plans for the replacement of the much maligned Private Finance Initiative with Private Finance 2 ("PF2"). PF2 appears to be substantially similar to PFI with a few significant changes designed to increase transparency and public sector value for money.

To address the issue of transparency, the public sector will acquire equity stakes in projects with associated project company board representation, and the government will also require the private sector to reveal actual and forecast equity return information. Ensuring value for money will be attempted through limiting expensive procurement processes to 18 months, and by making operational maintenance contracts far more flexible than those that are used under PFI.

Whilst these changes on the surface seem sensible, and in some instances long overdue, it remains to be seen how the infrastructure investor market will react. The government's updated National Infrastructure Plan (NIP) 2012 details a pipeline of 550 projects with a value of £330bn earmarked for development up to 2015 and beyond. Approximately two thirds of the construction cost of this pipeline is to be raised from the private sector, and as such it is crucial to the government's plans that both long term equity and debt investors, as well as developers, are able to get comfortable with PF2.

Despite these immediate uncertainties as to markets reception of PF2, approximately £50 billion of projects that have reached financial close under PFI represent a very substantial pool of potential subordinated debt investment opportunities. The Master Fund is increasingly finding that the best value is found in smaller, off-market transactions that are not large enough to attract the interest of the majority of UK infrastructure investors.

The Master Fund has also made investments within the renewable energy sector, specifically making senior loans secured against solar photovoltaic installations generating revenues under the UK government's FIT scheme. The Master Fund continues to seek similar opportunities in a variety of renewable energy projects that generate subsidies such as the FIT, the renewable heat incentive or renewable obligation certificates. In all these instances potential investments are at the senior debt level.

### Gearing

On 11 November 2011, the Master Fund entered into a credit facility (the "RBSI Facility") with Royal Bank of Scotland International Limited ("RBSI"). The RBSI Facility is a revolving credit facility which is limited to a maximum of £7 million (the "Facility Amount") and can be used to finance investments by the Master Fund. It has a one year revolving period and a two year term. The RBSI Facility was fully drawn down during the period, but was repaid in May 2012. It remains undrawn to date, and it is not anticipated that it will be used in the near term, although discussions are ongoing with RBSI to re-document the RBSI Facility in due course.

### Financial Results

The total comprehensive income for the year was £4.3 million.



#### Distributions

The Company paid a distribution of 3.70 pence per share for the six month period from 1 October to 31 March 2012. Subsequent to the year end, the Company declared on 19 November 2012 a dividend of 3.80 pence per Ordinary Share for the six month period from 31 March 2012 to 30 September 2012.

#### NAV and share price

The Company's share price has traded at a premium to net asset value throughout the year. The Company's share price and net asset value per Ordinary Share as at the last business day prior to the year end, being 28 September 2012, were 106.63 pence per share and 100.95 pence per share respectively.

As at 30 November 2012 the Company's share price and net asset value per Ordinary share were 107.50 pence per share and 98.40 pence per share respectively.

#### Principal Risks and Uncertainties

The Board believes that the principal risks and uncertainties have not changed since the publication of the Company's C Share Prospectus on 18 September 2012 (available on the Company's website).

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Mr. Ian Reeves CBE

## Investment Adviser's Report

### The Group's Investment Strategy

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 related and/or similar assets. The Company's investment objectives are in line with the investment objectives of the Master Fund. The Company achieves its investment objectives by investing substantially all of its capital in Ordinary Redeemable Income Shares of the Master Fund.

The Master Fund primarily targets infrastructure investments after the design and build phases have been completed and the assets are operational, although it may also consider, up to an absolute maximum of 25% of its total assets (at the time the relevant investment is made), investments in infrastructure assets that are either backed by regulated utility cash flows or are in construction. Full details of the Company's and the Master Fund's investment objectives and policy are included on page 22 of the Annual Report.

### Market Updates

#### i) UK PFI / PPP

In his autumn statement on 5 December 2012, the Rt. Hon George Osborne MP, the Chancellor of the Exchequer, outlined the government's vision for the future of UK infrastructure in the form of PF2, the long awaited replacement of PFI. PF2 is, as expected, substantially based on PFI with a few significant changes.

On the financing side, projects will be less geared, capped at an expected 80% compared to the 90% gearing for PFI deals. The much larger equity capital is to be provided by three distinct sources: developer equity, public sector equity (up to 49%), and so called "third party equity". The third party equity will be procured through a funding competition, and is an attempt to attract long term institutional investors. The provision of public sector equity will come with project company board representation, and is an attempt to align the interests of the public and private sectors and to ensure the public sector has greater visibility of, and control over, project performance.

Two of the most vehemently criticised aspects of PFI, the inflexibility of operational maintenance contracts and the cost and time associated with procurement, have also been addressed directly. The government is introducing flexible soft facilities management contracts, meaning the public sector will be able to change service providers at any point during the PF2 contract and choose cheaper options. The government has also stated that procurement times for PF2 deals can last no longer than 18 months.

The Treasury also published the updated National Infrastructure Plan (the "Plan") 2012, detailing a pipeline of 550 new infrastructure projects to be built over the next decade at a cost of about £330 billion. The government views infrastructure development as a key driver of economic growth, in the medium term through the creation of thousands of jobs, and in the longer term through the renewal and modernisation of the country's infrastructure.

How the market reacts to PF2 is yet to be seen. It will be crucial that the private sector debt and equity markets get comfortable with the new structure given the enormous private sector funding requirement for the proposed infrastructure development.

ii) Renewable Energy

Renewable energy is energy from resources which are naturally replenished, such as sunlight, wind, tides and geothermal energy. In recent years there have arisen significant concerns around both the limited nature of many traditional sources of power, heating and transport fuels, 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.

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 ("FIT") scheme, the Renewable Heat Incentive ("RHI") and the Renewable Obligation scheme (through Renewable Obligation Certificates, or "ROCs").

The primary generation methodologies attracting payments of FITs are generally smaller scale systems and include solar photovoltaic systems, anaerobic digestion systems and small onshore wind sites. ROCs tend to be more targeted at larger scale generators such as energy-from-waste (where electricity is generated from the combustion or gasification of waste) and large onshore or all offshore wind farms. RHI is focused on biomass, heat pump, solar thermal and biomethane projects.

The key consideration in any renewable investment is the security and dependability of the underlying government subsidy cash flows, whether it is the FIT generated by Solar PV panels, or ROCs generated by a biomass plant. Our technical due diligence focuses on the maturity of the technology and other key operational risks inherent in the project.

The Master Fund is currently considering a wide variety of senior debt investment opportunities across the renewable sector.

iii) Debt Markets

The National Infrastructure Plan outlined the government's aim to raise £150 billion from the private sector, the majority of which would be debt finance. The high capital cost of infrastructure assets means they are best financed by long dated debt, and it remains the case that there are currently relatively few providers of long dated debt.

Banks continue to retreat from long-term lending due to Basel II / III and concerns regarding their own liquidity. The bond markets are still predominantly shut to new issuances following the collapse of monoline insurers, and the involvement of pension funds and insurers is hampered by impending regulation in the form of Solvency II. Those entities that are lending, a few of the Japanese banks and some insurers and pension funds, are more focused on larger value transactions.

It is the pension funds in particular that the government has turned to in the hope that they will play a key role in funding the planned infrastructure expenditure. It was announced in September 2012 that seven pension funds had given soft commitments to the government to allocate approximately £2 billion to a platform to invest in UK infrastructure projects, although it remains unclear at what stage in the development of an infrastructure asset the pension funds will invest, and whether they will provide debt or equity.

A clear indication of the government's concern surrounding the constrained credit environment was their announcement in mid-July 2012 regarding the roll out of a £40 billion loan guarantee programme designed to assist in the financing of infrastructure projects that had stalled specifically due to adverse credit conditions. It is hoped that this will help progress what is a relatively limited infrastructure development pipeline.

## Investment Adviser's Report *(continued)*

### Current Investment Focus and Pipeline

We are currently exploring a variety of investment options in line with the Master Fund's investment policy and return requirements. The pervasive dearth of long dated debt providers, particularly for smaller scale infrastructure projects, means that the Master Fund's offering of long dated, fixed interest, debt financing remains, in our view, an attractive option for many holders and developers of infrastructure assets.

Despite the uncertainties surrounding the government's PFI review, there remains a considerable pipeline of investment opportunities in the PFI sector, in the short term from existing completed assets and in the medium term from those that are currently in construction. The increasing number of investors targeting operational PFI assets, from listed infrastructure funds to pension funds, has resulted in a tightening in the market generally, and means that the best value transactions are now particularly in smaller off-market deals.

The almost complete lack of term lenders to the renewable sector (FIT cash flows are typically contracted for 20–25 years, the ROC regime expires in 2037), has meant that we have seen the emergence of a significant pipeline of suitable senior debt investment opportunities for the Master Fund in this area. Similarly to the Master Fund's focus in PFI, we are finding best value in smaller transactions, particularly with developers that are aggregating portfolios of assets. Due to the relatively limited capital requirements of smaller projects, such developers are finding it almost impossible to attract the attention of those banks and institutions that are considering advancing longer term finance. This credit environment has resulted in pricing on senior debt that we consider to be disproportionate to the risks.

We remain active in our efforts to fund social housing projects backed by leases to registered social landlords and local authorities, and given the ongoing pressure on the balance sheets of senior lenders to the UK PFI sector, we remain confident that highly attractive investment opportunities will emerge through our relationships with a variety of lenders.

### Portfolio Overview

#### i) Acquisitions

During the year, the Master Fund made 11 investments totalling £86.8 million.

On 4 October 2011, the Master Fund committed to advance a series of loans of up to £15 million (the "ASG1 Loans"). The ASG1 Loans are expected to have a term of c.23.5 years and have an interest rate of 9.52% annual equivalent whilst benefitting from an element of inflation protection. £11.5 million has been drawn down to date, and there are expected to be no further drawings. The ASG1 Loans are secured on a senior basis against the cash flows arising under the UK Government's FIT scheme from a portfolio of c.900 domestic solar panel installations in England against a schedule of completed installations. The installations have been effected by A Shade Greener Limited.

On 30 November 2011, the Master Fund advanced a loan of £10.3 million (the "Education Loan") secured on a subordinated basis against an education PFI project comprising 3 schools (the "Project"). The Project is located in England and has been operational since 2007. The Education Loan has a term of c.23 years and generates a return of c.9.20% annual equivalent.

On 6 January 2012, the Master Fund committed to advance a further series of loans in an aggregate size of up to £15.1 million (the "ASG2 Loans"). The ASG2 Loans are expected to have a term of c.25 years and have an interest rate of 9.52% annual equivalent whilst benefitting from an element of inflation protection. £14.5 million has been drawn down to date, and there will be no further drawings. The ASG2 Loans are secured on a senior basis against the cash flows arising under the FIT scheme from a portfolio of c.1,000 domestic solar panel installations in England against a schedule of completed installations. The installations have been effected by A Shade Greener Limited.

On 26 April 2012, the Master Fund advanced a loan of £11.3 million (the "Civic Loan"). The Civic Loan is secured on a subordinated basis against the cash flows arising from a portfolio of education and custodial PFI assets yielding an effective rate of 9.31% annual equivalent with an expected remaining term of 17 years.

On 30 April 2012, the Master Fund advanced a loan of £14.4 million (the "Solar Loan"). The Solar Loan is secured on a senior basis against the cash flows arising from a solar photovoltaic farm, and yields an effective rate of 9.47% annual equivalent with an expected remaining term of 24 years.

On 12 June 2012, the Master Fund advanced a loan of £4.3 million (the "Cardale Loan"), which is secured against the cash flows arising from a varied portfolio of UK PFI assets yielding an effective rate of 9.74% annual equivalent with an expected remaining term of 23 years.

On 22 June 2012, the Master Fund subscribed for loan notes with an aggregate value of approximately £13.5 million (the "Notes") secured on a subordinated basis against a portfolio of senior UK PFI loans. The Notes will pay interest, at a rate of 3 month LIBOR plus 8.75% per annum, on a quarterly basis and have a final maturity date in approximately 29 years' time, but we expect the Notes to be redeemed in approximately 15 years.

On 7 August 2012, the Master Fund committed to advance a further series of loans in an aggregate size of up to £6.0 million (the "ASG3 Loans"). The ASG3 Loans are expected to have a term of c.25 years and have an interest rate of 9.31% annual equivalent whilst benefitting from an element of inflation protection. £2.9 million was drawn down as at 30 September 2012, with the remaining £3.1 million drawn down post year end. The ASG3 Loans are secured on a senior basis against the cash flows arising under the FIT scheme from a portfolio of c.1,000 domestic solar panel installations in England against a schedule of completed installations. The installations are being effected by A Shade Greener Limited.

In addition to the above investments during the year, the Master Fund acquired loan notes issued by Infrastructure Intermediaries No.1 Limited with an aggregate value of approximately £4 million. The loan notes are secured against a variety of healthcare and education PFI assets.

ii) Portfolio exposure

The Master Fund's investment portfolio consists of 23 infrastructure loans (the "Loans"). The Loans have all been made against the performance of a number of availability based UK PFI projects and against cash flow receivable under the FIT scheme (the "Projects").

