



**GCP Infrastructure Investments Limited**  
Annual report and financial statements 2015

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

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

The Company is a closed-ended investment company incorporated in Jersey. It was admitted to the Official List and to trading on the London Stock Exchange's Main Market in July 2010 and since then it has grown to a market capitalisation of just over £699.0 million as at 30 September 2015.



A FTSE 250  
Company



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## At a glance

£699.0m

Market capitalisation

2014 – £531.0m

£619.5m

Total net assets

2014 – £470.8m

7.6p

Dividends paid

2014 – 7.6p

121.25p

Share price

2014 – 118.00p

107.47p

NAV per share

2014 – 104.53p

9.5%

Total return for the year

2014 – 17.1%

40

Number of investments

2014 – 36

£48.7m

Profit for the year

2014 – £30.8m

12.8%

Ordinary share premium to NAV

2014 – 12.8%

## Highlights for the year

- Dividends of 7.6 pence per share paid for the year to 30 September 2015
- Total return for the year of 9.5% and total return since IPO in 2010 of 67.9%
- Profit for the year of £48.7 million up c.58% from £30.8 million in the previous year
- Ordinary shares trading at a 12.8% premium at 30 September 2015
- £140 million successfully raised through two significantly oversubscribed share issues with a further £20 million raised post year end
- New loans advanced totalling c.£220.2 million secured against UK renewable energy, social housing and PFI projects, with a further £25.5 million post year end
- Company NAV per ordinary share as at 30 September 2015 of 107.47 pence
- Third-party valuation of the Company's investment portfolio at 30 September 2015 of £657.7 million
- Simplification of corporate structure through a successful merger of the Company and GCP Infrastructure Asset Holdings Limited, its wholly-owned subsidiary on 30 September 2015

# Investment objectives

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

## Dividend income

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

The Company has maintained or progressively increased its dividend for every period since inception and has paid or declared a dividend of 7.6 pence for the previous three financial years.

### Key performance highlights

7.6p

Dividends paid in 2014/15

£48.7m

Profit for the year

## Diversification

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

The Company has increased the number of investments in its portfolio from 36 to 40 at the end of the year. The investment portfolio is exposed to a wide variety of sectors in terms of project type and source of underlying cash flow.

### Key performance highlights

40

Number of investments

12.5%<sup>1</sup>

Size of largest investment

## Capital preservation

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

The valuation of the Company's investments is in excess of the principal value outstanding. The increase in valuation has resulted in a net asset value per share of 107.47 pence. The ordinary shares have always traded at a premium to their net asset value.

### Key performance highlights

107.47p

NAV per share

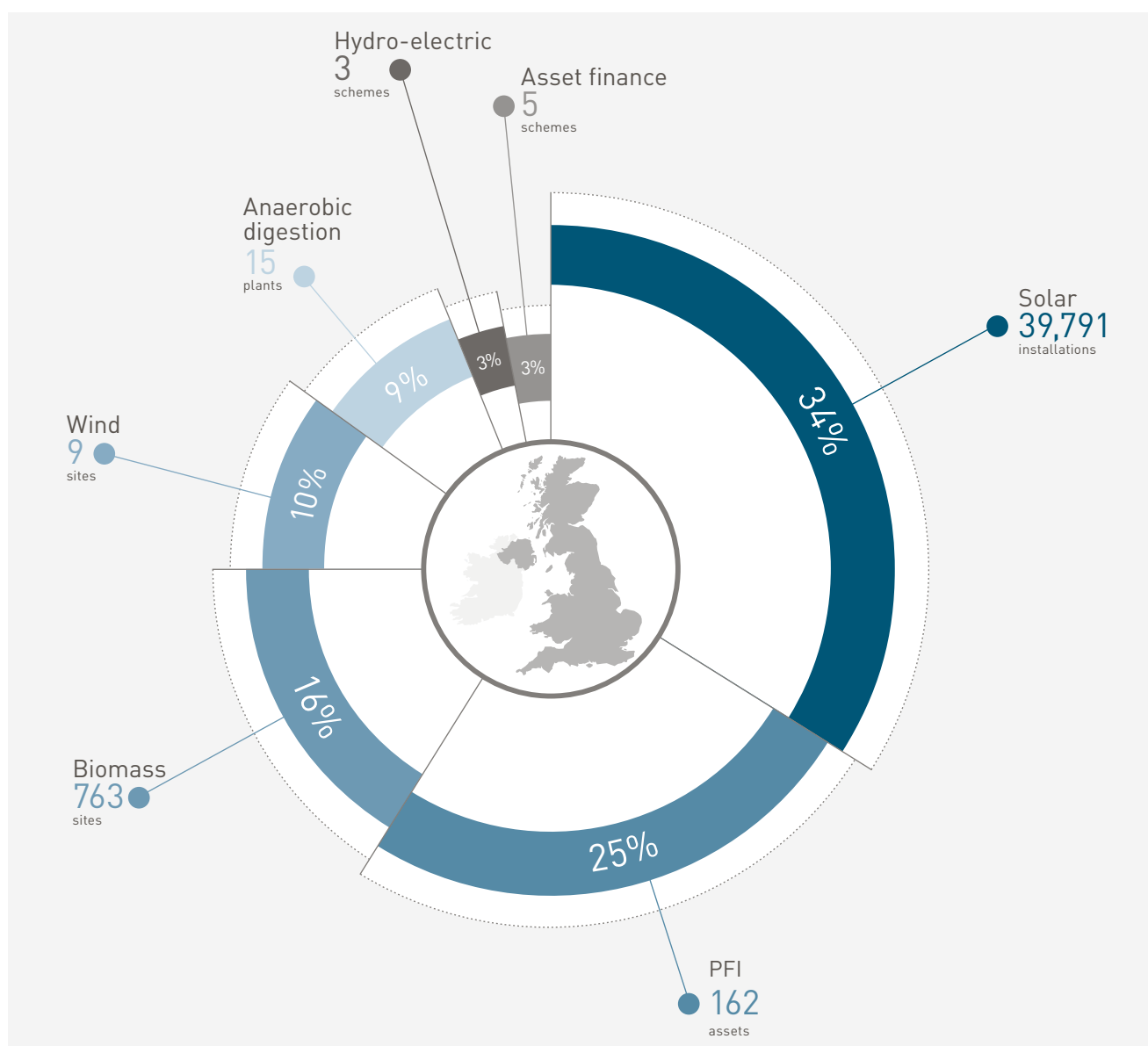
121.25p

Share price as at 30 September 2015

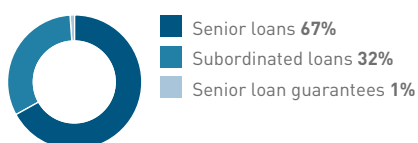
<sup>1</sup> The Cardale 2 loan is secured on a cross-collateralised basis against 14 separate operational PFI projects, with no exposure to any individual project being in excess of 10% of the total investment portfolio.

# Portfolio at a glance

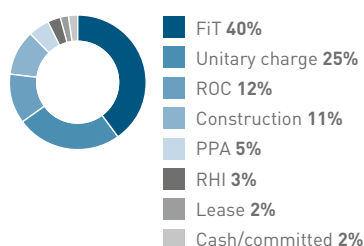
The Company's portfolio is comprised of underlying assets located across the UK and which fall under the following classifications:



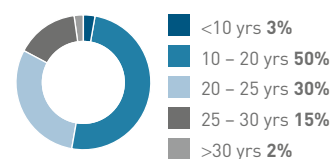
Portfolio by investment type



Portfolio by cash flow type



Portfolio by expected term





# Chairman's statement



**Mr Ian Reeves CBE**  
Chairman



I am pleased to report another strong year with the Company experiencing further growth by way of two significantly oversubscribed capital raises and the deployment of £220.2 million of capital in sixteen investments.

## Introduction

On behalf of the Board I am pleased to report another strong year with the Company experiencing further growth by way of two significantly oversubscribed capital raises and the deployment of £220.2 million of capital in sixteen investments. The Company's portfolio has performed well enabling the Company to deliver consistent returns to shareholders through a dividend of 7.6 pence per share and a total shareholder return for the year of 9.5%. The growth of the Company resulted in its entry to the FTSE 250 index in July of this year which is further testament to the continuing support of the Company's shareholders and the ability of the Company to source attractive investment opportunities.

## Outlook for UK infrastructure

High-quality infrastructure is still regarded as a key foundation for supporting economic growth. Delivery of the right infrastructure at a local, regional and national level, across the UK, therefore remains a stated ambition of government.

Through the updated National Infrastructure Plan and the newly created National Infrastructure Commission there seems to be a high-level governmental commitment to the successful delivery of many high profile projects such as Crossrail and Thames Tideway. However, procurement of social infrastructure under the successor to the Private Finance Initiative, Private Finance 2, has been more limited than expected.

High-quality infrastructure is still regarded as a key foundation for supporting economic growth.

The Conservative government has been quick to make a number of key renewable energy policy decisions that will significantly curtail the number of new projects developed over the next year or so, particularly in the onshore wind, solar and biomass sectors. Under Electricity Market Reform the government's support for the renewable energy sector will now shift towards the Contracts for Difference (CfDs) model. It remains our feeling that CfDs are less suitable for small scale renewables and that future investment is being encouraged towards the offshore wind sector.