## Investment Adviser's Report *(continued)*

54% of the Loans are subordinated and 28% are senior loans, with the remaining 18% being senior loan guarantees. 28% of the Loans are exposed to the education sector, 28% to FIT cash flows, 24% to the healthcare sector, 8% to the leisure sector, 6% to accommodation assets and the remainder to a variety of PFI projects. The weighted average annualised yield and expected remaining term of the Loans is 9.64% and 21 years respectively. The valuation of the Company's exposure to the Loans is £157.1 million (based on a valuation carried out by Mazars LLP, the Valuation Agent, as at 30 September 2012) and reflects a weighted average discount rate across the portfolio of Loans of c. 9.64%.

### iii) Performance

None of the Projects have reported any material operational performance issues during the year.

#### Valuation and Discount rates

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.

The valuation of the Master Fund's investment portfolio as at 30 September 2012 was £157.1 million. The discount rates used by the Valuation Agent to value the Company's investments ranging between 8.82% and 10.92%, with a weighted average discount rate across the portfolio of 9.64%.

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Gravis Capital Partners LLP  
Investment Adviser  
6 December 2012

## Financial Results

For the year ended 30 September 2012

### Accounting

In order to provide shareholders with further information regarding the Company's financial position, the results for the year have been presented on an investment basis in addition to the International Financial Reporting Standards ("IFRS") requirement to present the performance of the Group on a consolidated basis.

By showing unaudited Company results and the consolidation adjustments this increases transparency in respect of the Company's capacity for investment and ability to make distributions.

This financial information is unaudited but is provided to give additional guidance in combination with consideration of the primary Financial Statements.

### Income and costs

#### Unaudited Summary Income Statement

	Year ended 30 September 2012			Period 21 May 2010 to 30 September 2011		
	Investment Basis £	Consolidation adjustments £	Consolidated IFRS Basis £	Investment Basis £	Consolidation adjustments £	Consolidated IFRS Basis £
<b>Income</b>						
Deposit interest income	16,278	186,908	203,186	5,608	159,018	164,626
Fair value movements	6,156,648	3,661,332	9,817,980	3,165,377	2,761,268	5,926,645
	<u>6,172,926</u>	<u>3,848,240</u>	<u>10,021,166</u>	<u>3,170,985</u>	<u>2,920,286</u>	<u>6,091,271</u>
<b>Expense</b>						
General expenses	(537,291)	(2,217,405)	(2,754,696)	(436,651)	(728,673)	(1,165,324)
One off transaction costs	(1,317,784)	(17,150)	(1,334,934)	(827,201)	–	(827,201)
	<u>(1,855,075)</u>	<u>(2,234,555)</u>	<u>(4,089,630)</u>	<u>(1,263,852)</u>	<u>(728,673)</u>	<u>(1,992,525)</u>
Total operating profit before finance costs	4,317,851	1,613,685	5,931,536	1,907,133	2,191,613	4,098,746
Finance costs	–	(1,605,272)	(1,605,272)	–	(2,250,176)	(2,250,176)
<b>Profit/(loss) for the period</b>	<u>4,317,851</u>	<u>8,413</u>	<u>4,326,264</u>	<u>1,907,133</u>	<u>(58,563)</u>	<u>1,848,570</u>

On an investment basis, profit for the year was £4.3 million (30 September 2011: £1.9 million), with the increase attributable to fair value movements of £6.2 million (30 September 2011: £3.2 million) generated from a significantly increased asset base of £121.7 million (30 September 2011: £42.3 million) due to successful capital raises during the year, and the resulting investment in the Master Fund which generated additional loan interest income.

One off transaction costs during the year relate entirely to the C Share issue by the Company and corresponding placing fees, legal fees and administration costs.

## Financial Results *(continued)*

For the year ended 30 September 2012

General Company expenses rose during the year by £0.1 million primarily due to commission fees incurred as a result of the TAP issue. All other expenses remained predominantly constant.

The Company has no debt and therefore no finance costs were incurred during the year.

### Financial Position

#### Unaudited Summary Statement of Financial Position

	As at 30 September 2012			As at 30 September 2011		
	Investment Basis £	Consolidation adjustments £	Consolidated IFRS Basis £	Investment Basis £	Consolidation adjustments £	Consolidated IFRS Basis £
<b>Assets</b>						
Cash and cash equivalents	189,444	9,402,380	9,591,824	407,098	8,813,304	9,220,402
Other receivables and prepayments	28,303	2,363,729	2,392,032	1,492,509	2,068,015	3,560,524
Investments at fair value	121,669,811	35,400,617	157,070,428	42,337,689	24,836,314	67,174,003
<b>Total Assets</b>	<b>121,887,558</b>	<b>47,166,726</b>	<b>169,054,284</b>	<b>44,237,296</b>	<b>35,717,633</b>	<b>79,954,929</b>
<b>Liabilities</b>						
Payables and accrued expenses	(64,786)	(3,013,879)	(3,078,665)	(80,493)	(3,942,626)	(4,023,119)
Non-controlling interests	–	(44,202,998)	(44,202,998)	–	(31,833,570)	(31,833,570)
<b>Total Liabilities</b>	<b>(64,786)</b>	<b>(47,216,877)</b>	<b>(47,281,663)</b>	<b>(80,493)</b>	<b>(35,776,196)</b>	<b>(35,856,689)</b>
<b>Net assets attributable to owners of the Company</b>	<b>121,822,772</b>	<b>(50,151)</b>	<b>121,772,621</b>	<b>44,156,803</b>	<b>(58,563)</b>	<b>44,098,240</b>

On an investment basis, the Investments at fair value were £121.7 million at 30 September 2012 (30 September 2011: £42.3 million). This represents an increase during the year of £79.4 million or 187%, again predominantly due to the C share capital raising and the corresponding investment into the Master Fund.

At 30 September 2011, the receivables of the Company included £1.46 million following the announcement of the Master Fund Dividend on 26 September 2011. This was received by the Company on 14 November 2011. In 2012, a final dividend was announced by the Master Fund on 25 October 2012 (i.e. post year end), this was subsequently received by the Company on 15 November 2012.

The cash balance is maintained solely to cover general running expenses incurred by the Company.



## Cash Flow Analysis

## Unaudited Summary Cash Flow

	Year ended 30 September 2012			Period 21 May 2010 to 30 September 2011		
	Investment Basis £	Consolidation adjustments £	Consolidated IFRS Basis £	Investment Basis £	Consolidation adjustments £	Consolidated IFRS Basis £
Net cash flow from operating activities	3,959,101	679,979	4,639,080	976,814	990,178	1,966,992
Cash flows from investing activities						
Purchase of financial assets	(77,524,872)	(9,232,934)	(86,757,806)	(42,819,386)	8,576,590	(34,242,796)
Acquisition of subsidiary cash	–	–	–	–	548,582	548,582
Net cash flow from investing activities	(77,524,872)	(9,232,934)	(86,757,806)	(42,819,386)	9,125,172	(33,694,214)
Cash flows from financing activities						
Proceeds from issue of Share capital	78,611,841	–	78,611,841	44,140,920	100	44,141,020
Distributions paid	(5,263,724)	–	(5,263,724)	(1,891,250)	–	(1,891,250)
Net payment from non controlling Interest	–	10,872,454	10,872,454	–	(545,488)	(545,488)
Distributions paid to NCI	–	(1,543,486)	(1,543,486)	–	(756,658)	(756,658)
Interest expense	–	(186,937)	(186,937)	–	–	–
Net cash flow from financing activities	73,348,117	9,142,031	82,490,148	42,249,670	(1,302,046)	40,947,624
Net (decrease)/increase in cash and cash equivalents	(217,654)	589,076	371,422	407,098	8,813,304	9,220,402
Cash and cash equivalents at beginning of the period	407,098	8,813,304	9,220,402	–	–	–
Cash and cash equivalents at end of the period	189,444	9,402,380	9,591,824	407,098	8,813,304	9,220,402

**Financial Results** *(continued)*  
For the year ended 30 September 2012

*Cash Flow Analysis (continued)*

On an investment basis the net cash at 30 September 2012 was £0.2 million (30 September 2011: £0.4 million). The relatively low cash balance requirements allows the Company to maximise investment in the Master Fund and therefore utilise the purchase of financial assets for the Group.

Cash inflows during the year related to the successful C Share capital raise of £67.4 million in December 2011 and a tap issue in June 2012 which raised a subsequent £11.3 million.

Purchase of financial assets of £77.5 million (30 September 2011: £42.8 million) relates exclusively to the purchase of the Ordinary Redeemable Income share capital of the Master Fund, in line with the Company's investment strategy. At 30 September 2012, the Company held 74.35% of the issued share capital of the Master Fund (30 September 2011: 58.01%).

Distributions paid increased to £5.3 million during the year (30 September 2011: £1.9 million). The total dividend paid by the company during the year was 6.7p (30 September 2011: 4.45p).

## Group Portfolio

As at 30 September 2012

Asset	Asset type	Sector	Value <sup>1</sup> (£m)	Expected Remaining Term (yrs)	Annualised yield
Cardale	Subordinated loan	Various UK PFI <sup>5</sup>	4.4	23	9.7%
Civic PFI	Subordinated loan	Education	11.8	17	9.3%
Education PFI	Subordinated loan	Education	10.9	23	9.2%
GEM 1	Senior loan guarantee	Various UK PFI <sup>2</sup>	14.3	8	9.8%
GEM 2	Senior loan guarantee	Various UK PFI <sup>3</sup>	13.8	14	9.8%
GPFI Braintree	Subordinated loan	Healthcare	3.1	26	9.6%
GPFI Lanchester	Subordinated loan	Healthcare	3.1	26	9.6%
GPFI North Yorks Schools	Subordinated loan	Education	1.9	26	9.6%
GPFI Runwell	Subordinated loan	Healthcare	3.1	26	9.6%
GPFI Stanley	Subordinated loan	Healthcare	3.1	26	9.6%
Infra Inter 1 A	Subordinated loan	Healthcare	7.9	28	9.6%
Infra Inter 1 B	Subordinated loan	Healthcare	8.3	20	9.6%
Infra Inter 1 C	Subordinated loan	Various UK PFI <sup>4</sup>	11.2	26	9.6%
Infra Inter 1 D	Subordinated loan	Education	2.2	27	9.3%
Infra Inter 1 E	Subordinated loan	Healthcare	1.4	26	9.5%
Infra Inter 2	Senior loan	Feed-in tariff	11.7	23	9.5%
Infra Inter 3	Senior loan	Feed-in tariff	14.6	24	9.5%
Infra Inter 4	Senior loan	Feed-in tariff	14.7	24	9.5%
Infra Inter 5	Senior loan	Feed-in tariff	3.0	24	9.3%
Kirklees	Subordinated loan	Education	2.4	19	9.6%
LIL Amber Valley	Subordinated loan	Leisure	4.3	26	10.5%
LIL Rotherham	Subordinated loan	Leisure	3.3	28	10.5%
LIL Wolverhampton	Subordinated loan	Leisure	2.6	23	10.5%
<b>Total</b>			<b>157.1</b>		
				<b>Weighted average annualised yield</b>	<b>9.6%</b>
				<b>Weighted average expected remaining term</b>	<b>21 yrs</b>

<sup>1</sup> Valuation Agent's valuation as at 30 September 2012

<sup>2</sup> 1 leisure, 1 street lighting, 1 housing, 1 health and 10 education PFI projects

<sup>3</sup> 1 leisure, 2 emergency services, 1 custodial, 1 accommodation, 3 health and 12 education PFI projects

<sup>4</sup> 1 healthcare and 2 accommodation PFI projects

<sup>5</sup> A variety of leisure, healthcare and education PFI projects

**Group Portfolio** *(continued)*  
 As at 30 September 2012

Total Exposure by Sector	£	%
Feed-in tariff	44,154,322	28.1
Education	43,246,196	27.5
Healthcare	37,147,125	23.6
Leisure	12,940,499	8.2
Accommodation	8,891,080	5.7
Various UK PFI	5,738,456	3.7
Custodial	3,598,457	2.3
Emergency Services	1,354,293	0.9
<b>Total</b>	<b>157,070,428</b>	<b>100.0</b>

Top Ten Exposures by Investment Type	£	%
Senior Loan Guarantees	28,087,200	17.9
Subordinated Loans	84,828,903	54.0
Senior Loans	44,154,325	28.1
<b>Total</b>	<b>157,070,428</b>	<b>100.0</b>

Top Ten Exposures by Project Counterparty	£	%
Department of Energy and Climate Change (E.ON Energy Limited)	29,458,761	18.8
Department of Energy and Climate Change (Smartest Energy Limited)	14,695,564	9.4
Slough Borough Council	10,875,439	6.9
The Highland Council	8,363,320	5.3
South London Healthcare NHS Trust	8,259,500	5.3
NHS Greater Glasgow and Clyde	7,922,193	5.0
Leeds City Council	5,131,109	3.3
Hertfordshire County Council	4,829,859	3.1
Amber Valley Borough Council	4,295,105	2.7
Hull Primary Care Trusts	3,683,990	2.3
37 other Project Counterparties with individual exposure < £3.4m	59,555,588	37.9
<b>Total</b>	<b>157,070,428</b>	<b>100.0</b>

<b>Top Ten Exposures by Facilities Manager</b>	<b>£</b>	<b>%</b>
A Shade Greener Limited	29,458,761	18.8
Grosvenor Facilities Management	14,695,564	9.4
Pinnacle FM Limited	14,258,169	9.1
GE Medical Systems Limited	13,264,177	8.4
Parsons Brinckerhoff Limited	9,733,517	6.2
EMCOR Facilities Services	8,259,500	5.3
Community Building Services Limited	7,922,193	5.0
DC Leisure Management	5,817,420	3.7
Sewells Facilities Management Limited	4,829,859	3.1
Interserve FM Ltd	4,436,954	2.8
24 other Facilities Managers with individual exposure < £4.3m	44,394,314	28.2
<b>Total</b>	<b>157,070,428</b>	<b>100.0</b>

  

<b>Total Exposure by Expected Term</b>	<b>£</b>	<b>%</b>
< 10 yrs	14,282,274	9.1
10 – 20 yrs	27,954,582	17.8
20 – 25 yrs	70,289,984	44.7
25 – 30 yrs	44,543,588	28.4
<b>Total</b>	<b>157,070,428</b>	<b>100.0</b>

  

<b>Total Exposure by Annual Equivalent Running Yield</b>	<b>£</b>	<b>%</b>
9.0% – 9.5%	43,876,746	28.0
9.5% – 10.0%	103,081,157	65.6
10.0% – 10.5%	10,112,525	6.4
<b>Total</b>	<b>157,070,428</b>	<b>100.0</b>

## Financial Statistics

For the year ended 30 September 2012

Detailed below is the net asset value ("NAV") of the Company, calculated in accordance with the Company's Prospectus dated 30 June 2010 (the "Prospectus") and C Share prospectus dated 22 November 2011.

A reconciliation of the net asset value per the Consolidated Financial Statements to the calculation in accordance with the Company's Prospectus is detailed in Note 21.

### Year end position

	As at 30 September 2012 £	As at 30 September 2011 £
Net assets attributable to Ordinary Shares per month end released NAV calculation	121,778,513	44,156,803
Net asset value per Ordinary Share per NAV calculation	1.0095	1.0037
Total return per share	0.0432	0.0482

### Record since the prior accounting year

Ordinary Shares	Net Asset Value per Ordinary		Share	Premium
Date	Net Assets £	Share pps	Price pps	%
31 October 2011	44,388,643	100.89	104.00	3.08
30 November 2011	43,262,541	98.33	102.00	3.73
16 December 2011	43,385,377	98.61	103.38	4.84
30 December 2011	47,118,642	98.87	104.13	5.32
31 January 2012	47,335,504	99.33	107.63	8.36
29 February 2012	47,617,995	99.91	105.75	5.85
30 March 2012	48,090,379	100.90	105.63	4.69
30 April 2012	48,378,344	101.51	105.38	3.81
31 May 2012	107,900,544	98.48	104.13	5.74
30 June 2012	119,752,058	99.27	104.50	5.27
31 July 2012	120,369,568	99.78	106.75	6.99
31 August 2012	121,131,181	100.41	106.63	6.19
28 September 2012	121,778,513	100.95	106.63	5.63

## Record since the prior accounting year (continued)

C Shares	Net Assets	Net Asset Value	Share	Premium
Date	£	per C Share	Price	%
		pps	pps	
30 December 2011	62,410,458	97.90	102.75	4.95
31 January 2012	62,407,477	97.90	107.13	9.43
29 February 2012	62,458,307	97.98	105.50	7.68
30 March 2012	62,663,614	98.30	104.88	6.69
30 April 2012	62,840,326	98.58	104.88	6.39
Conversion on 8 May 2012	–	–	–	–

## Key Performance Indicators

## Dividends

The Company targets a dividend payment of 8% per annum (by reference to the IPO issue price). The Directors monitor the actual and forecast dividend yield on a quarterly basis with reference to the above target.

## **Directors' Report**

For the year ended 30 September 2012

The Directors are pleased to present their Annual Report and consolidated financial statements for the year ended 30 September 2012.

These consolidated financial statements consolidate the financial statements of GCP Infrastructure Investments Limited (the "Company") and GCP Infrastructure Fund Limited (the "Master Fund") (together the "Group").

### *Principal activity and Business review*

The Business Review has been prepared by the Directors and should be read in conjunction with the Chairman's Statement and the Investment Adviser's Report which form part of the Annual Report to shareholders.

### *Nature and Status*

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

The Company is a closed-ended investment company. The shares of the Company were listed on the London Stock Exchange ("LSE") 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
- preserve the capital value of its investment assets over the long term,

by generating exposure to subordinated PFI debt and related and/or similar assets.

The Company's investment objectives are in line with the investment objectives of the Master Fund.

The Company achieves its investment objectives by investing substantially all of its capital in the Ordinary Redeemable Income Shares of the Master Fund.

Structural gearing is permitted at Company level, up to a maximum of 20 per cent. of the Company's NAV immediately following draw down.

### *Investment objective and policy of the Master Fund*

The Master Fund seeks to provide investors with regular long-term distributions and to preserve the capital value of its investment portfolio.

The Master Fund invests, and will seek to continue to make investments, in subordinated debt instruments issued by infrastructure Project Companies, their owners, or their lenders, and assets with a similar economic effect. The Master Fund may also acquire (or acquire interests in) the senior debt of infrastructure Project Companies, or their owners.

The Master Fund targets an ongoing dividend for holders of Master Fund Income Shares of 8 per cent. per annum (by reference to the initial subscription price of the Master Fund Income Shares of £1.00 per share).



### *Target Assets*

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 public sector to design, finance, build and operate public infrastructure assets. Such projects are typically structured and financed under the UK Private Finance Initiative (“PFI”).

Background information in relation to the PFI industry and the classes of debt investment opportunities relating to the PFI industry that are targeted by the Master Fund are set out in the Investment Adviser’s Report.

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 relevant asset is operational.

The position within the capital structure of an infrastructure project company of the subordinated debt instruments in which the Master Fund typically seeks to invest means, in general, any losses suffered by investors in a project company will be suffered first by the equity investors in the project company itself. However, any subordinated debt will rank behind senior debt, so the holders of subordinated debt will typically stand to make a complete loss on their investment before holders of senior debt experience any losses.

The Master Fund focuses primarily on taking debt exposure (typically on a subordinated basis, but with no restriction upon senior positions) to projects which have:

- pre-determined, very long term, public sector-backed revenues;
- no construction or property risks; and
- contracts which are “availability” based (i.e. the payments under the contracts do not depend on the level of use of the project assets).

It is intended that such investments as described above will make up a minimum of 75 per cent. of the Master Fund’s total assets.

It should be noted that (in the context of the strategy referred to above) the Master Fund views as “public sector-backed” all revenues arising from UK central government or local authorities, or from entities themselves substantially funded by UK central government or local authorities, and will include obligations of NHS Trusts, UK registered social landlords and universities in this classification.

The Master Fund also considers that assets relating to any completed project which is either an installation accredited by the Gas and Electricity Markets Authority under The Feed-in Tariffs (Specified Maximum Capacity and Functions) Order 2010 (as may be amended or supplemented from time to time), or a recipient of revenues arising from other government-sponsored or administered initiatives for encouraging the usage of renewable or clean energy in the UK fall within scope of the 75 per cent. exposure detailed above.

The Master Fund may also consider, in respect of up to an absolute maximum of 25 per cent. of its total assets (at the time the relevant investment is made), taking exposure to projects, which will include projects involving:

## **Directors' Report** *(continued)* For the year ended 30 September 2012

### *Target Assets (continued)*

- Project companies which have started but not yet completed the construction phases of their concessions;
- Project companies in the regulated utilities sector; and
- Project companies 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.

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

### *Diversification*

It is the objective of the Master Fund, within a reasonable timeframe, to generate a diversified portfolio of subordinated debt infrastructure assets and to maintain its portfolio so that not more than 10 per cent. in value of the Master Fund's total assets from time to time consist of securities or loans relating to any one individual infrastructure asset or counterparty (having regard to the risks relating to any cross-default or cross-collateralisation provisions). This objective is subject to the Master Fund having a sufficient level of investment capital from time to time and the ability of the Master Fund to invest its cash in suitable investments.

### *Gearing*

Structural gearing is permitted at Company level, up to a maximum of 20 per cent. of the Company's NAV immediately following draw down.

The Master Fund may use borrowings for investment and 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 20 per cent. of the Master Fund's NAV at the time any such borrowings are drawn down.

### *Financial Position*

During the year, the Company has made a series of investments into the Master Fund totalling £77.52 million resulting in a holding of 74.35 per cent. of the total voting rights as at 30 September 2012.

The NAV of the Company per Ordinary Share as at the last business day prior to the year end, being 28 September 2012, was 100.95p. The movement in NAV and NAV per Ordinary Share during the year is presented in tabular form in the Financial Statistics section on page 19. The Group's borrowings at 30 September 2012 were nil and cash balances amounted to £9.59 million.

### *Results for the Period*

The results for the period are shown in the Consolidated Statement of Comprehensive Income on page 42.

### *Future Developments*

The Group's investment update is outlined in the Chairman's Statement.

*Share Capital*

During the period the Company issued 63,744,500 C Shares of £0.01, all of which were converted into Ordinary Shares on 8 May 2012. Details of the movements in share capital during the period are set out in the Consolidated Statement of Changes in Equity.

At 30 September 2012 the Company's issued share capital comprised 120,625,184 Ordinary Shares of £0.01, none of which were held in treasury. At general meetings of the Company, every holder shall have one vote in respect of every Ordinary Share or C Share held.

*Revenue and Dividends*

The net revenue for the period, after expenses and taxation amounted to £4.3m. The Company paid a distribution of 3.70 pence per share for the period 1 October 2011 to 31 March 2012. The Master Fund declared a dividend for the six month period from 1 October 2011 to 31 March 2012 of 4.15 pence per share, receivable by the Company on 15 May 2012. The Company declared on 19 November 2012 a dividend of 3.80 pence per Ordinary Share for the six month period from 1 April 2012 to 30 September 2012.

*Significant Voting Rights*

As at 16 October 2012, (being the day prior to the listing of the C Shares), the Company has been notified that the following hold 3 per cent. or more of the Company's Ordinary Shares to which voting rights are attached.

Name	Shares Held	% of Voting Rights
Cheviot Asset Management	10,264,479	8.52
West Yorkshire PF	10,166,919	8.44
CCLA Investment Management	9,710,998	8.06
Brewin Dolphin	9,294,822	7.71
Investec Wealth & Management Limited	7,795,023	6.46
Insight Investment	7,475,351	6.20
JM Finn	6,051,304	5.02
Smith & Williamson	5,942,517	4.93
Premier Asset Management	4,793,297	3.98
Rathbones	4,523,234	3.75
Co-operative Asset Management	3,884,400	3.22
Close Brothers Asset Management	3,854,678	3.08

As at 30 November 2012, the Company had received additional notifications advising that the following hold 3 per cent. or more of the Company's shares to which voting rights are attached (including both Ordinary Shares and C Shares of the Company).

Name	Shares Held	% of Voting Rights
Investec Wealth & Management Limited	21,515,403	8.12
West Yorkshire PF	18,166,919	6.86
CCLA Investment Management	6,575,999	4.96
JM Finn	10,086,106	3.80

## **Directors' Report** *(continued)* For the year ended 30 September 2012

### *Investment Portfolio*

The Group's assets under management at 30 September 2012 were £157.1 million of which the Company has an interest of £116.8 million. A summary of the Group's investment portfolio and exposures is presented on pages 17 to 19.

### *Investment Portfolio*

The tables on pages 17 and 18 show the composition of the investment portfolio at 30 September 2012 by value according to asset type and industry sector.

### *Valuation Policy*

The valuation principles used by Mazars LLP (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. Further details on the valuation policy are set out in note 19.

### *Corporate Social Responsibility*

The Company has no employees and the Board is comprised entirely of non-executive Directors. As the Company is an investment company, it has no direct impact on the environment however the Board seek to ensure that the Company's operations are conducted responsibly, ethically and fairly.

The Group's investment policy takes ethical, social and environmental factors into consideration prior to the acquisition.

### *Principal Risks and Uncertainties*

The principal financial risks and the Company's policies for managing such risks are set out under note 19 to the Consolidated Financial Statements. The following additional risks and uncertainties which have been identified by the Board are detailed below:

#### **Risks relating to the Company's investment in the Master Fund**

- The Company will not be able to participate in the investment decisions of the Master Fund, in which it will invest substantially all of its capital.
- Existing Master Fund shareholders may redeem their shares in the Master Fund, which may reduce the capital of the Master Fund and could in turn affect the Company's performance.
- The Master Fund and, therefore, the Company, may be exposed to a very limited number of investments.
- The Company may cease to be the majority shareholder of the Master Fund in the future. This would reduce the ability of the Company to influence the affairs of the Master Fund.

#### **Risks relating to the Investment Adviser**

- The Investment Adviser is dependent upon the expertise of key personnel in providing investment advisory services to the Company and the Master Fund.
- Failure by the Investment Adviser or other third-party service providers of the Company and/or the Master Fund to carry out its or their obligations could materially disrupt the business of the Company and/or of the Master Fund.

#### Risks associated with the Master Fund's investments

- There is no guarantee that there will be substantial demand for loans of the type sought to be made by the Master Fund or that any such demand will result in sufficient investments being made in a timely manner, or at all, by the Master Fund to allow it to deliver the targeted returns for its shareholders, including the Company.
- The Investment Adviser's due diligence may not reveal all facts that may be relevant in connection with an investment.
- The Master Fund is exposed to the risk of default by borrowers and other counterparties.
- In some instances, there is an increased risk of default arising from cross-collateralisation of investments made by the Master Fund.
- The value of the loans made and intended to be made by the Master Fund will change from time to time and will impact on the Net Asset Value of the Master Fund.
- Investments made by the Master Fund are not likely to be publicly traded or freely marketable and therefore may be extremely difficult to value or realise.
- The Master Fund will invest exclusively in infrastructure investments and will bear the risk of investing in only one asset class.
- A counterparty in an infrastructure project which the Master Fund has invested in may default, resulting in significant difficulties in finding an alternative or replacement counterparty on the same or better terms.
- Borrowers in respect of an infrastructure project that the Master Fund has invested in may default.
- Changes in infrastructure funding policy could lead to public bodies seeking to terminate existing PFI type projects.