#### Investment pipeline

Infrastructure as an investment class is becoming better known, better understood and increasingly popular. This rise in capital looking for infrastructure exposure combined with a shrinking pipeline of new assets and

the prevailing low interest rate environment has resulted in falling yields on assets within the Company's core sectors of social and renewable energy infrastructure. This has driven an increase in the valuation of some of the Company's assets and a resilient and stable share price performance. However, with the desirable effects of continued demand come the challenges associated with increased competition in a space with limited opportunity.

Over the last four years, the Company has been able to occupy a highly-competitive position in the long-dated lending market in many renewable energy sectors. With the withdrawal and reduction of the subsidies underpinning future development in these sectors and a significant increase in competition, investment opportunities have become

more limited. The Company has focused on working with existing borrowers where strong relationships have enabled the Company to lend at attractive rates against well-performing operational assets supported by legacy subsidy regimes. The Company remains alert to similar opportunities, particularly in the solar and wind sectors.

In the secondary PFI market, returns on assets continue to tighten in a crowded market place, with the yields available being generally significantly below the Company's target rates of return. As a result, it is expected that there is also limited scope in the near term for material activity in this sector.

Ancillary areas such as the supported living sub-sector of social housing continue to present an expanding scope for investment in the near future.

# Chairman's statement continued

## Investment portfolio

The Company's investment portfolio has performed robustly, accruing an average yield of c.9.0% throughout the year, with the operational and construction performance of the projects that support the Company's investment portfolio being materially in line with expectations.

The macro-economic and political environment has proved challenging for a number of the Company's renewable energy projects, with falling power prices and the government's removal of the Climate Change Levy exemption both negatively impacting actual and future expected cash flows for some of the Company's borrowers. Despite this the Company has benefited from its focus on investing in debt instruments with cash flow short falls in all instances being absorbed by the equity owners. This fundamentally conservative approach to investing means that the Company expects that its debt investments will all be serviced in full.

The Company made sixteen new investments during the year; twelve new loans, three extensions to existing facilities and the refinancing of eight existing loan notes into one note. The funds have been deployed into a variety of PFI, social housing and renewable energy projects.

## Merger

The Company merged with its wholly-owned subsidiary on 30 September 2015 in order to create a more transparent and cost effective vehicle. The merger removed the administrative burden and expense of operating two companies and the expectation is that this will further enhance the Company's operating margin in future years. The merger will also allow the Company to achieve greater transparency in its disclosure of investments in its financial statements whilst continuing to adhere to financial reporting standards.

## Financial results

The Company generated a profit of £48.7 million in the year, a 58% increase year-on-year. The increased income has been driven by the enlarged income-generative investment portfolio acquired following the deployment of the capital raised through equity issued and drawn down under the RBSI debt facility. Earnings per share were 9.30 pence which is broadly in line with 2014. The Company continues to maintain a dividend of 7.6 pence per share, paying a dividend of 1.90 pence for each of the four financial quarters of the year ended 30 September 2015.

## Net asset growth

The net assets of the Company have grown from £470.8 million at 30 September 2014 to £619.5 million at 30 September 2015 as a result of the £140 million of equity capital raised and the revaluation of the Company's solar and PFI portfolios. The Company's net asset value per share has increased from 104.53 pence to 107.47 pence due to the revaluations and the accretive nature of the share issuances.

## Debt facility

On 23 March 2015 the Company executed a three year £50 million revolving credit facility with RBSI. The debt facility has enabled the Company to raise and deploy capital more efficiently. All amounts drawn under the facility have been used in the financing of investments in accordance with the Company's investment policy. As at 30 September 2015, £41.6 million was drawn under the facility.



### Board composition

On 6 May 2015 the Company announced the sudden death of Trevor Hunt. Trevor was a Director of the Company from inception and during that time made a huge contribution to its success. Trevor was greatly respected by his colleagues and will be sorely missed.

The Company has taken steps to appoint two new Directors and the Board would like to extend a warm welcome to Michael Gray and Julia Chapman who have been appointed as non-executive Directors of the Company with effect from 1 October 2015. Michael Gray (FCIBS) is a Jersey resident, a qualified Corporate Banker and Corporate Treasurer. Julia Chapman is a solicitor with over 25 years' experience in the investment fund and capital markets sectors. In line with best practice, the Directors will be offering themselves for re-election and the two new Directors will be offering themselves for election at the forthcoming Annual General Meeting on 12 February 2016 and annually going forward.

### Governance and compliance

The Board held an annual strategy day in June 2015 to consider the structure and investment strategy of the Company. The discussions centred on advice received from the Investment Adviser as to general market conditions and future investment opportunities for the Company.

In December 2014, a formal review of Directors' remuneration was undertaken by Thomas & Dessain, an independent consultant. The review considered the workload and time commitment of Directors as well as the size and complexity of the Company. Following this review, recommendations were put forward and approved at the Annual General Meeting held in February 2015. Further details are contained in the Directors' remuneration report on pages 49 to 51.

Earlier in the year the Board decided it would be in the best interests of the Company's shareholders for the Audit Committee to conduct a formal Audit tender process in order to assist in assessing the performance of the existing external Auditor against other providers in the market and to determine whether it was appropriate to seek a new firm as external Auditor from next year.

As a result of this process, the Audit Committee found that the experience within the sector as well as the strength of the overall audit team demonstrated by KPMG would be more aligned to the Company. Therefore the appointment of KPMG in place of EY will be proposed at the forthcoming Annual General Meeting.



# Chairman's statement continued

The Board recognises the importance of a strong corporate governance culture and continues to maintain principles of good corporate governance as set out in the UK Code which was updated in September 2014, and the Association of Investment Companies Code of Corporate Governance which was updated in February 2015 and accompanying guide. A copy of the UK Code is available at [www.frc.org](http://www.frc.org); a copy of the AIC Code and Guide can be found at [www.theaic.co.uk](http://www.theaic.co.uk).

The Company is subject to the changes in the Corporate Governance Code which became effective for annual reports for periods beginning on or after 1 October 2014. The Company has therefore included a Directors long-term viability statement in its principal risks and uncertainties section on pages 32 to 35. The Directors met in October 2015 to discuss the viability statement as part of a bi-annual risk review. This also included discussions on the risks the Company faces in its normal course of business.

The Company is classed as an externally-managed AIF under the AIFMD. The Investment Adviser acts as the Company's AIFM and Capita Trust Company (Jersey) Limited act as Depositary to the Company.

Following the Company entering into the FTSE 250 index, the Board has reviewed the additional corporate governance requirements and is satisfied that the Company either already meets those requirements or intends to do so.

In October 2015 the Board held a meeting with shareholders to discuss the Company's strategy and performance as well as introducing the new Directors.



**Mr Ian Reeves CBE**  
Chairman

17 December 2015

# Company key facts

Company information	<p>GCP Infrastructure Investments Limited is a public company incorporated in Jersey on 21 May 2010 with registration number 105775. The Company is governed by the provisions of the Companies (Jersey) Law, 1991, as amended and is a certified fund in Jersey pursuant to the CIF Law and Jersey Listed Fund Guide.</p> <p>The Company is a closed-ended investment company incorporated under the laws of Jersey. The shares of the Company are listed on the Main Market of the London Stock Exchange.</p>
Investment Adviser and AIFM	<p>Gravis Capital Partners LLP is the Investment Adviser and AIFM to the Company. The Investment Adviser was incorporated in England and Wales on 14 October 2007 under the Limited Liability Partnership Act 2000 (registered number OC332060) and is authorised and regulated by the Financial Conduct Authority (registration number 487393).</p>
Company secretary and Administrator	<p>Capita Financial Administrators (Jersey) Limited is a company incorporated in Jersey on 24 October 2003 with registered number 86301.</p>
Stockbroker	<p>Stifel Nicolaus Europe Limited, Cenkos Securities plc</p>
Custodian and Depositary	<p>Capita Trust Company (Jersey) Limited</p>
Auditor	<p>Ernst &amp; Young LLP</p>
Investment strategy	<p>Infrastructure debt</p>
Market capital	<p>At 30 September 2015: £699.0 million.</p>
Net asset value	<p>At 30 September 2015: £619.5 million.</p>
Annual management fee	<p>Under the terms of the Investment Advisory Agreement, the Investment Adviser receives an investment advisory fee from the Company equal to 0.9% per annum of the net asset value of the Company (net of cash holdings). This fee is calculated and payable in arrears at each quarter year end. The Investment Adviser is also entitled to an acquisition fee of up to 1% (at the discretion of the Investment Adviser) of the cost of each asset acquired by the Company. The Investment Adviser is also entitled to receive a fee of £60,000 for its services to the Company as the Company's appointed Alternative Investment Fund Manager under AIFMD.</p>
ISA, PEP and SIPP status	<p>The Company's ordinary shares are eligible for inclusion in PEPs and ISAs (subject to applicable subscription limits) provided that they have been acquired by purchase in the market, and they are permissible assets for SIPPs.</p>
Non-mainstream pooled investment status	<p>The Board confirmed that it conducts the Company's affairs, and intends to continue to conduct its affairs, so that the Company's shares will be "excluded securities" under the FCA's new rules. This is on the basis that the Company, which is resident outside the EEA, would qualify for approval as an investment trust by the Commissioners for HM Revenue and Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010 if resident and listed in the United Kingdom. Therefore, the Company's shares do not amount to non-mainstream pooled investments. Accordingly, the promotion of the Company's shares will not be subject to the FCA's restriction on the promotion of non-mainstream pooled investments.</p>
AIFMD status	<p>The Company is classed as an externally managed AIF under the AIFMD.</p>
Investment policy	<p>The Company's investment policy is detailed on page 12 and on pages 34 and 35 of the prospectus dated 30 March 2015.</p>
Website	<p><a href="http://www.gcruk.com">www.gcruk.com</a></p>

# Strategic report

## Overview



### Strategic overview

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

[➔ Read more pages 12 to 15](#)



### UK infrastructure market

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

[➔ Read more pages 16 to 17](#)



### Market outlook

Consistent clarity regarding the scale and details of future UK infrastructure development remains elusive whilst an increasing appetite for infrastructure exposure has seen prices rise across the sector.