#### Risks that are specific to the C Shares and Ordinary Shares

- The market price of Shares may fluctuate significantly and potential investors could lose all or part of their investment
- An active and liquid trading market for the C Shares may not develop. Similarly an active and liquid trading market in the Ordinary Shares may not be maintained
- There can be no assurance as to the level and/or payment of any dividends by the Company in relation to the C Shares or Ordinary Shares
- The C Shares and the Ordinary Shares may trade at a discount to their respective net asset value per share

#### Risks relating to taxation

- The Company and the Master Fund are exposed to changes in tax laws, accounting standards or regulation, or their interpretation.
- The Company and the Master Fund are exposed to changes in their tax residence and changes in the tax treatment of arrangements relating to their respective investments.
- Changes in tax laws or regulation affecting the Master Fund or the unexpected imposition of tax on its investments could adversely affect its performance.

## **Directors' Report** *(continued)* For the year ended 30 September 2012

### **Directors**

The Directors in office as at 30 September 2012 are listed on page 4.

Details as to the Directors terms of appointment can be found in the Corporate Governance Statement on pages 31 to 36 and the Directors Remuneration Report on pages 37 and 38.

### **Directors Interests**

None of the Directors have a direct or indirect holding in the Company nor have they 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.

### **Advisers and Principal Service providers**

The Company's main service provider is the Investment Adviser. The Company has the following additional advisers and principal service providers:

- Oriel Securities Limited as Financial Adviser and Broker;
- Ernst and Young LLP as Independent Auditors;
- Capita Registrars (Jersey) Limited as Registrar;
- Capita Financial Administrators (Jersey) Limited as Administrator and Company Secretary; and
- Mazars LLP as Valuation Agent.

### **The Investment Adviser and Company Secretary**

Gravis Capital Partners LLP (the "Investment Adviser"), provides advice to the Directors within the Group to enable them to make informed decisions for the Group's funding requirements (including advice and assistance in any equity/further fund raising process) and also borrowings/gearing requirements.

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

Capita Financial Administrators (Jersey) Limited (the "Company Secretary"), has administrative responsibility for the meetings of the Board and its committees and is responsible for advising the Board on all governance matters. All of the Directors have access to the advice and services of the Company Secretary. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties.

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 and the Company Secretary on the terms agreed, is in the best interests of the Company and its shareholders. The remuneration of the Investment Adviser and the Company Secretary is set out in note 20 to the Consolidated Financial Statements.

**Supplier payment policy**

It is the Company's policy to obtain the best terms for all business, including purchase of investments, and to abide by those agreed terms.

**Donations**

The Company made no political or charitable donations during the year.

**Annual general Meetings**

The Company's Annual Report and consolidated financial statements for the year will be tabled for approval at the Company's 2013 AGM. It is anticipated that this AGM will be held on 11 February 2013.

On behalf of the Board

Mr David Pirouet

18 December 2012

## Statement of Directors' Responsibilities

For the year ended 30 September 2012

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted by the European Union.

International Accounting Standard 1: Presentation of Financial Statements, requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board 'Framework for preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, Directors are also required to:

- properly select suitable accounting policies and apply them consistently;
- 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 Company's financial position and financial performance;
- ensure that the Chairman's Statement together with the following reports presents 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;
- make judgements and estimates that are reasonable and prudent;
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Law. They are 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 confirm that they have complied with the above requirements when preparing these Consolidated Financial Statements.

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

The Directors consider that the Consolidated Financial Statements, taken as a whole, give a true and fair view of assets, liabilities, financial position and performance and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board

Mr David Pirouet

18 December 2012



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## Corporate Governance Statement

For the year ended 30 September 2012

### Corporate Governance

The principles of good corporate governance set out in the UK Corporate Governance Code (the "Code") (formerly the Combined Code of Corporate Governance (2008 Combined Code)) and the Association of Investment Companies ("AIC") Code of Corporate Governance and accompanying Guide (the "AIC Code and Guide") are adopted by the Company where appropriate.

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 the 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.

### Statement of Compliance with the AIC Code and Guide

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

The company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance 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.
- The appointment of a Senior Independent Director: The Board considers the merit of a Senior Independent Director to be inappropriate due to the overall size of the Board and the Company.
- 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.
- Establishment of nomination committee: The Board does not consider it necessary to establish a nomination committee since all of the Directors are non-executive and two of the Directors are considered independent.
- 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.

## Corporate Governance Statement *(continued)*

For the year ended 30 September 2012

### Statement of Compliance with the AIC Code and Guide *(continued)*

- Establishment of management engagement committee: The Board does not consider it necessary to establish a management engagement committee since all of the Directors are non-executive and two of the Directors are considered independent. The Board as a whole monitors the performance of the Company's service providers, either through Board meetings or, if appropriate, through the use of an appropriately constituted committee.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, 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.

### Composition of the Board

The Board consists of three Directors, all of whom are non-executive Directors. Two of these Directors are Independent Directors. Trevor Hunt is not considered an Independent Director as he is a member of the Master Fund's Board of Directors.

#### *Ian Reeves, CBE – Chairman (Independent Non-executive Director)*

Ian Reeves, aged 68, is a businessman and management consultant. He is a consultant to SGH Martineau LLP. He is also Chairman of Dealpride Ltd, the ultimate holding company of the McGee Group, the civil engineering, building and demolition contractors, and Chairman of FSI Worldwide Ltd, an international defence and security services contractor and provider of premium manpower resources to various industries. Mr. Reeves is also chairman of the construction industry best practice group, Constructing Excellence Ltd, and of Synaps Partners LLP, the strategy and business advisors. Furthermore, he is also a member of the advisory board of Oriel Securities Limited, the corporate and institutional stockbroking and advisory firm.

Mr. Reeves is visiting Professor of Infrastructure Investment and Construction at Manchester Business School, part of The University of Manchester.

Mr. Reeves is a Companion of the Chartered Management Institute, a Fellow of the Chartered Institution of Civil Engineering Surveyors and a Fellow of the Institute of Directors. He is a liveryman of the Worshipful Company of Constructors and a Freeman of the City of London. He was made a Commander of the Most Excellent Order of the British Empire (CBE) in 2003 for his service to business and charity.

Mr. Reeves serves as chairman of the Board of Directors of the Company.

#### *David Pirouet (Independent Non-executive Director)*

David Pirouet, aged 58, is a qualified chartered 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. He also led PwC's Channel Islands hedge fund management practice for over four years.

Since retiring from PwC, Mr Pirouet has carried out a four month project for the Chief Minister's Department in the States of Jersey, reporting to the Director for International Finance, and he serves on the Boards of a number of listed and privately held investment entities.

Mr Pirouet is regulated by the Jersey Financial Services Commission ("JFSC") for the provision of services as a non-executive director.

#### Composition of the Board (continued)

##### *Trevor Hunt (Non-executive Director)*

Trevor Hunt, aged 59, 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, in particular within the open-ended and closed-ended offshore funds industry.

Mr Hunt retired from HSBC in 2003 and spent six years as a Director of Capita Financial Administrators (Jersey) Limited and of other Capita entities before leaving in 2009 to join BNP Paribas Securities Services. Mr Hunt left BNP Paribas Securities Services on 30 September 2011 to focus on providing non-executive directorship services to a limited number of funds and fund management companies.

Mr Hunt is regulated by the JFSC for the provision of services as a non-executive director, is a Member of the Jersey Association of Directors and Officers and a member of the AIC Offshore Funds Committee.

Mr Hunt is a Director of GCP Infrastructure Fund Limited (the "Master Fund").

Each of the Directors has signed letters of appointment which set out the terms and conditions of their appointment. These letters are available for inspection at the Company's Registered Office. No director has any contract or arrangement in place between themselves and the Company. Further details as to the terms of appointment of the Directors are set out in the Directors Remuneration Report on pages 37 and 38.

##### Independence

The Board has reviewed the independence of each Director and of the Board as a whole and considers the tenure of each Director on an annual basis. In accordance with the AIC Code and Guide, a director is not considered independent should they sit on the board of more than one company which is managed by the same manager. Mr Hunt sits on the board of the Master Fund and is therefore not considered independent. Mr Reeves and Mr Pirouet are considered independent by the Board. Mr Hunt's non-independence restricts his ability to vote on candidates when appointing new independent directors.

##### Diversity

All appointments to the Board are made on merit. However, gender and diversity generally will be taken into account when evaluating the skills, knowledge and experience desirable to fill any vacancy.

##### Performance of the Board

An evaluation of the performance of individual Directors and the Chairman was carried out during the year which concluded that the Board and its committees are performing satisfactorily in the areas reviewed, such areas include: Board composition and meeting process, Board information, training, Board dynamics, Board accountability and effectiveness and an evaluation of the Chairman. The Board undertake annual anti-money laundering training and the Jersey resident directors undertake the required hours of Continuing Professional Development ("CPD") in accordance with their profession and Jersey regulations.

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 4.

## Corporate Governance Statement *(continued)*

For the year ended 30 September 2012

### Board Responsibilities

At each quarterly meeting of the Board, the Directors follow a formal agenda which includes a review of the Group's investments and associated matters such as gearing, asset allocation, principal risks, marketing and investor relations and economic and industrial issues. The Board are 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.

### 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 Audit Committee meetings by the respective members of the Board, are displayed in the Table 1 below.

The Board has formally adopted a schedule of matters specifically reserved for the Board. Such matters include:

- Approval of setting the long-term objectives and strategy;
- Managing the Capital Structure;
- Approval of loans and borrowings;
- Assessing and controlling risk;
- Approval of the dividend policy; and
- Approval of any significant changes in accounting policies or practices.

The schedule of matters reserved for the Board is available on request or on the Company's website.

### Meetings

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

Director	Quarterly Meetings	Other Meetings	Audit Committee Meetings
Ian Reeves CBE	4	2	2
David Pirouet	4	11	2
Trevor Hunt	4	11	2

### Remuneration, Management Engagement and Nomination Committees

The Board has not established a Remuneration, Management Engagement or Nomination Committee as it considers that the functions of these committees can be more appropriately managed by the Board as a whole under the chairmanship of Mr Reeves.

#### Remuneration, Management Engagement and Nomination Committees (*continued*)

The Board currently considers its size to be appropriate for the purpose of discharging its responsibilities and therefore does not feel it necessary to formulate a nominations policy at present.

When undertaking the function of a remuneration committee, the Board attempts to ensure that the Directors are rewarded in accordance with their individual performance, the performance of the Company and market trends congruent to that of the Company.

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 Directors Remuneration Report on pages 35 and 36 and in note 5 to the Consolidated Financial Statements.

#### Audit Committee

A revised version of the Code was published in September 2012, the provisions of which impact Audit Committee reporting. Whilst, the revised provisions apply to reporting periods beginning on 1 October 2012, the Board considers that it would be beneficial to adopt the provisions set out in the revised Code.

The Audit Committee's membership is comprised of all the Company's Directors and is chaired by David Pirouet, who is a Chartered Accountant and a former audit partner. 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 once a year.

The Audit Committee operates within clearly defined terms of reference, a copy of which is available on request from the Company Secretary and can be found on the Company's website. The terms of reference require the Audit Committee to monitor the Company's financial reporting, internal controls and risks and external audit processes. The Audit Committee is responsible for making recommendations to the Board in respect of the appointment, reappointment and remuneration of the Auditor. The Audit Committee is also responsible for assessing the independence of the Auditor.

The Audit Committee has conducted a review of the audit and non-audit services provided by the Auditor to the Company and are satisfied that the Auditor has fulfilled its obligations to the Company and its shareholders. The Committee is satisfied that audit objectivity and independence have not been compromised by the provision of non-audit services during the year.

The Audit Committee confirmed that there were no significant issues raised in relation to the Consolidated Financial Statements.

During the period the Audit Committee discharged its responsibilities by reporting to the Board and undertaking the following:

- reviewing and approving the external Auditor's terms of engagement, remuneration and tenure of appointment;
- reviewing the external Auditor's plan for the audit of the Company's Consolidated Financial Statements, including identification of key risks and confirmation of auditor independence;
- an evaluation of the performance which concluded that the external auditor was performing satisfactorily in the areas reviewed;

## Corporate Governance Statement *(continued)*

For the year ended 30 September 2012

### Audit Committee *(continued)*

- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft Annual Consolidated Financial Statements and Half Yearly results statement prior to Board approval;
- reviewing the external Auditor's detailed report to the Committee on the Annual Consolidated Financial Statements; and
- recommending to the Board and shareholders the re-appointment of the Auditor.

### Internal Controls 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 Group. 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 period under review.

### Dialogue with Shareholders

The Company, through its Directors, Company Secretary, Investment Adviser, Financial Adviser and Broker, engages in ongoing communication with its shareholders. The Chairman, and other non-executive directors, encourage shareholders to attend and vote at general meetings of the Company in order that they may discuss governance and strategy and to understand the shareholders' issues and concerns. The Chairman of the Board and the Audit Committee 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 for downloading 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.

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## Directors Remuneration Report

For the year ended 30 September 2012

The Board has prepared this report in accordance with Listing Rule 9.8.8 of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration.

The Company's independent auditors are Ernst & Young LLP. Their report is set out on pages 39 and 40.

The Board consists of three Directors, all of whom are non-executive directors.

### Remuneration Committee

The Board comprises solely of non-executive Directors and accordingly the Board as a whole performs the function of the remuneration committee.

### Remuneration Policy

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. 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.

In January 2012, Directors' fees were reviewed by the Board and it was agreed that each Director's base annual remuneration fee should be increased by £3,000 per annum with effect from 1 October 2011. It was also agreed that any further increment in Directors' fees should be linked to the performance of the Company and therefore it was agreed that each of the Director's base annual remuneration fee is to increase in even steps and at interval points linked to the net asset value of the Company, to a maximum of £45,000 (Chairman) and £35,000 (Director) with effect from 1 October 2011. The following interval points were agreed:

- Interval point 1 – Net Asset Value between £100,000,000 – £149,999,999
- Interval point 2 – Net Asset Value between £150,000,000 – £199,999,999
- Interval point 3 - Net Asset Value between £200,000,000 – £249,999,999
- Interval point 4 – Net Asset Value between £250,000,000 – £299,999,999
- Interval point 5 – Net Asset Value of £300,000,000 and above

It was further agreed that each of the Directors is to receive a special services remuneration fee of £5,000 for the review and consideration of documents, notes, deeds, agreements, letters, notices, certificates, acknowledgments and instructions in connection with each material capital raising by the Company as carried out from time to time (including, for example, any capital raising requiring the production of a prospectus or similar document, but excluding, for the avoidance of doubt, any 'tap issues').

The Board have also agreed that if and to the extent that any future capital raising by the Company or other event occurs which causes the aggregated annual remuneration of the Directors, to exceed £100,000 per annum (but excluding any special remuneration granted to the Directors under Article 78 of the Articles of Association), such excess shall be withheld until such time as the shareholders of the Company have duly approved an increase to the cap on Directors' aggregate annual remuneration pursuant to Article 77 of the Articles of Association. The Company hereby confirms its intention to seek shareholder approval to an increase in the current cap on Directors' aggregate remuneration set out in Article 77 at the next Annual General Meeting of the Company.

## Directors Remuneration Report *(continued)*

For the year ended 30 September 2012

### Audit Committee Remuneration

In January 2012, the Directors' also agreed that each member of the Company's audit committee is given a remuneration fee of £5,000 per annum (chairman of the audit committee) and £2,500 per annum (member of the audit committee).

### Directors' Fees

The fees paid to Directors for the year ended 30 September 2012 are presented below:

All values shown in £	Year ended 30 September 2012	Period ended 30 September 2011
<b>Director</b>		
Ian Reeves CBE	37,356	40,992
David Pirouet	29,856	27,329
Trevor Hunt	27,356	27,329

Directors' expenses for the year totalled £2,065 (30 September 2011: £5,995), no other remuneration or compensation was paid or payable by the Company during the year to any of the Directors.

### Terms of Appointment

Article 70 of the Company's Articles of Association require, and the provisions of the UK Corporate Governance Code recommend, that any Director appointed by the Board since the previous AGM submit themselves for appointment at the first AGM of the Company following their appointment.

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

At each AGM one-third of the Directors (excluding any Director who has been appointed by the Board since the previous AGM) 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 AGM's of the Company without retiring shall retire from office.

On behalf of the Board

Mr David Pirouet

18 December 2012



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## Independent Auditor's Report

For the year ended 30 September 2012

We have audited the financial statements of GCP Infrastructure Investments Limited for the year ended 30 September 2012 which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, 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 Company'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 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### 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 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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**Independent Auditor's Report** *(continued)*  
For the year ended 30 September 2012

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

We have nothing to report in respect of the following:

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.

Geraint Davies ACA  
For and on behalf of Ernst & Young LLP  
Jersey, Channel Islands  
Date: 18 December 2012

Notes:

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

## Consolidated Statement of Financial Position

As at 30 September 2012

	Notes	As at 30 September 2012 £	As at 30 September 2011 £
<b>Assets</b>			
Cash and cash equivalents	15	9,591,824	9,220,402
Amounts receivable on subscription of Master Fund Ordinary Shares		148,814	1,074,987
Other receivables and prepayments	11	130,073	107,730
Amounts held on Security Account	16	2,113,145	2,377,807
Financial assets at fair value through profit or loss	19	157,070,428	67,174,003
<b>Total Assets</b>		<b>169,054,284</b>	<b>79,954,929</b>
<b>Liabilities</b>			
Amounts payable on redemption of Master Fund Ordinary Shares		(93,431)	(521,151)
Distribution payable to non controlling interest		–	(681,168)
Other payables and accrued expenses	12	(872,089)	(442,993)
Amounts held on Security Account	16	(2,113,145)	(2,377,807)
Financial liabilities at fair value through profit or loss	19	(44,202,998)	(31,833,570)
<b>Total Liabilities</b>		<b>(47,281,663)</b>	<b>(35,856,689)</b>
<b>Net Assets</b>		<b>121,772,621</b>	<b>44,098,240</b>
<b>Capital and Reserves</b>			
Share Capital	14	1,206,253	439,960
Share Premium	14	121,637,936	43,700,960
Capital Redemption Reserve	14	18,422	–
Retained Earnings		(1,089,990)	(42,680)
<b>Total Capital and Reserves</b>		<b>121,772,621</b>	<b>44,098,240</b>

On behalf of the Board of Directors

Mr. David Pirouet

Mr. Trevor Hunt

Date: 18 December 2012

The accompanying notes on pages 45 to 77 form an integral part of these audited consolidated financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended 30 September 2012

	Notes	Year ended 30 September 2012 £	Period ended 30 September 2011 £
<b>Income</b>			
Deposit interest income	3	203,186	164,626
Net movement on financial assets and liabilities at fair value through profit or loss	3	9,817,980	5,926,645
		<u>10,021,166</u>	<u>6,091,271</u>
<b>Expense</b>			
Investment advisory fees	20	(1,150,049)	(358,279)
Custodian fees		(40,458)	(22,676)
Administration fees		(232,630)	(176,164)
Directors' remuneration	5	(167,289)	(152,917)
Formation costs		–	(827,201)
Set up costs – C Share issue		(1,334,934)	–
Other general expenses	4	(1,164,270)	(455,288)
		<u>(4,089,630)</u>	<u>(1,992,525)</u>
<b>Total operating profit</b>		<u>5,931,536</u>	<u>4,098,746</u>
Finance costs	7	(256,650)	–
Distributions to non controlling interest	18	(1,348,622)	(2,250,176)
<b>Profit for the year / period</b>		<u>4,326,264</u>	<u>1,848,570</u>
Other Comprehensive income		–	–
<b>Total Comprehensive income attributable to the Group</b>		<u>4,326,264</u>	<u>1,848,570</u>
<b>Earnings per share (pps)</b>	9	<u>5.7915</u>	<u>4.3991</u>

The accompanying notes on pages 45 to 77 form an integral part of these audited consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 30 September 2012

For the year ended 30 September 2012		Share Capital £	Share Premium £	Other Capital Reserves £	Retained Earnings £	Total equity attributable to owners of the Company £
Notes						
	Balance as at the beginning of the year	439,960	43,700,960	–	(42,680)	44,098,240
	Profit for the year	–	–	–	4,326,264	4,326,264
	Other Comprehensive Income	–	–	–	–	–
	<b>Total Comprehensive income</b>	–	–	–	<b>4,326,264</b>	<b>4,326,264</b>
	Equity Shares issued	14 766,293	77,936,976	–	–	78,703,269
	Transfer to Capital Redemption Reserve	14 –	–	18,422	–	18,422
	Dividends	8 –	–	–	(5,373,574)	(5,373,574)
	<b>As at 30 September 2012</b>	<b><u>1,206,253</u></b>	<b><u>121,637,936</u></b>	<b><u>18,422</u></b>	<b><u>(1,089,990)</u></b>	<b><u>121,772,621</u></b>
For the period 21 May 2010 to 30 September 2011		Share Capital £	Share Premium £	Other Capital Reserves £	Retained Earnings £	Total equity attributable to owners of the Company £
Notes						
	Balance as at the beginning of the period	–	–	–	–	–
	Profit for the period	–	–	–	1,848,570	1,848,570
	Other Comprehensive Income	–	–	–	–	–
	<b>Total Comprehensive Income</b>	–	–	–	<b>1,848,570</b>	<b>1,848,570</b>
	Equity shares issued	439,960	43,700,960	–	–	44,140,920
	Dividends	8 –	–	–	(1,891,250)	(1,891,250)
	<b>As at 30 September 2011</b>	<b><u>439,960</u></b>	<b><u>43,700,960</u></b>	<b><u>–</u></b>	<b><u>(42,680)</u></b>	<b><u>44,098,240</u></b>

The accompanying notes on pages 45 to 77 form an integral part of these audited consolidated financial statements.

## Consolidated Statement of Cash Flows

For the year ended 30 September 2012

		Year ended 30 September 2012	Period ended 30 September 2011
	Notes	£	£
<b>Cash flows from operating activities</b>			
Total operating profit		5,931,536	4,098,746
Net movement in financial assets at fair value through profit or loss	3	(3,138,619)	(1,979,147)
Net movement in financial liabilities at fair value through profit or loss	3	1,509,123	(355,569)
Increase in other payables and accrued expenses		359,383	299,573
Increase in trade and other receivables		(22,343)	(96,611)
<b>Net cash flow generated from operating activities</b>		<b>4,639,080</b>	<b>1,966,992</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets		(86,757,806)	(34,242,796)
Acquisition of subsidiary cash		-	548,582
<b>Net cash flow used in investing activities</b>		<b>(86,757,806)</b>	<b>(33,694,214)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of Ordinary Share capital		783,615	439,960
Ordinary Share Premium received		77,828,226	43,700,960
Proceeds from issue of non redeemable shares in Master Fund		-	100
Dividends paid		(5,263,724)	(1,891,250)
Net payment from / (repayment to) non controlling interest		10,872,454	(545,488)
Distributions paid to non controlling interest		(1,543,486)	(756,658)
Interest expense		(186,937)	-
<b>Net cash flow generated from financing activities</b>		<b>82,490,148</b>	<b>40,947,624</b>
Net increase in cash and cash equivalents		371,422	9,220,402
Cash and cash equivalents at beginning of the year / period		9,220,402	-
Cash and cash equivalents at end of the year / period	15	<b>9,591,824</b>	<b>9,220,402</b>
<b>Non cash items</b>			
(Decrease) / increase in amounts held on Security Account		(264,662)	2,377,807
Decrease / (increase) in amounts held on Security Account payable		275,720	(2,376,292)
Increase in interest held on Security Account payable		(11,058)	(1,515)
		-	-
<b>Non cash items arising from switching shares</b>			
Issue of share capital and share premium		15,217,344	10,159,112
Redemption of non controlling interests		(15,217,344)	(10,159,112)
		-	-
<b>Net cash generated by operating activities includes:</b>			
Interest received		196,378	164,450

The accompanying notes on pages 45 to 77 form an integral part of these audited consolidated financial statements.

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## Notes to the Consolidated Financial Statements

For the year ended 30 September 2012

### 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 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 are listed on the London Stock Exchange.

GCP Infrastructure Fund Limited (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.

These financial statements consolidate the financial statements of the Company and its subsidiary, the Master Fund (together the “Group”).

### 2. Significant 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”) as they apply to the financial statements of the Group for the year 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.

The financial statements are presented in GBP and all values have been rounded to the nearest pound except where otherwise indicated.

The financial statements, including the comparative figures, have been prepared in accordance with IFRS. However the comparative figures are not fully comparable as they relate to the 14 month period from 21 May 2010, being the date of incorporation of the Company, to 30 September 2011.

## Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 September 2012

### 2.1 Basis of preparation *(continued)*

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 and Accumulation Shares of the Master Fund, equate to 25.65% of the total issued Ordinary Redeemable Income and Accumulation share capital of the Master Fund and are represented as financial liabilities at fair value through profit or loss within the Consolidated Statement of Financial Position. Liabilities arising from the Ordinary Redeemable Income and Accumulation Shares are carried at the redemption amount being the NAV of the Master Fund calculated in accordance with IFRS at the Consolidated Statement of Financial Position date.

Master Fund shareholders have the right to have their shares redeemed at a proportionate share based on the Master Fund's NAV 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 for dealing purposes 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. A reconciliation of the valuation calculated in accordance with the prospectus to net assets per the consolidated financial statements is shown in note 21.

The assets attributable to the C Share Class Fund when in existence, 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 by the Master Fund 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 as follows.

Amendments to the following accounting standards were made effective for this financial year but have no impact on the financial statements:

- **IAS 24 Related Party Disclosures** – revised definition of related parties
- **IAS 32 Financial Instruments: Presentation** – amendments relating to classification of rights issues
- **IFRS 7 Financial Instruments: Disclosures** – amendments enhancing disclosures about transfers of financial assets.



## 2.1 Basis of preparation (*continued*)

- **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
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
- Minor amendments to various standards and interpretations resulting from the May 2010 Annual Improvements to IFRS

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. They are not expected to significantly impact the financial statements.