[➔ Read more pages 18 to 19](#)



## Review of the year

The Company raised a total of £140 million, put in place a credit facility of £50 million, made sixteen investments totalling £220.2 million and delivered a total shareholder return of 9.5%.

[➔ Read more pages 20 to 25](#)



## Investment portfolio

The Company is exposed to a portfolio of 40 infrastructure loans valued at £657.7 million with an average annualised yield of 9.0% and an average life across the portfolio of 14 years.

[➔ Read more pages 26 to 31](#)



## Principal risks and uncertainties

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

[➔ Read more pages 32 to 35](#)



# Strategic overview

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

## Investment objectives and policies

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

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

The Company receives debt service payments in accordance with the terms of its investments. The debt service payments, comprising interest and principal payments, are covered by expected cash flows generated by the underlying infrastructure project company.

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

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

## Non-financial objectives of the Company

The key non-financial objectives of the Company are:

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



## Key policies

### Distribution

The Company aims to provide its shareholders with regular, sustained, long-term distributions.

### Capital raising and financing

The Company may seek to raise additional capital from time to time to the extent that the Directors and the Investment Adviser believe the Company will be able to make suitable investments. This will enable the Company to achieve greater diversification of risk and to benefit from economies of scale in relation to the operational costs of the Company.

### Leverage and gearing

The Company intends to make prudent use of leverage to finance the acquisition of investments and enhance returns to investors.

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

### Conflicts of interest

The Company has given its consent for the Investment Adviser to act as the investment manager to Project Finance, a closed-ended investment company listed on the London Stock Exchange's Main Market. Project Finance is focused predominantly on debt investments secured against physical assets and/or contracted cash flows.

The Company has given its consent on the basis that where the Investment Adviser identifies an investment which, in its opinion acting reasonably and in good faith, falls within the Company's remit, the Company will have a right of first refusal.

## Investment strategy

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

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

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

- projects that have not yet completed construction;
- projects in the regulated utilities sector; and
- projects with "demand" based concessions (i.e. where the payments received depend on the level of use of the project assets) or which have private sector-sponsored concessions, to the extent that the Investment Adviser considers that there is a reasonable level of certainty in relation to:
  - the likely level of demand; and
  - the stability of the resulting revenue.

As at 30 September 2015 the Company does not have any exposure to projects purely in the regulated utilities sector or projects with demand based concessions. The Company's exposure to projects that have not yet completed construction with reference to total portfolio value at 30 September 2015 was 10.4%.

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

# Strategic overview continued

## Delivery of investment objectives through implementation of investment strategy

Investment objective	Implementation of investment strategy
<b>Dividend income</b>  To provide shareholders with regular, sustainable and long-term dividends	<p><b>PFI and renewable energy cash flows</b>            The Company's distributions are dependent primarily on the long-term cash flows generated by projects in the renewable energy and PFI sectors that are backed by the UK public sector; subsidy payments in the case of renewable energy projects and unitary charge payments in the case of PFI transactions.</p> <p><b>Availability-based cash flows</b>            The Company's investments are typically secured against cash flows that are not dependent on the level of use of the underlying infrastructure asset, meaning that if the project is operating as expected, future cash flows are predictable and dependable.</p> <p><b>Investment in debt</b>            The Company only invests in debt. In all investments there is equity that takes the first loss position in the event of project cash flow interruption or underperformance. Debt returns by their nature are more predictable than equity returns.</p> <p><b>Careful management of costs</b>            The Board pays careful attention to the management of costs associated with running the Company and follows comprehensive corporate governance procedures.</p> <p><b>Careful management of capital raising/spending</b>            The Company raises capital on a highly-conservative basis only when it has a clear view of a robust pipeline of highly advanced investment opportunities.</p> <p><b>Delivery of investment objective</b>            The Company has maintained or steadily increased its dividend for every period since inception and has paid or declared a dividend of 7.6 pence for the previous three financial years.</p> <p><b>7.6p</b>                      <b>£48.7m</b>            Dividends paid in 2014/15    Profit for the year</p>
<b>Diversification</b>  To create a diversified portfolio of debt secured against UK infrastructure projects	<p><b>Exposure limits</b>            The investments of the Company are, as far as is reasonable in the context of a UK infrastructure portfolio, appropriately diversified by underlying project, borrower, facilities manager, asset type (e.g. PFI healthcare, PFI education, solar power, biomass etc.) and by revenue source (e.g. NHS Trusts, local authorities, FiT, ROCs etc.).</p> <p><b>Synergy with existing portfolio</b>            New investments are evaluated to ensure their addition would add balance and diversification to the existing portfolio of the Company with regards to credit risk, asset sector, investment term and income return.</p> <p><b>Regular monitoring</b>            The exposures within the Company's investment portfolio are constantly monitored to ensure any concentration of risk falls within acceptable parameters.</p> <p><b>Delivery of investment objective</b>            The Company has increased the number of investments in its portfolio from 36 to 40 at the end of the year. The investment portfolio is exposed to a wide variety of sectors in terms of project type and source of underlying cash flow.</p> <p><b>40</b>                      <b>12.5%<sup>1</sup></b>            Number of investments    Size of largest investment</p>

<sup>1</sup> The Cardale 2 loan is secured on a cross-collateralised basis against 14 separate operational PFI projects, with no exposure to any individual project being in excess of 10% of the total investment portfolio.

## Investment objective

## Implementation of investment strategy

## Capital preservation

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

### Inflation protection

Wherever possible the Company invests in projects with sufficient inflation linkage in the underlying cash flows to enable the Company's debt investments to be structured with inflation protection characteristics. This protects the capital value of the investments in the event of high inflation.

### Underlying project dependability

The Company invests primarily in debt secured against projects that are relatively simple in terms of construction, operation, maintenance and technology, have competent and financially stable facilities managers and good operational histories.

### Extensive due diligence

Where appropriate, the Investment Adviser will complement its analysis through the use of professional third-party advisers, including technical advisers, financial and legal advisers and valuation and insurance experts. These advisers are engaged to conduct due diligence that is intended to provide an additional and independent review of key aspects and risks of a project, providing comfort as to the level of risk mitigation and the project's ongoing performance.

### Investment in debt

The capital value of the Company's investments is insulated from underlying project underperformance by the equity finance that always ranks below such debt investments.

### Return premium over long-term interest rates

The valuations of the Company's investments take into account, inter alia, by long-term interest rates. The Company's investments yield significant premiums to such rates as swaps and gilts and as such create a buffer in the event of long-dated rate rises.

### Delivery of investment objective

The valuation of the Company's investments is in excess of the principal value outstanding. The increase in valuation has resulted in a net asset value per share of 107.47 pence. The ordinary shares have always traded at a premium to their net asset value.

107.47p  
NAV per share

121.25p  
Share price as at 30 September 2015





# UK infrastructure market

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

## Social and economic infrastructure

Since the mid-1990s, the UK government has procured in excess of £60 billion of infrastructure using private-sector finance, initially through the PFI structure and more recently under the new PF2 model. Under PFI and PF2, a private-sector consortium enters into a contract with a central or local government entity (e.g. a local authority in the case of a school or an NHS trust in the case of a hospital) to design, finance, build and operate an infrastructure asset. The term of the contract post construction is typically 25 to 30 years, during which time the private sector consortium is required to operate the infrastructure asset and in return is paid an ongoing fee. The payment of such a fee is typically not dependent on the level of use of the infrastructure asset, but on whether the asset is available for use.

The availability risk is typically passed down to the service providers with which the consortium contracts. As such, PFI and PF2 structures create long dated and predictable cash flows payable by central or local government entities.