- **IAS 1 Presentation of Financial Statements** – amendments to revise the way other comprehensive income is presented (effective for annual years beginning on or after 1 July 2012)
- **IFRS 7 Financial Instruments: Disclosures** – amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual years beginning on or after 1 January 2013 and interim years within those years)
- **IAS 19 Employee Benefits** – amended standard (effective for annual years beginning on or after 1 January 2013)
- **IAS 27 Separate Financial Statements** (as amended in 2011) – previously IAS 27 Consolidated and Separate Financial Statements (effective for annual years beginning on or after 1 January 2013)
- **IAS 28 Investments in Associates and Joint Ventures** (as amended in 2011) – previously IAS 28 Investments in Associates (effective for annual years beginning on or after 1 January 2013)
- **IAS 32 Financial Instruments: Presentation** – amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for annual years beginning on or after 1 January 2014)
- **IFRS 7 Financial Instruments: Disclosures** – amendments requiring disclosures about the initial application of IFRS 9 (effective for annual years beginning on or after 1 January 2015 or otherwise when IFRS 9 is first applied)
- Minor amendments to various standards and interpretations resulting from Annual Improvements 2009 – 2011 cycle (effective for annual periods beginning on or after 1 January 2013).

## Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 September 2012

### 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 19.

#### *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 consolidated 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.

##### *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 2 July 2010 and the C Share Prospectus dated 18 September 2012. The financial information about the financial assets of the Group are provided by the Investment Adviser to the Directors of the Master Fund 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 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.

Ordinary Redeemable Income and Accumulation Shares of the Master Fund owned by non-controlling interests, equate to 25.65% of the total issued share capital of the Master Fund 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 Shares are carried at the redemption amount being the Master Fund NAV calculated in accordance with IFRS.

## 2.3 Summary of significant accounting policies (continued)

### (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.

### (iv) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Consolidated Statement 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 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 the Consolidated Statement of Comprehensive Income.

The Group's existing financial liabilities at fair value through profit or loss are carried at fair value, being the value on the Master Fund's Statement of Financial Position date of all non controlling interest shares, less set up costs amortised at Master Fund level as a result of the requirement to expense the cost in full for IFRS purposes.

## Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 September 2012

### 2.3 Summary of significant accounting policies *(continued)*

#### **(b) Basis of consolidation**

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group 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 year as the parent company, using consistent accounting policies. All intragroup balances, transactions, unrealised gains and losses resulting from intra-group 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 and included in administrative expenses.

When the Group 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 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, 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 19.

#### **(e) 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.

## 2.3 Summary of significant accounting policies (continued)

### (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.

### (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.

Arrangement fee income comprises reimbursement of fees relating to the issue and set-up of Loan notes by the respective project companies. The income and related expense is recognised in the Consolidated Statement of Comprehensive Income.

Loan interest comprises interest receipts in relation to the Market Funds debt instruments. Interest is recognised when received. Prior to receipt, accrued interest is included within the value of these investments.

### (j) Fees and commissions

Fees and commissions in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position are recognised on an accruals basis.

### (k) Finance costs

Finance costs in the Consolidated Statement of Comprehensive Income comprise of loan arrangement and commitment fees which are expensed in the year they occur and interest accrued on the credit facility incurred in connection with the borrowing of funds by the Master Fund.

### (l) Distributions to non controlling interests

Distributions are recognised in the Consolidated Statement of Comprehensive Income in the year they fall due and are in relation to distributions payable by the Master Fund to the non controlling interests (classified as financial liabilities at fair value through profit or loss). This is in accordance with the Master Fund's constitution and the Master Fund will distribute the income it receives to the fullest extent that is deemed appropriate. These distributions are paid in May and November.

## Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 September 2012

### 2.3 Summary of significant accounting policies *(continued)*

#### (m) Share Capital

The share capital of the Company comprises of Ordinary Shares and C Shares when in issue. The Ordinary Shares are classified as an equity instrument due to the following features:

- They entitle the holder to a pro rata share of the Ordinary Share Class net assets in the event of the Fund's liquidation;
- The Ordinary 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 Ordinary Share Class net assets; and
- 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 Ordinary Share Class over the life of the instrument.

The C Shares when in issue are classified as a liability instrument due to the following features:

- They entitle the holder to a pro rata share of the C Share Class net assets in the event of the Fund's liquidation;
- The C Shares include a contractual obligation to deliver a variable number of financial assets in the form of Ordinary Shares to the C shareholders upon conversion; and
- 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 C Share Class over the limited life of the instrument.

In addition to the Ordinary Shares and C 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; and
- The effect of substantially restricting or fixing the residual return to the Ordinary shareholders.

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.

### 2.3 Summary of significant accounting policies (continued)

#### (m) Share Capital (continued)

Upon issuance of shares, the consideration on the Ordinary Shares received is included in equity and the consideration 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 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.

#### Operating Income

The following table 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.

	Year ended 30 September 2012 £	Period ended 30 September 2011 £
Channel Islands	203,186	164,626
United Kingdom	9,817,980	5,926,645
<b>Total</b>	<b>10,021,166</b>	<b>6,091,271</b>

**Notes to the Consolidated Financial Statements** *(continued)*

For the year ended 30 September 2012

**3. Segment Information** *(continued)*

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

	Year ended 30 September 2012 £	Period ended 30 September 2011 £
Cash and cash equivalents	203,186	164,626
Financial assets and liabilities at fair value through profit or loss	9,817,980	5,926,645
<b>Total</b>	<b>10,021,166</b>	<b>6,091,271</b>

The table below analyses the Group's financial assets and liabilities at fair value through profit and loss.

	Year ended 30 September 2012 £	Period ended 30 September 2011 £
Arrangement fee income	830,305	175,000
Loan interest	7,358,179	3,416,929
Net movement in financial assets at fair value through profit or loss	3,138,619	1,979,147
Net movement in financial liabilities at fair value through profit or loss	(1,509,123)	355,569
<b>Total</b>	<b>9,817,980</b>	<b>5,926,645</b>



#### 4. Other general expenses

	Year ended 30 September 2012 £	Period ended 30 September 2011 £
Audit fees	36,849	63,588
Directors' insurance	10,928	13,623
Financial advisory fees	201,460	123,433
General insurance fees	14,807	20,923
Legal & professional fees – investment acquisitions	537,315	33,508
Legal & professional fees – other	131,605	49,045
Membership fees	4,391	–
Other expenses	8,740	13,408
Printing fees	11,590	14,306
Public relations fees	39,319	43,348
Registrar's fees	28,394	21,936
Stock exchange fees	24,421	8,439
Valuation agents fees	114,451	49,731
<b>Total</b>	<b><u>1,164,270</u></b>	<b><u>455,288</u></b>

#### 5. Directors Remuneration

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

	Year ended 30 September 2012 £	Period ended 30 September 2011 £
Mr Ian Reeves CBE	37,356	40,992
Mr David Pirouet	29,856	27,329
Mr Trevor Hunt	27,356	27,329
Master Fund Directors' fees	69,109	49,759
Directors' expenses	2,065	5,995
Master Fund Directors' expenses	1,547	1,513
<b>Total fees</b>	<b><u>167,289</u></b>	<b><u>152,917</u></b>

Full details of the Directors remuneration policy can be found in the Directors' Remuneration Report on pages 37 and 38.

#### 6. Taxation

Profits arising in the Group for the year ended 30 September 2012 will be subject to tax at the rate of 0% (30 September 2011: 0%).

**Notes to the Consolidated Financial Statements** (continued)

For the year ended 30 September 2012

**7. Finance costs**

	Year ended 30 September 2012 £	Period ended 30 September 2011 £
Loan arrangement fees	92,951	–
Loan commitment fees	46,762	–
Loan interest expense	116,937	–
<b>Total fees</b>	<b>256,650</b>	<b>–</b>

The above fees and interest expense are incurred on the Master Fund's short term revolving credit facility the 'RBSI facility' details of which are given in note 13.

**8. Dividends**

Total dividends per share at Company level for the year ended 30 September 2012 totalled 6.70 pence per share (30 September 2011: 4.45 pence per share) as follows:

For the year ended 30 September 2012	Pence	£
For the period from 1 April 2011 to 30 September 2011	3.00	1,319,880
For the period from 1 October 2011 to 31 March 2012	3.70	4,053,694
<b>Total</b>	<b>6.70</b>	<b>5,373,574</b>

For the period 21 May 2010 to 30 September 2011	Pence	£
For the period from 21 May 2010 to 30 September 2010	2.15	913,750
For the year from 1 October 2010 to 31 March 2011	2.30	977,500
<b>Total</b>	<b>4.45</b>	<b>1,891,250</b>

**9. Earnings per share**

Basic (and diluted) earnings per share amounts 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 £	Weighted average number of shares	30 September 2012 pence per share
<b>Earnings per Ordinary Share (basic and diluted)</b>	<b>4,326,264</b>	<b>74,699,830</b>	<b>5.7915</b>

## 9. Earnings per share (continued)

	Profit £	Weighted average number of shares	30 September 2011 pence per share
Earnings per Ordinary Share (basic and diluted)	1,848,570	42,021,766	4.3991

The 30 September 2012 weighted average number of shares have been calculated by dividing the total shares in issue by the total days in the year, multiplied by the number of days they were in issue:

	Shares in issue	Days	Weighted
As at 30 September 2011	43,996,000	82	9,857,027
As at 22 December 2011	47,657,012	138	17,969,037
As at 8 May 2012	109,559,295	41	12,273,036
As at 18 June 2012	119,947,268	1	327,725
As at 19 June 2012	120,515,223	10	3,292,766
As at 29 June 2012	120,625,184	94	30,980,239
<b>Total at 30 September 2012</b>		<b>366</b>	<b>74,699,830</b>

The 30 September 2011 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
Issued upon the Company's admission to the London Stock Exchange (LSE)	40,000,000	88	7,068,273
As at 17 August 2010	41,000,000	52	4,281,124
As at 8 October 2010	42,500,000	318	27,138,554
As at 22 August 2011	43,996,000	40	3,533,815
<b>Total</b>		<b>498</b>	<b>42,021,766</b>

Post year end, and as detailed in note 22, as part of successful fund raising 132,300,000 C Shares were issued on 17 October 2012. These are convertible to Ordinary Shares within a 6 month period.

## 10. Business combinations

The consolidated financial statements comprise the financial statements of the Company and its subsidiary, the Master Fund, for the year ended 30 September 2012.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies. All intragroup balances, transactions, unrealised gains and losses resulting from intra-group transactions and distributions are eliminated in full.

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## Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 September 2012

### 10. Business combinations *(continued)*

The Company invests in the Master Fund 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 Redeemable Income Shares and C Shares of the Master Fund, which in turn will generate income from subordinated PFI debt and/or similar assets.

#### *Acquisition of additional holdings in the subsidiary (the "Master Fund")*

On 1 October 2011, the Company held 41,897,762 Master Fund Ordinary Redeemable Income Shares at a fair value of £42,337,689 representing 58.01% of the issued share capital of the Master Fund, with a non controlling interest share of 41.99% of the issued share capital of the Master Fund.

On 22 December 2011 the Company bought 62,307,530 Master Fund C Shares (representing 100%) at a fair value of £62,307,530. On the same date the Company bought 3,521,732 Master Fund Ordinary Redeemable Income Shares at a fair value of £3,610,128.

On 4 May 2012, in accordance with the terms of the Master Fund's Information Memorandum Supplement, all the Master Funds' C Shares were converted into new Ordinary Income Shares. The Conversion Ratio for conversion of the C Shares was 0.9531. As a result, the C Shares of the Master Fund were cancelled and 59,385,306 Ordinary Income Shares along with 2,922,224 Deferred Shares were issued.

Following conversion of the C Shares the Company held 104,804,800 Master Fund Ordinary Income Shares at a fair value of £107,212,796 representing 77.01% of the issued share capital of the Master Fund, with a non controlling interest share of 22.99% of the issued share capital of the Master Fund.

On 31 May 2012, the Company bought an additional 342,164 Ordinary Income Shares at a fair value of £350,000, at this point the Company owned 76.81% of the issued share capital of the Master Fund, with a non controlling interest share of 23.19% of the issued share capital of the Master Fund.

On 20 June 2012, following fundraising by way of a tap issue, the Company invested £11.3 million in the Master Fund for an additional 10,961,262 Ordinary Income Shares at a fair value of £11,257,216, at this point the Company owned 78.28% of the issued share capital of the Master Fund, with a non controlling interest share of 21.72% of the issued share capital of the Master Fund.

Since 20 June 2012, the effective proportionate non controlling interest holdings of the Master Fund shares has decreased. As at 30 September 2012, the Company owned 74.35% of the issued share capital of the Master Fund, with a non controlling interest share of 25.65% of the issued share capital of the Master Fund.

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

## 11. Other receivables and prepayments

	30 September 2012 £	30 September 2011 £
Arrangement fee income	12,150	–
Directors insurance fees	9,719	6,897
Financial advisory fees	18,324	18,329
FSA fees	2,440	1,995
General insurance fees	9,950	10,681
Interest receivable	6,984	176
Legal & professional fees	65,130	65,130
Other expenses	108	–
Permit fees	2,018	1,496
Stock exchange fees	3,250	3,026
<b>Total</b>	<b>130,073</b>	<b>107,730</b>

## 12. Other payables and accrued expenses

	30 September 2012 £	30 September 2011 £
Administration fees	23,752	25,890
Audit fees	36,391	48,790
Custody fees	4,080	6,921
Directors' fees	42,993	28,356
Investment advisory fees	656,316	274,495
Loan commitment fees	46,762	–
Loan arrangement fees	22,951	–
Other expenses	9,940	3,538
Printing fees	5,000	11,800
Receiving agents fees	–	11,945
Registrar's fees	4,541	3,125
Set up costs	–	11,502
Valuation agents fees	19,363	16,631
<b>Total</b>	<b>872,089</b>	<b>442,993</b>

**Notes to the Consolidated Financial Statements** (continued)

For the year ended 30 September 2012

**13. Interest bearing loans and borrowings**

On 11 November 2011, the Master Fund entered into a unsecured revolving credit facility (the "RBSI Facility") with Royal Bank of Scotland International Limited ("RBSI"). The RBSI Facility is a revolving credit facility of £7 million (the "Facility Amount") and can be used to finance investments by the Master Fund. It has a one month revolving period and a two year term. As at 30 September 2012 the RBSI facility is undrawn.

The rate of interest payable on the Facility Amount by the Master Fund is 300 basis points per annum plus LIBOR. Also, the Master Fund pays a commitment fee of 1.5% per annum on the undrawn balance of the Facility Amount and an arrangement fee of 1.5% of the Facility Amount with 1.0% paid by the Master Fund in March 2012 and the remaining 0.5% to be paid on the first anniversary of the date on which the RBSI Facility was entered into.

**14. Authorised and issued share capital**

	30 September	
	Number of	2012
Share Capital	shares	£
<b>Authorised Shares</b>		
Ordinary Shares of £0.01 each	300,000,000	3,000,000
C Shares of £0.01 each	100,000,000	1,000,000
Deferred Shares of £0.01 each	100,000,000	1,000,000
	<u>500,000,000</u>	<u>5,000,000</u>
<b>Ordinary Shares issued and fully paid</b>		
Ordinary Shares of £0.01 each		
At 1 October 2011	43,996,000	439,960
Issued on 22 December 2011	3,661,012	36,610
Issued on 8 May 2012	61,902,283	619,023
Issued on 18 June 2012	10,387,973	103,880
Issued on 19 June 2012	567,955	5,680
Scrip Shares issued on 29 June 2012	109,961	1,100
At 30 September 2012	<u>120,625,184</u>	<u>1,206,253</u>
<b>C Shares issued and fully paid</b>		
Issued on 22 December 2011 and fully paid on admission to the London Stock exchange (LSE)	63,744,500	637,445
Conversion of C Shares on 8 May 2012	(63,744,500)	(637,445)
At 30 September 2012	<u>-</u>	<u>-</u>
<b>Deferred Shares issued</b>		
Issued on conversion of C Shares on 8 May 2012	1,842,217	18,422
Cancelled on 13 August 2012	(1,842,217)	(18,422)
At 30 September 2012	<u>-</u>	<u>-</u>

The cancellation of Deferred Shares on 13 August 2012 resulted in a transfer of £18,422 to the Capital Redemption Reserve.

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

	30 September 2012 £
<b>Share Premium</b>	
<b>Ordinary Shares</b>	
At 1 October 2011	43,700,960
Issued on 22 December 2011	3,573,514
Issued on 8 May 2012	63,107,055
Issued on 18 June 2012	10,569,763
Issued on 19 June 2012	577,894
Scrip Shares issued on 29 June 2012	108,750
<b>At 30 September 2012</b>	<b><u>121,637,936</u></b>
<b>C Shares</b>	
Issued on 22 December 2011 on admission to the LSE	63,107,055
Conversion of C Shares on 8 May 2012	<u>(63,107,055)</u>
<b>At 30 September 2012</b>	<b><u>-</u></b>

As at the start of the year, the authorised share capital of the Company was £2,000,000 consisting of 200,000,000 Ordinary Shares of £0.01 each.

On 11 November 2011, the authorised share capital of the Company was increased to £5,000,000 as follows:

- a) 300,000,000 Ordinary Shares of £0.01 each;
- b) 100,000,000 C Shares of £0.01 each; and
- c) 100,000,000 Deferred Shares of £0.01 each.

On 22 December 2011, the Company announced the successful admission of 63,744,500 C Shares to trading on the Official List and to trading on the LSE's main market for listed securities following the fundraising of £63.7 million through the placing, the offer for subscription and the arrangements for switching between the Master Fund and the Company. 3,661,012 Ordinary Shares were subsequently blocklisted and added to the Official List of the UK Listing Authority.

On 8 May 2012, in accordance with the terms of the Company's C Share Prospectus, the C Shares were converted into new Ordinary Shares. The Conversion Ratio for conversion of the C Shares was 0.9711. As a result, 61,902,283 Ordinary Shares and 1,842,217 Deferred Shares were issued and all the C Shares cancelled.

On 18 June 2012, the Company announced successful admission of 10,955,928 new Ordinary Shares to the Official List and to trading on the LSE's main market for listed securities following the fundraising of £11.3 million by way of a tap issue.

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## Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 September 2012

### 14. Authorised and issued share capital *(continued)*

On 29 June 2012, the Company announced successful admission of 109,961 new Ordinary Shares to the Official List and to trading on the LSE's main market for listed securities following the offer of scrip dividend alternative in lieu of cash for the interim dividend for the period from 1 October 2011 to 31 March 2012.

As at 30 September 2012, the Company's issued share capital comprised 120,625,184 Ordinary Shares, none of which were held in treasury.

The Company's share capital is represented by Ordinary Shares, along with C Shares and Deferred Shares when in issue. Quantative information about the Company's capital is provided in the Consolidated Statement of Changes in Equity.

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 Group 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 Group and are in existence for C Share conversion purposes only. As at 30 September 2012 there are no Deferred Shares in issue.

#### *Capital Management*

The Company's share capital is represented by the issued Ordinary Shares. The investment objective of the Company is outlined in the Investment Adviser's Report. The Company's investment objectives are in line with the investment objectives of the Master Fund. The Company achieves its investment objectives by investing substantially all of its capital in Ordinary Redeemable Shares of the Master Fund. As at 30 September 2012 Company capital and reserves amounted to £121.77 million (30 September 2011: £44.10 million).

As a result of the ability to issue, repurchase and resell shares, the capital of the Group can vary depending on the demand for redemptions and subscriptions. The Group is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of Ordinary shares, however it does have the ability to impose a temporary dealing policy.

The Group's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus and C Share prospectus;
- To achieve consistent returns while safeguarding capital;
- To maintain sufficient liquidity to meet expenses and to meet redemption requests as they arise; and
- To maintain sufficient size to make the operation of the Group cost-efficient.



**15. Cash and Cash Equivalents**

	30 September 2012 £	30 September 2011 £
Cash and cash equivalents	189,444	407,098
Master Fund cash and cash equivalents	9,402,380	8,813,304
<b>Total</b>	<b>9,591,824</b>	<b>9,220,402</b>

**16. Amounts held on Security Account**

	30 September 2012 £	30 September 2011 £
Amounts held on Security Account payable	2,100,572	2,376,292
Interest payable on Security Account	12,573	1,515
<b>Total</b>	<b>2,113,145</b>	<b>2,377,807</b>

'Amounts held on Security Account' relates to a cash deposit of £2,113,145 (30 September 2011: £2,377,807) 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.

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 Consolidated Statement of Financial Position.

**17. Group Contingent Liabilities**

At 30 September 2012 there were no contingent liabilities (30 September 2011: nil)

**18. Distributions to non controlling interest**

The distributions paid during the year to the non controlling interest of the Group comprise of the following:

	Year ended 30 September 2012 £	Period ended 30 September 2011 £
Distributions in respect of non controlling interest Ordinary Income Shares	862,318	1,437,826
Distributions in respect of non controlling interest Ordinary Accumulation Shares	486,304	812,350
<b>Total</b>	<b>1,348,622</b>	<b>2,250,176</b>

**Notes to the Consolidated Financial Statements** (continued)

For the year ended 30 September 2012

**19. Financial Risk, Management Objectives and Policies**

The Company has an investment policy and strategy as summarised in its Prospectus dated 2 July 2010 and C Share prospectus dated 18 September 2012 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 Directors fully adopt all audit responsibility as set out in the prospectus.

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 however, 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.

*Policy regarding risk identification and control*

Bi-annual risk reports are produced by the Investment Adviser, Administrator and Board and are considered at Board level on a biannual basis.

*Fair Value*

The Group's existing financial assets are designated as financial assets at fair value through profit or loss. These financial instruments are held at fair value.

The table below summarises the movement on the Investments during the year:

	Year ended 30 September 2012	Period ended 30 September 2011
	£	£
Bookcost at 1 October 2011	65,194,856	–
Financial assets at fair value through profit or loss acquired on investment into the Master Fund	–	30,952,060
Acquisitions	<u>86,757,806</u>	<u>34,242,796</u>
Bookcost at 30 September 2012	151,952,662	65,194,856
Unrealised gains	<u>5,117,766</u>	<u>1,979,147</u>
<b>Valuation at 30 September 2012</b>	<b><u>157,070,428</u></b>	<b><u>67,174,003</u></b>
<b>Net movement on financial assets at fair value through profit or loss</b>	<b>3,138,619</b>	<b>1,979,147</b>

The Group's existing financial liabilities at fair value through profit or loss are carried at fair value, being net asset value of the non controlling interest portion of the Master Fund at 30 September 2012 less set up costs amortised at Master Fund level as a result of the requirement to expense the cost in full for IFRS purposes.

## 19. Financial Risk, Management Objectives and Policies (continued)

### Fair Value (continued)

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 Prospectus dated 2 July 2010 and C Share prospectus dated 18 September 2012 and in the section below entitled 'Fair Valuation Methodology of Financial assets at fair value through profit or loss'.

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.

	As at 30 September 2012			
Financial assets at fair value through profit or loss	Level 1 £	Level 2 £	Level 3 £	Total £
Subordinated loan notes	–	157,070,428	–	157,070,428
	–	157,070,428	–	157,070,428

	As at 30 September 2012			
Financial liabilities at fair value through profit or loss	Level 1 £	Level 2 £	Level 3 £	Total £
Non Controlling Interest	–	44,202,998	–	44,202,998
	–	44,202,998	–	44,202,998

## Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 September 2012

### 19. Financial Risk, Management Objectives and Policies *(continued)*

#### *Fair Value (continued)*

Financial assets at fair value through profit or loss	As at 30 September 2011			
	Level 1 £	Level 2 £	Level 3 £	Total £
Subordinated loan notes	–	67,174,003	–	67,174,003
	–	67,174,003	–	67,174,003

Financial liabilities at fair value through profit or loss	As at 30 September 2011			
	Level 1 £	Level 2 £	Level 3 £	Total £
Non Controlling Interest	–	31,833,570	–	31,833,570
	–	31,833,570	–	31,833,570

During the year 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 there have been no assets classified or transferred requiring reconciliation to the level 3 hierarchy.

The Valuation Agent has been appointed by the Directors 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. These valuations are reviewed by both the Investment Adviser and the Directors.

#### *Fair Valuation Methodology of Financial assets at fair value through profit or loss*

There are minimal adjustments for assets specific factors in the valuation methodology. Should these adjustments become significant the relevant assets would be classified as level 3.

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 relevant 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 single 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.

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## 19. Financial Risk, Management Objectives and Policies (*continued*)

### *Fair Value (continued)*

The Valuation Agent therefore uses discount rates for valuing each investment taking, inter alia, the following into account:

- Sterling interest rates;
- Movements of comparable credit markets;
- Specific credit risk of the underlying asset by considering 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; and
- 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.

The Valuation Agent considers the movements in comparable credit markets and publicly available information around each project into account, 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.

Following the formation of the Master Fund, the Master Fund Directors agreed the valuation methodology to be used to value the investments of the Master fund. The Master Fund Directors reviewed the valuation model used by the Valuation Agent to ensure it performs in line with the agreed valuation methodology, and to ensure the suitability and relevance of comparators and benchmarks. The valuation model is also reviewed having due regard for the requirements of accounting standards.

Monthly valuations carried out by the Valuation Agent are reviewed by the Master Fund Directors and the Investment Adviser, with any movements tracked and justified by the Valuation Agent.

On a quarterly basis the Investment Adviser produces a report that details the performance of each investment, and includes an analysis of the exposures of the Master Fund by infrastructure sector, facilities manager, project counterparty and borrower. A separate review is carried out by the Investment Adviser on an annual basis of all facilities managers active in the infrastructure sector.

During the year the Master Fund Directors have met with both the Valuation Agent and the Master Fund's technical adviser, EC Harris, to appraise the valuation methodology, the key risks and due diligence process relating to transactions supported by Feed-in Tariff payments in light of the fact that this is a sector the Master Fund is investing in for the first time.

**Notes to the Consolidated Financial Statements** *(continued)*

For the year ended 30 September 2012

19. Financial Risk, Management Objectives and Policies *(continued)**Fair Value (continued)*

For every new investment entered into by the Master Fund, the Master Fund Directors receive third party due diligence reports from the Valuation Agent and legal and financial advisers as a key part of the deal approval process.

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

## 30 September 2012

Change in discount rate	0.50%	0.25%	0%	(0.25%)	(0.50%)
Valuation of financial assets at fair value	151,338,372	154,156,589	157,070,428	160,084,093	163,202,005
Change in valuation of financial assets at fair value	(5,732,056)	(2,913,839)	–	3,013,665	6,131,577

## 30 September 2011

Change in discount rate	0.50%	0.25%	0%	(0.25%)	(0.50%)
Valuation of financial assets at fair value	64,589,212	65,858,388	67,174,003	68,538,312	69,953,692
Change in valuation of financial assets at fair value	(2,584,791)	(1,315,615)	–	1,364,309	2,779,689

The Group recognises the non controlling interest as financial liabilities at fair value through profit or loss. The values are recognised as the net asset value prices of the Ordinary Income and Accumulation Share Classes.