## Renewable energy infrastructure

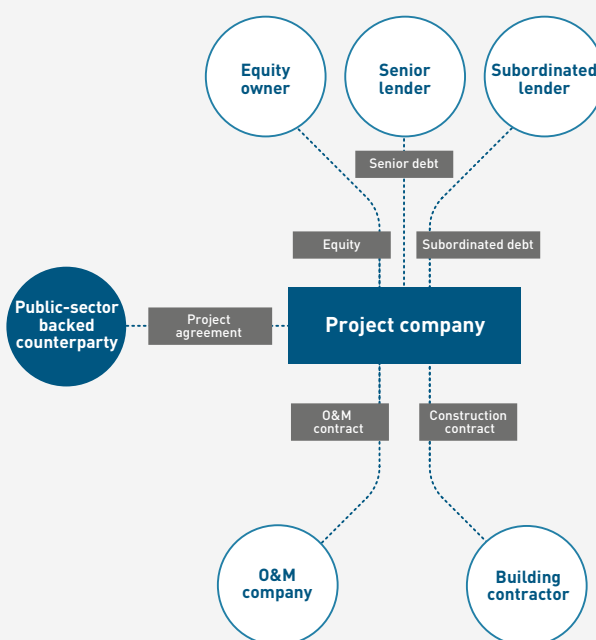
Renewable energy is energy from resources which are naturally replenished, such as sunlight, wind and wood. In recent years there have arisen significant concerns in relation to both the limited nature of many traditional sources of power, such as oil, gas and coal, and the impact that the use of such sources has upon the environment. As a result, a substantial political will has developed to encourage the take up of renewable energy as a proportion of total energy use on a global level. Specifically, the EU's Renewable Energy Directive has

set binding targets on member states to produce a pre-agreed proportion of energy consumption from renewable sources such that the EU as a whole shall obtain at least 20% of its total energy from renewables by 2020.

In the UK, a variety of incentives were introduced by the government in order to stimulate private sector investment in renewable energy infrastructure, including the FiT scheme, the Renewables Heat Incentive and the Renewables Obligation scheme. These subsidies are typically payable over a 20-year period to an owner of eligible renewable energy projects for the generation of energy using renewable sources. As such, renewable energy projects that receive subsidy payments generate long dated and predictable cash flows that are either implicitly or explicitly supported by the UK government.

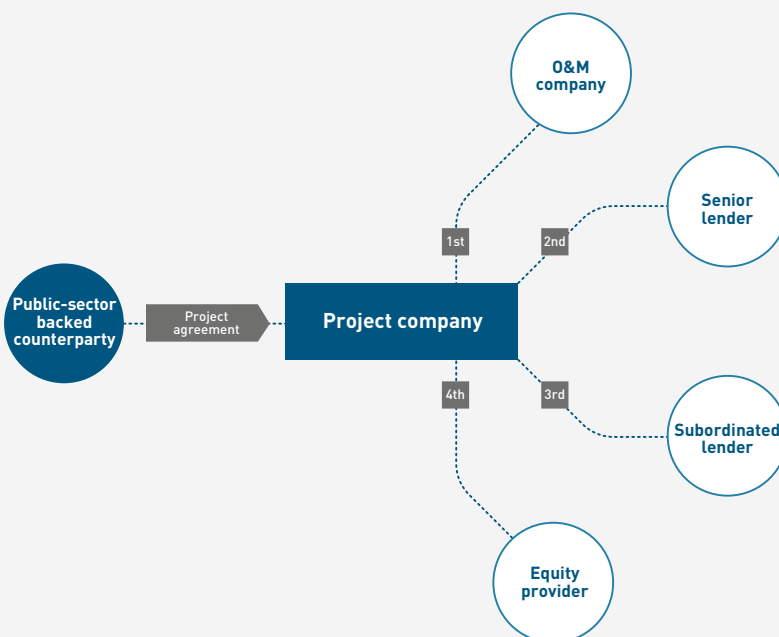
### Typical infrastructure project structure

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



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

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



### Debt financing of UK infrastructure

Given the high capital cost and long-dated cash flows generated by infrastructure assets, they are generally most efficiently financed by long-dated debt. Prior to the financial crisis in 2007, this was typically

provided by either the banking or debt capital markets. The banking market withdrew significantly from the long-dated lending sector for liquidity and regulatory reasons although we have seen a number of international banks returning to the sector over the

last few years. Institutional lenders and debt funds have also entered the market as potential debt providers.



# Market outlook

Consistent clarity regarding the scale and details of future UK infrastructure development remains elusive whilst an increasing appetite for infrastructure exposure has seen prices rise across the sector.

## UK infrastructure market

The updated NIP presents an overview of the government's policy around infrastructure delivery over the medium term. It also details the government's approach to ensuring that the top forty priority investments remain on track, as well as providing the latest detail on the timing, funding and status of each. Recently, the government has backed up the NIP with the formation of the NIC, headed by Lord Adonis, tasked with independently monitoring the government's progress in delivering nationally critical infrastructure.

Whilst the NIP and the NIC are focused on promoting the delivery of high profile projects such as Crossrail, Thames Tideway and Hinkley Point, progress at local and regional levels continues to lag behind. In particular the government's flagship PF2 initiative has yet to gain the traction necessary to deliver the much needed private investment in social infrastructure. To date, PF2 progress has been limited to a modest number

of deals under the PSPB and a handful of acute hospital transactions. The continued inactivity in the primary space has had the knock on effect of reduced deal flow in the secondary infrastructure space, as the number of projects available from primary developers dries up.

Recent developments in the renewable energy sector over the year have further compounded the lack of activity in the conventional infrastructure space. Whilst the UK still faces binding targets to increase the proportion of its energy generated from renewable resources to 15% by 2020, a number of recent policy actions have served to undermine the government's commitment to deliver a low-carbon economy. Specifically, during the year a number of key incentives to prospective developers of renewable energy assets have been either withdrawn or significantly scaled back, to strong industry opposition. These include the earlier than previously planned withdrawal of ROCs for onshore wind and

small-scale solar, a significant reduction in the FiT subsidy for domestic solar, and a removal of pre-accreditation and other similar subsidy protections for lesser developed renewable technologies such as biomass. Further to this, the government also announced the removal of LECs which not only served to undermine the economics of prospective renewable energy developments, but also impacted on existing developments.

Under EMR, the government's support for the renewable energy sector will now shift towards the CfDs model. The first CfDs auctions were conducted during the year, but the industry remains wary of their suitability for small scale renewables. Moving forward, it is expected that investment in renewable energy will be heavily channelled towards the offshore wind sector.



### Continuing attractions of infrastructure investment

Investment in the infrastructure sector continues to represent a key source of diversification in investment portfolios. The predictable, long-term nature of the income associated with the sector make it particularly attractive to institutional investors with similarly dated liabilities and limited capacity for risk. When considered along with the sector's credit profile, typically public-sector backed and to a large degree insulated from wider economic conditions, these characteristics deliver an asset class with low correlation to the market and economic risks typically associated with the wider universe of public bonds and equities.

More specifically, investment in infrastructure debt generates exposure to long-term income streams with structural seniority to equity. This increased robustness, coupled with the attractive risk-adjusted returns on offer, means that an exposure to infrastructure debt is becoming an increasingly popular alternative to the more liquid bond markets.

The diversification benefits of the infrastructure sector continue to attract both equity and debt capital. There are estimated to be in excess of £18 billion of unlisted equity and debt funds with a mandate to invest in infrastructure in the UK. London Stock Exchange listed companies focused on investment in UK infrastructure raised £824 million in the year ended 30 September 2015 alone. Institutional investors such as insurers and pension funds continue to increase their allocations to the sector, driven by attractive risk adjusted returns and through encouragement from strategic initiatives such as the PIP.

### Investment focus

Despite the growing attractiveness of the sector in general, institutional investors tend to be restricted to opportunities larger in size and profile, with additional parameters limiting investments to specific types of project technology, security and with overall limits to construction exposure. The Company still remains well positioned to achieve attractive returns in respect of opportunities relating to smaller infrastructure projects backed by long-dated, public-sector backed contracts, when such opportunities arise.

The last year has seen returns in some of the Company's core sectors continue to fall from levels already below the target interest rates of the Company, resulting in a challenging investment environment. Declining yields on mature operational assets have seen the Company largely priced out of the secondary market in the traditional renewables and PFI sectors, and the withdrawal of government support for new renewables investment, by way of large subsidy reductions, has rendered the Company an uneconomical source of funding for many primary developers in this space.

Despite these challenges, the Company was still able to advance over £220 million of new loans against renewable energy, social housing and PFI assets during the year. Many of these opportunities were made possible through the strength of the Company's relationships with existing borrowers, as well as through some of the softer non-economic benefits of borrowing from the Company, such as speed of execution. In particular, the Company was able to lend against two substantial solar portfolios.

The Company remains alert to the possibility of similarly large portfolios coming to market where a similar approach could be adopted in order to enhance the Company's competitiveness.

Aside from the successes noted above, another area where the Company has seen progress this year has been in social housing. In particular, opportunities in the supported living sub-sector, similar in their credit profile to availability based infrastructure, have seen the Company advance nearly £15 million in loans during the year. There remains significant potential to develop this further through the strategic relationships the Company has developed with prospective borrowers, with a short-term pipeline in excess of £20 million.

### BEPS

BEPS refers to the tax planning strategies of multinational corporations that exploit mismatches in national tax rules to artificially shift profits to low or no-tax locations. The OECD is currently attempting to introduce a number of measures to address BEPS and announced on 5 October 2015, 13 final reports and an explanatory statement outlining consensus actions.

The Investment Adviser does not believe that OECD's measures to counter BEPS are a material risk to the Company primarily as the Company is a single company and it makes arm's length loans to third parties on wholly-commercial terms. As such it is neither a multinational corporation nor engaged in artificial arrangements and as a result the Investment Adviser does not believe the Company is an intended target of the OECD's BEPS measures.

Nevertheless, the Investment Adviser will continue to monitor the outputs of the BEPS project with a view to ensuring the correct positioning of the Company in the future.

# Review of the year

The Company raised a total of £140 million, put in place a credit facility of £50 million, made sixteen investments totalling £220.2 million and delivered a total shareholder return of 9.5%.

## Merger

All of the Company's investments have been historically held through a wholly-owned subsidiary. The Directors formed the view in July 2015 that it was no longer necessary for this arrangement to continue, and following approval of the merger by shareholders at an extraordinary general meeting on 14 August 2015, the Company merged with the subsidiary, pursuant to Part 18B of the Companies (Jersey) Law 1991 (as amended). The Company will continue as the surviving entity.

The merger will create cost efficiencies with the operation of a single entity, with a reduction in costs such as administration, annual

reporting and audit fees. It will also lead to the streamlining of management and governance as there will in future be a single Board of Directors operating at Company level.

In May 2011 the International Accounting Standards Board issued amendments to IFRS 10, the purpose of which was to establish principles for the presentation of consolidated financial statements when an entity controls one or more other entities. The amendments became effective for reporting periods beginning on or after 1 January 2013 with subsequent amendments relating to investment entities published in December 2014 which took effect for accounting periods beginning after 1 January 2014.

The effect of this accounting standard means that under the previous structure the Company would have been unable to publish consolidated financial statements which presented the fair value of the underlying loan note portfolio on the face of the statement of financial position. The merger enables the Company to adopt a structure moving forward allowing it to prepare financial statements which accurately and transparently disclose all of its investments as well as continuing to adhere to financial reporting standards.

Further details of the merger and associated accounting impacts are disclosed in note 3.

### Capital raised

The Company raised a total of £140 million during the year through two significantly oversubscribed capital raises under placing programmes. The Company raised £70 million on 21 November 2014 at a placing price per new ordinary share of 111.75 pence and £70 million on 10 June 2015 at a price per new ordinary share of 114.75 pence.

In the period since the year end, on 10 December 2015 the Company raised a further £20 million. The placing price was 118 pence per share.

Further details on the share movements are disclosed in note 17.

### Credit facility

On 23 March 2015 the Company executed a three year £50 million revolving credit facility with RBSI. All amounts drawn under the facility are to be used in or towards the financing of investments in accordance with the Company's investment policy.

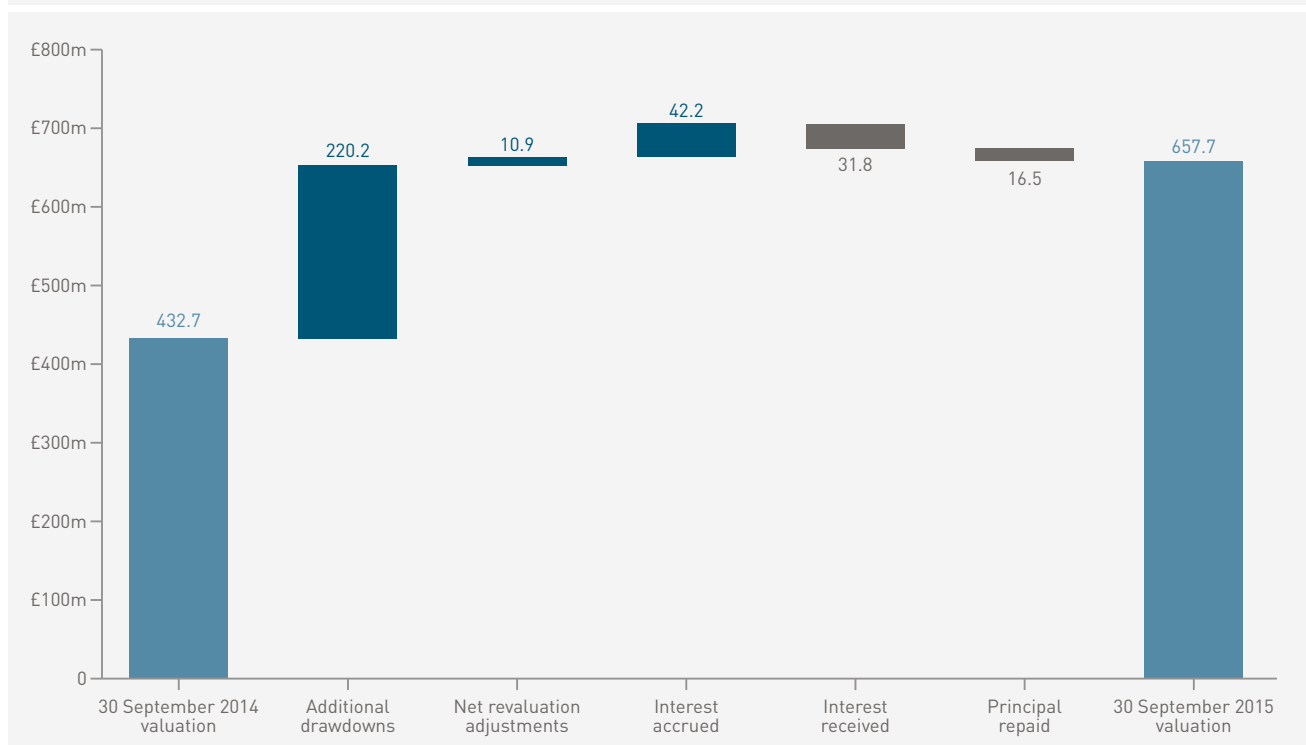
The terms of the credit facility are more favourable than the terms that were agreed with RBSI in 2011, reflecting the tightening of credit margins in the bank lending market. Interest on amounts drawn under the facility is charged at a rate of LIBOR plus 2.25% per annum. A commitment fee is payable on undrawn commitments. An arrangement fee was levied upon signing, details of which are given in note 16.

As at 30 September 2015, the Company had drawn down £41.6 million under the facility.

### Valuation

The valuation of the portfolio as at 30 September 2015 was £657.7 million, compared to a valuation of £432.7 million at 30 September 2014. Comparative information has been restated as a result of applying IFRS 10, which changed the treatment of the Company's investment in subsidiary which previously was consolidated. The 30 September 2014 valuation in the valuation movement chart set out below represents the valuation of investments held by the subsidiary at 30 September 2014, prior to the merger with the Company.

### Valuation movement for the year ended 30 September 2015



# Review of the year continued

## Key investment highlights

The Company made sixteen new investments during the year totalling £220.2 million; twelve new loans, three extensions to existing facilities and the refinancing of eight existing loan notes into one note.

The Company made four investments totalling £25.5 million post year end.

## Investments made during the year

Investment	Loan		Project
Cardale PFI Investments Limited	Amount	£15.2 million	Portfolio of availability based accommodation PFI assets in the United Kingdom.
	Term	27 years	
	Security	Subordinated	
	Status	Operational	
GCP Asset Finance 1 Limited B Notes	Amount	£1.2 million	Electrical switchgear infrastructure at a hospital in England.
	Term	10 years	
	Security	Senior	
	Status	Construction	
GCP Biomass 1 Limited <sup>1</sup>	Amount	£3.5 million	500KW on-farm anaerobic digestion plants primarily in Northern Ireland.
	Term	16 years	
	Security	Senior	
	Status	Construction	
GCP Biomass 2 Limited <sup>1</sup>	Amount	£1.0 million	10.3MWe recovered wood-fuelled power plant under construction in England.
	Term	17 years	
	Security	Senior	
	Status	Construction	
GCP Biomass 4 Limited	Amount	£19.8 million	20.2MWe wood-fuelled biomass combined heat and power plant under construction in England.
	Term	18 years	
	Security	Subordinated	
	Status	Construction	
GCP Biomass 5 Limited	Amount	£36.6 million	Portfolio of three operational food waste anaerobic digestion facilities in England.
	Term	17 years	
	Security	Senior	
	Status	Operational	
GCP Green Energy 1 Limited	Amount	£37.4 million	Five solar installations totalling 25.1MW and a 8.2MW wind farm.
	Term	19 years	
	Security	Senior	
	Status	Operational	
GCP Hydro 1 Limited B Notes	Amount	£6.5 million	1.9MW hydro-electric scheme in Scotland.
	Term	16 years	
	Security	Senior	
	Status	Construction	
GCP Hydro 1 Limited C Notes	Amount	£3.4 million	0.9MW hydro-electric scheme in Scotland.
	Term	16 years	
	Security	Senior	
	Status	Construction	
GCP RHI Boiler 1 Limited	Amount	£14.0 million	Portfolio of domestic biomass boilers.
	Term	10 years	
	Security	Senior	
	Status	Operational	
GCP Rooftop Solar 5 Limited <sup>1</sup>	Amount	£7.1 million	Portfolios of domestic solar panel installations in England installed by A Shade Greener Limited.
	Term	20 years	
	Security	Subordinated	
	Status	Operational	

<sup>1</sup> Further drawings under, or extensions to, existing facilities.