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

## 19. Financial Risk, Management Objectives and Policies (*continued*)

### *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 on the previous page.

#### *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*

During the year the Master Fund made use of a revolving short term credit facility with RBSI which was used to finance future investments by the Master Fund, details of which are given in note 13. As at 30 September 2012 the RBSI facility is currently undrawn.

The Master Fund's borrowings shall not in any event exceed 20 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 borrowings are drawn down.

Any potential financial impact of movements in interest rates on the cost of borrowings on the Group are 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.

**Notes to the Consolidated Financial Statements** *(continued)*

For the year ended 30 September 2012

**19. Financial Risk, Management Objectives and Policies** *(continued)**Credit Risk (continued)*

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 year end exposures are reported to the Directors of the Master Fund quarterly.

All the current financial assets of the Master Fund are unrated debt instruments issued by Infrastructure Intermediaries No. 1 Limited, Infrastructure Intermediaries No. 2 Limited, Infrastructure Intermediaries No. 3 Limited, Infrastructure Intermediaries No. 4 Limited, Infrastructure Intermediaries No. 5 Limited, Cardale Infrastructure Investments Limited, Education PFI Investments Limited, White Rock Insurance (SAC) Ltd, T-26 GEM Infrastructure Limited, Grosvenor PFI Holdings Limited, Leisure Infrastructure Investors Limited, Civic PFI Investments Limited and Kirklees PFI Limited who manage the affairs of the portfolios.

Sensitivity analysis has not been provided for currency risk nor credit risk as management believes these risks are negligible.

<b>Total Exposure by Sector</b>	<b>£</b>	<b>%</b>
Feed-in tariff	44,154,322	28.1
Education	43,246,196	27.5
Healthcare	37,147,125	23.6
Leisure	12,940,499	8.2
Accommodation	8,891,080	5.7
Various UK PFI	5,738,456	3.7
Custodial	3,598,457	2.3
Emergency Services	1,354,293	0.9
<b>Total</b>	<b><u>157,070,428</u></b>	<b><u>100.0</u></b>

<b>Top Ten Exposures by Investment Type</b>	<b>£</b>	<b>%</b>
Senior Loan Guarantees	28,087,200	17.9
Subordinated Loans	84,828,903	54.0
Senior Loans	44,154,325	28.1
<b>Total</b>	<b><u>157,070,428</u></b>	<b><u>100.0</u></b>



19. Financial Risk, Management Objectives and Policies (*continued*)*Credit Risk (continued)*

<b>Top Ten Exposures by Project Counterparty</b>	<b>£</b>	<b>%</b>
Department of Energy and Climate Change (E.ON Energy Limited)	29,458,761	18.8
Department of Energy and Climate Change (Smartest Energy Limited)	14,695,564	9.4
Slough Borough Council	10,875,439	6.9
The Highland Council	8,363,320	5.3
South London Healthcare NHS Trust	8,259,500	5.3
NHS Greater Glasgow and Clyde	7,922,193	5.0
Leeds City Council	5,131,109	3.3
Hertfordshire County Council	4,829,859	3.1
Amber Valley Borough Council	4,295,105	2.7
Hull Primary Care Trusts	3,683,990	2.3
37 other Project Counterparties with individual exposure < £3.4m	59,555,588	37.9
<b>Total</b>	<b>157,070,428</b>	<b>100.0</b>
<b>Top Ten Exposures by Facilities Manager</b>	<b>£</b>	<b>%</b>
A Shade Greener Limited	29,458,761	18.8
Smarter Energy Solutions	14,695,564	9.4
Grosvenor Facilities Management	14,258,169	9.1
Pinnacle FM Limited	13,264,177	8.4
Mitie PFI Limited	9,733,517	6.2
GE Medical Systems Limited	8,259,500	5.3
Parsons Brinckerhoff Limited	7,922,193	5.0
EMCOR Facilities Services	5,817,420	3.7
Community Building Services Limited	4,829,859	3.1
Interserve FM Ltd	4,436,954	2.8
24 other Facilities Managers with individual exposure < £4.3m	44,394,314	28.2
<b>Total</b>	<b>157,070,428</b>	<b>100.0</b>
<b>Total Exposure by Expected Term</b>	<b>£</b>	<b>%</b>
< 10 yrs	14,282,274	9.1
10 – 20 yrs	27,954,582	17.8
20 – 25 yrs	70,289,984	44.7
25 – 30 yrs	44,543,588	28.4
<b>Total</b>	<b>157,070,428</b>	<b>100.0</b>

## Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 September 2012

### 19. Financial Risk, Management Objectives and Policies *(continued)*

#### *Credit Risk (continued)*

Total Exposure by Annual Equivalent Running Yield	£	%
9.0% – 9.5%	43,876,746	28.0
9.5% – 10.0%	103,081,157	65.6
10.0% – 10.5%	10,112,525	6.4
<b>Total</b>	<b><u>157,070,428</u></b>	<b><u>100.0</u></b>

#### *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 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 following analyses all of the Group's financial assets and liabilities into relevant maturity groupings based on the remaining year at the Consolidated Statements of Financial Position date to the contractual maturity date. The cash flows are on an undiscounted basis.

19. Financial Risk, Management Objectives and Policies (*continued*)*Liquidity Risk (continued)*

30 September 2012	Less than 1 month £	1 – 3 months £	3 – 12 months £	Greater than 12 months £	No stated maturity £	Total £
<b>Financial Assets</b>						
Cash and cash equivalents	9,591,824	-	-	-	-	9,591,824
Amounts receivable on subscription of Master Fund Ordinary Redeemable Shares	148,814	-	-	-	-	148,814
Other receivables and prepayments	-	-	130,073	-	-	130,073
Amount held on Security Account	-	-	-	2,113,145	-	2,113,145
Financial assets at fair value through profit or loss	4,917,727	1,053,109	9,442,050	399,490,513	-	414,903,399
<b>Total financial assets</b>	<b>14,658,365</b>	<b>1,053,109</b>	<b>9,572,123</b>	<b>401,603,658</b>	<b>-</b>	<b>426,887,255</b>
<b>Financial Liabilities</b>						
Amounts payable on redemption of Master Fund Ordinary Redeemable Shares	93,431	-	-	-	-	93,431
Other payables and accrued expenses	-	872,089	-	-	-	872,089
Amounts held on security account	-	-	-	2,113,145	-	2,113,145
Financial liabilities at fair value through profit or loss	-	-	-	-	44,202,998	44,202,998
<b>Total financial liabilities</b>	<b>93,431</b>	<b>872,089</b>	<b>-</b>	<b>2,113,145</b>	<b>44,202,998</b>	<b>47,281,663</b>

The table following analyses all of the Group's financial assets and liabilities into relevant maturity groupings based on the remaining year at the Consolidated Statements of Financial Position date to the contractual maturity date. The cashflows are on an undiscounted basis.

**Notes to the Consolidated Financial Statements** (continued)

For the year ended 30 September 2012

**19. Financial Risk, Management Objectives and Policies** (continued)*Liquidity Risk* (continued)

30 September 2011	Less than 1 month £	1 – 3 months £	3 – 12 months £	Greater than 12 months £	No stated maturity £	Total £
<b>Financial Assets</b>						
Cash and cash equivalents	9,220,402	-	-	-	-	9,220,402
Amounts receivable on subscription of Master Fund shares	1,074,987	-	-	-	-	1,074,987
Other receivables and prepayments	-	-	107,730	-	-	107,730
Amounts held on Security Account	-	-	-	2,377,807	-	2,377,807
Financial assets at fair value through profit or loss	2,299,466	335,233	3,345,212	188,113,500	-	194,093,411
<b>Total financial assets</b>	<b>12,594,855</b>	<b>335,233</b>	<b>3,452,942</b>	<b>190,491,307</b>	<b>-</b>	<b>206,874,337</b>
<b>Financial Liabilities</b>						
Amounts payable on redemption of Master Fund shares	521,151	-	-	-	-	521,151
Distribution payable to non controlling interest	-	681,168	-	-	-	681,168
Other payables and accrued expenses	-	442,993	-	-	-	442,993
Amounts held on Security Account	-	-	-	2,377,807	-	2,377,807
Net assets attributable to Ordinary shares	-	-	-	-	31,833,570	31,833,570
<b>Total financial liabilities</b>	<b>521,151</b>	<b>1,124,161</b>	<b>-</b>	<b>2,377,807</b>	<b>31,833,570</b>	<b>35,856,689</b>

**20. 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.

*Subsidiary*

GCP Infrastructure Investments Limited as at 30 September 2012 owns a 74.35% controlling stake in GCP Infrastructure Fund Limited (the 'Master Fund'), together they form 'the Group'.

## 20. Related Party Disclosures

### *Directors*

Directors remuneration totals £167,289 (30 September 2011: £152,917). The balance outstanding at the year end of £42,993 (30 September 2011: £28,356) is included within other payables and accrued expenses in note 12.

Full details of the Directors remuneration can be found in the Directors' Remuneration Report on pages 37 and 38.

### *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 relating 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 (30 September 2011: £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 year 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 year, the Group expensed £1,150,049 (30 September 2011: £358,279) in respect of Investment Advisory fees, transaction fees and expenses. The balance outstanding at the end of the year of £656,316 (30 September 2011: £274,495) is included within investment advisory fees and expenses payable in note 12. The expensed balance comprised as follows:

- £19,945 (30 September 2011: £25,150) related to the contractual fee at Company level for the year, £0 (30 September 2011: £55) was outstanding at the end of the year; and
- £1,130,104 (30 September 2011: £326,635) related to the contractual fee at Master Fund level, £656,316 (30 September 2011: £274,440) was outstanding at the end of the year.
- £0 (30 September 2011: £6,494) related to expenses claimed at Group level for the year ended 30 September 2012.

### *Grosvenor PFI Holdings Limited*

The owners of Grosvenor PFI Holdings Limited have a 15% non-voting partnership interest in the Investment Adviser.

## Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 September 2012

### 21. Reconciliation of Net Asset Value

This note reconciles the Net Asset Value ("NAV") per the consolidated financial statements to the adjusted NAV as calculated in accordance with the Prospectus' rules for calculating the NAV for dealing purposes.

Establishment costs are all costs and expenses incurred in relation to the establishment of the Company.

In accordance with the NAV calculation prepared in line with the requirements of IFRS, establishment costs are expensed in the year they are incurred.

In accordance with the NAV calculation rules as stipulated in the Master Fund's Information Memorandum, establishment costs are capitalised and subsequently amortised on a straight-line basis over a five year period for the purpose of calculating the net asset value per share class for the issuance and redemption of Ordinary Redeemable Income and Accumulation Shares.

The Company's net asset value per Ordinary Share at 28 September 2012 can be reconciled to the net asset value per Ordinary Share, as calculated in accordance with IFRS, as follows:

	30 September 2012	
	Total £	Per share £
Valuation in accordance with the Prospectus at 28 September 2012	121,778,513	1.0095
Adjustment for Master Fund set-up costs	(50,151)	(0.0004)
Adjustment for 30 September 2012 valuations	46,443	0.0004
Adjustment for 30 September 2012 expense accruals	(2,184)	–
<b>Net assets as per Consolidated Financial Statements</b>	<b>121,772,621</b>	<b>1.0095</b>

The Company's net asset value per Ordinary Share at 30 September 2011 can be reconciled to the net asset value per Ordinary Share, as calculated in accordance with IFRS, as follows:

Ordinary share class reconciliation	30 September 2011	
	Total £	Per share £
Valuation in accordance with the Prospectus at 30 September 2011	44,156,803	1.0037
Adjustment for Master Fund set-up costs	(58,563)	(0.0013)
<b>Net assets as per Consolidated Financial Statements</b>	<b>44,098,240</b>	<b>1.0024</b>

**22. Subsequent events after the Report date**

On 9 October 2012, the Master Fund advanced a further loan of £3.1 million to ASG3. The loan is secured on a senior basis against the cashflows arising under the UK Government's Feed-In tariff scheme from a portfolio of up to approximately 1,000 domestic solar panel installations in England. The weighted average yield on the Notes is 9.46 per cent. per annum on an annualised basis, with a weighted average expected life of 24.8 years.

On 12 October 2012, the Company announced a successful fundraising of £144.4 million, with £132.3 million raised through the Placing and Offer for Subscription of C Shares with an issue price of £1.00 per C Share (the "Issue") and £12.1 million raised through the arrangements for Switching as defined in the C Share Prospectus dated 18 September 2012.

On 17 October 2012, the Company announced 132,300,000 C Shares and 11,989,698 Ordinary Shares admitted to the Official List and to trading on the London Stock Exchange, issued in connection with the Company's placing and offer for subscription and arrangements for switching.

On 9 November 2012, the Master Fund advanced a further loan of £5.0 million to ASG3.

On 15 November 2012, the Master Fund advanced a further loan of £2.35 million to Civic PFI. The loan has a term of c. 14 years and is expected to produce a return of 9.20% p.a. annual equivalent.

On 13 December 2012, the Master Fund advanced a further loan of £5.0 million to ASG3.

**23. Ultimate Controlling Party**

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



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