### Investments made during the year continued

Investment	Loan		Project
GCP Rooftop Solar 6 Limited	Amount	£59.7 million	Portfolios of domestic solar panel installations in England installed by A Shade Greener Limited.
	Term	20 years	
	Security	Senior	
	Status	Operational	
GCP Social Housing 1 Limited	Amount	£6.8 million	Portfolio of social housing units for occupation by adults with learning or physical difficulties.
	Term	35 years	
	Security	Senior	
	Status	Operational	
GCP Social Housing 1 Limited B Notes	Amount	£3.3 million	Portfolio of social housing units for occupation by adults with learning or physical difficulties.
	Term	40 years	
	Security	Senior	
	Status	Operational	
GCP Social Housing 1 Limited C Notes	Amount	£3.3 million	Portfolio of social housing units for occupation by adults with learning or physical difficulties.
	Term	2 years	
	Security	Senior	
	Status	Construction	
GCP Social Housing 1 Limited D Notes	Amount	£1.4 million	Portfolio of social housing units for occupation by adults with learning or physical difficulties.
	Term	35 years	
	Security	Senior	
	Status	Operational	

### Prepayments received during the year

Investment	Loan		Project
White Rock Insurance (SAC) Ltd, GEM 1 Loan	Amount	£14.0 million	A portfolio of operational PFI projects.
	Term	5 years	
	Security	Senior loan guarantee	
	Status	Operational	

The GEM 1 Loan was redeemed in full as expected, on 11 May 2015.

### Investments made post year end

Investment	Loan		Project
GCP Biomass 5 Limited	Amount	£6.5 million	Portfolio of three operational food waste anaerobic digestion facilities in England.
	Term	17 years	
	Security	Senior	
	Status	Operational	
GCP Rooftop Solar 5 Limited	Amount	£3.1 million	Portfolios of domestic solar panel installations in England installed by A Shade Greener Limited.
	Term	21 years	
	Security	Subordinated	
	Status	Operational	
GCP Social Housing 1B Limited	Amount	£1.5 million	Portfolio of social housing units for occupation by adults with learning or physical difficulties.
	Term	40 years	
	Security	Senior	
	Status	Operational	
GCP Social Housing 1D Limited	Amount	£14.4 million	Portfolio of social housing units for occupation by adults with learning or physical difficulties.
	Term	35 years	
	Security	Senior	
	Status	Operational	

# Review of the year continued

## Asset performance

Over 80% of the projects the Company is exposed to are fully operational. The remaining projects are either committed or under construction.

The PFI and social housing projects that support the Company's investments have experienced no material operational or construction issues.

Two macro-economic and political issues over the period have impacted the cash flow generation on certain renewable energy assets; the removal of the Climate Change Levy exemption and lower than forecast power prices.

In the Summer Budget 2015 the Chancellor announced the removal of the Climate Change Levy exemption for renewable energy projects from 1 August 2015. The Investment Adviser conducted a review of the impact of this change on the assets of the Company and determined that a minority by value of the projects against which the Company has provided debt will see a modest

reduction in the forecast net cash flows available to service such debt during the period to 2022. However, the cash flows expected to arise to the Company from such investments will be unaffected by the removal of the Climate Change Levy exemption.

Wholesale power prices have fallen sharply during the last year. However only 4.6% of the Company's current aggregate debt service receipts are expected to arise from cash flows exposed to fluctuations in power prices. As a result, whilst a number of projects to which the Company is exposed will experience net cash flows lower than originally forecast, the cash flows expected to arise to the Company from such projects are not currently expected to be affected by lower power prices.

With regard to asset-specific issues, the cash flows generated by two biomass projects have been lower than expected due primarily to delays in grid connection and slower than predicted operational ramp up. In one of these cases action has been taken

to support the borrower and ensure that the Company's investment is protected; as a result no material concerns have arisen in relation to the performance of the Company's loan. In the second case, throughout the year the Investment Adviser and its technical adviser closely monitored the situation. Post year-end it was identified that some capital works may need to be carried out to ensure the project operates at optimal capacity. The Board has considered the alternative actions available to address the performance issues including possible refinancing and additional capital works and have concluded that the value of this particular asset should be reduced as a result. The valuation of the loan has been reduced post year-end, resulting in a 0.35% reduction in the Company's NAV at the end of November 2015.

The assets under construction at 30 September 2015 are progressing in line with expectations (as shown below)<sup>1</sup> or have been completed.

## Assets under construction

GCP Asset Finance 1 Ltd B Notes	Construction of electrical switchgear under a hire contract entered into between NatureGen and Ipswich NHS trust. Construction is progressing in line with expectations.
GCP Biomass 1 Ltd	Funding has been advanced for twelve 500kW plants. Eight sites are fully constructed and connected to the grid, two are due to complete construction and be connected and generating by the beginning of January 2016, one is due for connection in March 2016 and one in June 2016.
GCP Biomass 1 C Ltd	The construction of a 15.8MWe wood-fuelled biomass combined heat and power plant in Londonderry Port, Northern Ireland, is progressing well and construction of the plant is substantially complete.
GCP Biomass 2 Ltd	The construction of a 9MWe wood-fuelled biomass gasification plant in Tysley Birmingham is progressing to plan and it is expected to be completed on time and within budget in March 2016.
GCP Biomass 4 Ltd	The construction of a 20.2MWe wood-fuelled biomass combined heat and power plant in Widnes, Merseyside is in early stage construction and is due for completion in Q1 2017.
GCP Hydro 1 Ltd B	The construction of a 1.9MW hydroelectric installation at Derrydarroch, near Loch Lomond, Scotland. The project was completed in October 2015.
GCP Hydro 1 Ltd C	The construction of a 0.9MW hydroelectric installation at Derrydarroch, near Loch Lomond, Scotland. The project was completed in November 2015.
GCP Onshore Wind 1 Ltd D Notes	The construction of a wind farm consisting of five 2.05MW wind turbines in Suffolk. The project was completed in November 2015.
GCP Onshore Wind 3 Ltd	The construction of a 15MW, five-turbine wind farm in Northern Ireland is progressing well and construction was completed ahead of schedule in November 2014 and within budget and the turbines have been energised. Completion certificate expected in March 2016.
GCP Social Housing 1 Ltd C Notes	Renovation of a portfolio of supported living accommodation located around the UK. Works are progressing in line with expectations.

<sup>1</sup> All construction assets where relevant are timed within remaining government subsidy periods.



### Financial performance

The Company has delivered another set of strong results with a profit of £48.7 million generated this year from the Company's investment portfolio. Investment income has increased this year following the deployment of £220.2 million into a variety of renewable energy and infrastructure projects. Finance costs of £0.7 million were incurred in respect of the Company's revolving credit facility drawn in March 2015.

### Cash generation

The Company received debt payments of £48 million during the year, comprising £31.8 million of interest payments and £16.5 million of loan principal payments, in line with expectations. The Company fully drew down and repaid the loan facility during the year and subsequently redrew £41.6 million as at the year end.

The Company raised £140 million of equity capital and paid dividends of £39.0 million during the year. Total cash reserves at the year end were £4.9 million.

### Dividends paid

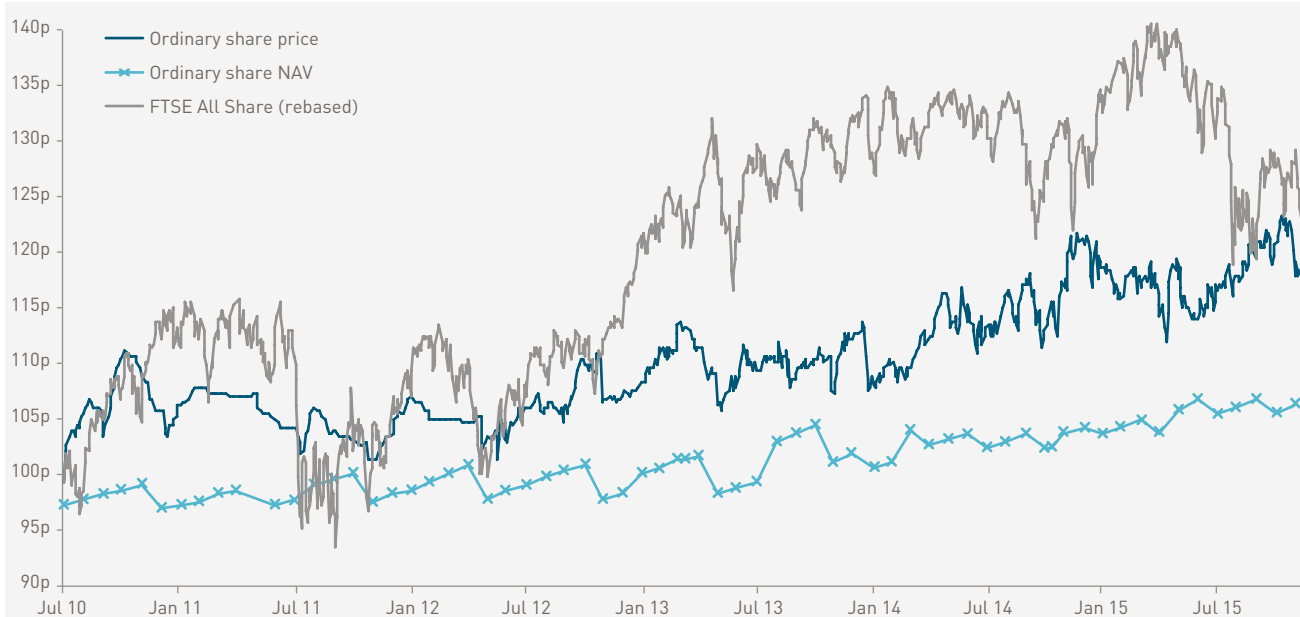
The Company declared a dividend of 1.9 pence per ordinary share for the period from 1 July 2015 to 30 September 2015 on 13 October 2015. The dividend was paid on 25 November 2015 to holders of ordinary shares recorded on the register as at the close of business on 23 October 2015. The fourth interim dividend brings the total dividends declared or paid in the year to 7.6 pence per share.

The Company offered a scrip dividend alternative under which shareholders elected to receive new ordinary shares in lieu of the cash dividend. The price of a new ordinary share to be issued under the scrip dividend alternative was calculated by taking the average of the Company's closing middle market quotations of an ordinary share for the five consecutive dealing days commencing on the ex-dividend date of 22 October 2015. A circular and form of election was sent to shareholders on 30 October 2015.

### Net asset value and share price performance

The Company delivered a total shareholder return of 9.5% over the past twelve months and 67.9% since IPO. The Company has continued to trade at a significant premium to NAV, with an average premium over the year of 8.7% and 12.8% at year end. The share price hit an all-time peak of 122.50 pence on 19 December 2014. The 52-week low coincided with the shares going ex-dividend following the September 2014 dividend announcement as would be expected. Historic share price information from IPO to date is set out included below:

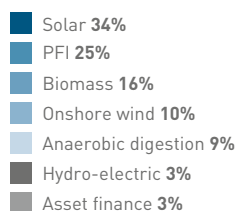
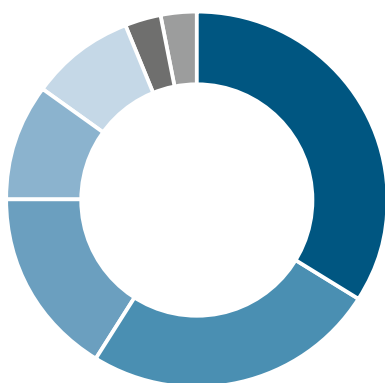
### Share price performance



# Investment portfolio

The Company is exposed to a portfolio of 40 infrastructure loans valued at £657.7 million with an average annualised yield of 9.0% and an average life across the portfolio of 14 years.

## Investment summary



## Portfolio overview

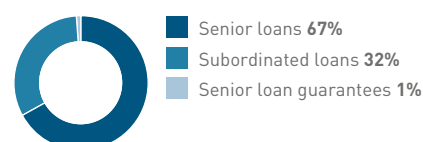
The valuation of the Company's investments at 30 September 2015 was £657.7 million. The Company made sixteen new investments during the year; twelve new loans, three extensions to existing facilities and one refinancing of eight existing loan notes). The Company also received one debt prepayment under an existing facility, taking the number of investments to 40. The portfolio value increased by 52% over the year, providing improved diversification over a wider asset base.

### Senior loans

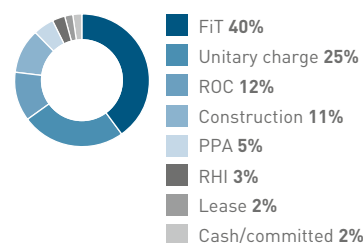
At 30 September 2015 the weighted average annualised yield was 9.0% across the portfolio with a weighted average expected term of 14 years. The Company's investments are supported by a total of 93 underlying infrastructure projects located across the UK.

## Portfolio analysis

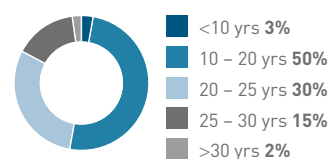
### Portfolio by investment type



### Portfolio by cash flow type



### Portfolio by expected term



## Key exposures

Top ten investments				
Loan	Cash flow type	Project type	Annualised yield	% of total assets
Cardale PFI Investments Ltd	Unitary charge	Various UK PFI	9.1%	12.5%
→ See case study on page 28				
GCP Rooftop Solar 6 Ltd	FiT	Rooftop solar	7.2%	9.3%
→ See case study on page 29				
GCP Biomass 1 Ltd	ROCs	Anaerobic digestion	10.5%	7.3%
→ See case study on page 30				
GCP Green Energy 1 Ltd	ROCs	Onshore wind	7.0%	5.9%
GCP Biomass 5 Ltd	FiT	Biomass	8.2%	5.6%
GCP Rooftop Solar 4 Ltd	FiT	Rooftop solar	9.3%	5.2%
GCP Healthcare 1 Ltd	Unitary charge	Various UK PFI	9.6%	4.8%
GCP Biomass 4 Ltd	ROCs	Biomass	10.5%	3.2%
GCP Onshore Wind 3 Ltd	ROCs	Onshore wind	9.8%	3.2%
GCP Rooftop Solar 5 Ltd	FiT	Rooftop solar	10.1%	3.1%

Top ten project counterparties	
E.ON Energy Ltd (Ofgem)	30%
Ofgem	18%
Power NI (Ofgem)	10%
Smartest Energy Ltd (Ofgem)	4%
Co-op Group (Ofgem)	3%
Centrica (Ofgem)	3%
Viridian Energy Supply Limited (Ofgem)	3%
Aberdeen City Council	3%
Salford City Council	2%
South London Healthcare NHS Trust	1%

Top ten facilities managers	
A Shade Greener Maintenance Limited	30%
Agrikomp (UK) Ltd	7%
Vestas Northern Europe A/S	6%
Burmeister & Wain Scandinavian Contractor A/S	6%
Agrivert Group	6%
Grosvenor Facilities Management	4%
Senvion	3%
Smarter Energy Solutions Ltd	3%
Osspower Ltd	3%
Robertson Facilities Management Limited	3%

# Investment portfolio continued

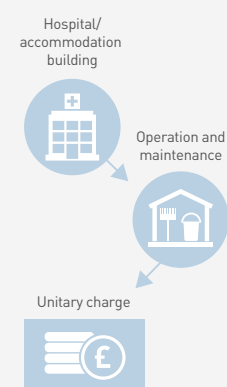
## Case study

## Cardale PFI Investments Ltd



### Loan overview

Loan	GCP Cardale PFI Ltd
Loan valuation	£82.9 million
Interest rate (annualised yield)	9.1%
Weighted average life	19 years
Security	Secured on subordinated basis
Sector	Various UK PFI
Project status	Operational
Cash flow	Unitary charge



### Project information

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

- **Runwell** – a 96 bed forensic and low security mental health facility in Wickford, Essex;
- **Lanchester Road** – a mental health facility for Tees, Esk and Wear Valleys NHS Trust;
- **Stanley** – a primary health care facility for children and young persons for County Durham Primary Care Trust;
- **Braintree** – a community hospital at the St Michael's site in Braintree for Mid Essex Primary Care Trust;

- **North Yorkshire Schools** – four Primary Schools in North Yorkshire which were built between 2001 and 2003;
- **Amber Valley** – three leisure facilities being mixed wet and dry leisure facilities, including gymnasiums, on three sites, Alfreton Leisure Centre, Ripley Leisure Centre and William Gregg VC Leisure Centre;
- **Rotherham** – four leisure facilities being Aston-Cum-Aughton Leisure Centre, Maltby Service Centre, Rotherham Leisure Centre, Wath Upon Dearne Leisure Centre, with the Maltby facility also including a joint service centre with a GP surgery;

- **Wolverhampton** – Bowman's Harbour Leisure Centre is backed by Wolverhampton City Council;
- **Kirklees** – three special needs schools in the Borough of Kirklees; and
- **Slough Schools** – three schools in the Borough of Slough.

### Alignment with investment strategy

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

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

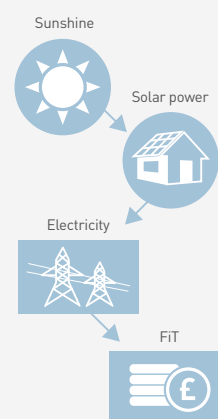
## Case study

# GCP Rooftop Solar 6 Ltd



### Loan overview

Loan	GCP Rooftop Solar 6 Ltd
Loan valuation	£61.9 million
Interest rate (annualised yield)	7.2%
Weighted average life	13 years
Security	Secured on senior basis
Sector	Rooftop solar
Project status	Operational
Cash flow	FiT



### Project details

The Company has made a series of loans secured against a portfolio of domestic rooftop solar photovoltaic panel installations installed by ASG.

ASG is a leader in the “free” solar market, where homeowners sign 20 or 25 year leases for the use of the space on their roof and in exchange receive free electricity when the panels are generating. ASG owns the panels through the 20 or 25 year term and is entitled to receive the FiT.

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

### Alignment with investment strategy

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

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



# Investment portfolio continued

## Case study GCP Biomass 1 Ltd



### Loan overview

Loan	GCP Biomass 1 Ltd
Loan valuation	£48.2 million
Interest rate (annualised yield)	10.5%
Weighted average life	11 years
Security	Secured on senior basis
Sector	Anaerobic digestion
Project status	Construction/operational
Cash flow	Construction 22.0% NIROCs 72.5% PPA 5.5%

### Project details

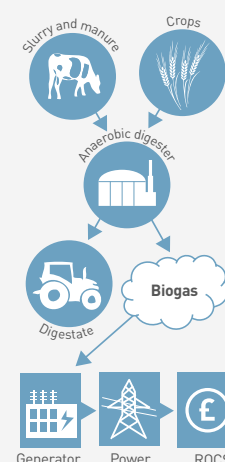
The Company has made a series of loans secured against a portfolio of 500kWh, on-farm anaerobic digestion plants primarily in Northern Ireland. The plants are being constructed and operated by Agrikomp GmbH.

Anaerobic digestion is a process by which naturally occurring micro-organisms digest biomass (organic material) releasing a methane-rich gas (biogas) that can be used to generate renewable heat and power.

The biomass used in the on-farm plants is slurry and crops. The remaining material (digestate) is rich in nutrients and can be used as a fertiliser for agricultural land.

### Alignment with investment strategy

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

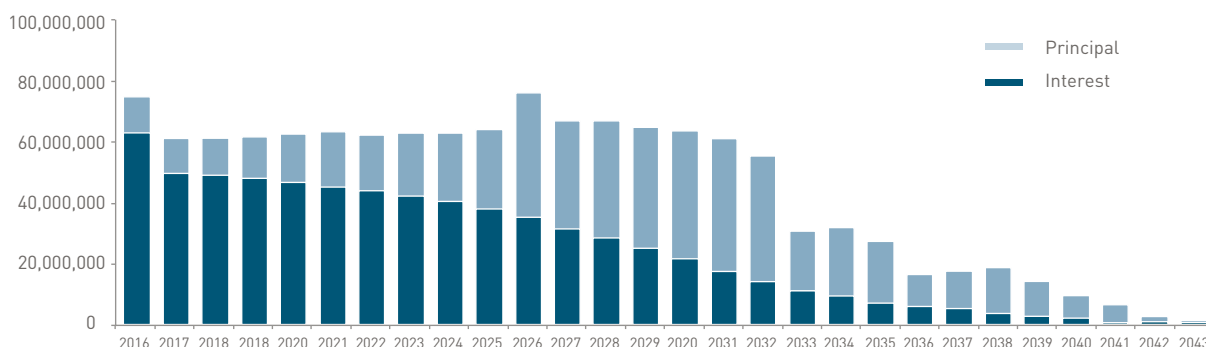


Anaerobic digestion plants can thus generate long-dated, public-sector backed cash flows in the form of ROCs or NIROCs.



### Projected investment portfolio cash flow profile<sup>1</sup>

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



1 Assuming no reinvestment of principal payments received by the Company.

### Investment valuation

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

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

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

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

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

The Valuation Agent exercises its judgement in assessing the expected future cash flows from each investment. Given that the investments of the Company are generally fixed income debt instruments (in some cases with elements of inflation protection) or other investments with a similar economic effect, the focus of the Valuation Agent is on assessing the likelihood of any interruptions to the debt service payments, in light of the operational performance of the underlying asset.

The Valuation Agent utilises the key valuation inputs set out above to determine an appropriate valuation for each investment. In the year there has been a tightening of yields available on secondary PFI and operational renewables assets, and in January 2015 and June 2015 certain assets in the portfolio were revalued upwards. This led to a £10.9 million net revaluation gain on the portfolio. The weighted average discount rate at 30 September 2015 was 8.32%, a decrease of 52 basis points from 8.84% as at 30 September 2014.

The valuation of investments is sensitive to changes in discount rates applied. Sensitivity analysis detailing the impact of a change in discount rates is given in note 19.

# Principal risks and uncertainties

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

## Risk management

### Role of the Board

The Board has the ultimate responsibility for risk management and internal control within the Company.

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

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

## Principal risk and uncertainties

The principal risks and uncertainties the Company faces are set out below.

The principal financial risks, the Company's policies for managing these risks and the policy and practice with regard to financial instruments are summarised in note 19 to the financial statements.

The Board has also identified the following additional risks and uncertainties:

Risk	How the risk is managed
<b>Execution</b>	
<b>Sufficiency of due diligence</b> The Investment Adviser's due diligence may not reveal all the facts relevant in connection with an investment and may not highlight issues that could affect the investment's performance. If the investment underperforms the interest and principal received on assets may be lower than envisaged.	In addition to due diligence carried out by the Investment Adviser, various third party financial, technical, insurance and legal experts are engaged to advise on specific project risks.

Risk	How the risk is managed
<b>Execution</b>	
<b>Availability of suitable investments and reinvestment risk</b> <p>There is no guarantee that the Company will be able to make suitable investments with risk and return characteristics that fit within the investment strategy of the Company, or that suitable investments that can be identified will be made in a timely manner. This is a risk when raising capital and when reinvesting principal returned to the Company under existing loan agreements. If the Company cannot invest capital in suitable assets in a timely manner, the uninvested cash balance will have a negative impact on the Company's returns. If the only available investments with an appropriate risk profile yield lower rates of return than have historically been achievable, to be fully invested the Company's overall returns may be adversely affected.</p>	<p>The Investment Adviser is constantly in touch with the market seeking new deals and builds a specifically identified investment pipeline before raising additional finance in an attempt to ensure that capital is deployed in a timely fashion.</p>
<b>Portfolio</b>	
<b>Change in laws, regulation and/or policy</b> <p>Any change in the laws, regulations and/or government policy, in particular relating to the PFI and renewable energy markets, may have an adverse effect on the performance of the Company's investment portfolio and the returns achieved by the Company.</p>	<p>Any changes in laws, regulation and/or policy are monitored by the Board on an ongoing basis. Given the UK government's reliance on private capital for, inter alia, the funding of new social and economic infrastructure and renewable energy projects, it is the view of the Investment Adviser and the Board that any future changes in policy are more likely to have prospective rather than retrospective effect.</p>
<b>Performance of sub-contractors</b> <p>The performance of the Company's investments is typically, to a considerable degree, dependent on the performance of sub-contractors, most notably facilities managers and operation and maintenance contractors. If a key sub-contractor has to be replaced due to the insolvency of that sub-contractor or for any other reason, the replacement sub-contractor may charge a higher price for the relevant services than previously paid. The resulting increase in the costs may result in the Company receiving lower interest and principal payments than envisaged.</p>	<p>The competence and financial strength of contractors, as well as the terms of contractors engagements, is a key focus of investment due diligence. The Investment Adviser monitors the Company's exposure to any given sub-contractor, and ensures that the risk of underperformance is mitigated by diversification.</p>
<b>Counterparty default</b> <p>The Company's investments are reliant on counterparties, typically public-sector entities, to fulfil their payment obligations under the PFI or renewable energy contracts. If such a counterparty were to default there may be significant difficulties in finding an alternative or replacement counterparty on the same or better terms, in which circumstances the value and performance of the Company's assets could be adversely affected.</p>	<p>It is the view of the Investment Adviser and the Board that the UK government has both the ability to satisfy its obligations through its fiscal independence and the willingness to do so given the importance of private capital for the funding of new social and economic infrastructure and renewable energy projects.</p>
<b>Operational or construction issues</b> <p>The investments which the Company holds are exposed to construction and/or operational risks and may not perform as expected. In the event of material operational or construction issues, the interest and principal payments received by the Company may be lower than expected.</p>	<p>The Investment Adviser undertakes extensive due diligence on all projects regarding expected performance. A full package of insurance and manufacturer guarantees is put in place to protect the Company from any unforeseen events. The Company's construction exposure is limited to 25% of its total assets. The Investment Adviser monitors this limit and the status of any project in the construction phase on an ongoing basis. The Company ensures that it has security over the assets against which it is lending, so in an instance of borrow default it can take over the assets itself.</p>
<b>Technology risk</b> <p>Some of the projects that the Company invests in utilise relatively new or developing technologies. There may be issues in relation to those technologies that become apparent only in the future. Such issues may give rise to additional costs or may otherwise result in the financial performance of the relevant investment being poorer than is anticipated. This may adversely affect the value of and returns generated by the Company's investments.</p>	<p>Due diligence is carried out by technical experts to advise on specific project risks including technology risk.</p>



# Principal risks and uncertainties continued

Risk	How the risk is managed
<b>Portfolio</b>	
<b>Lifecycle and maintenance costs</b> From time to time components of a project may need to be replaced or undergo a major refurbishment. Over the life of a project the cost of such replacements or refurbishments may be higher than projected. In such circumstances the cash flow available to service the Company's debt may be reduced to an extent where the interest and principal payments received by the Company is less than forecast.	Project lifecycle and maintenance timings and costs are typically based upon manufacturers' data and warranties and advice received from specialist consultants. Updated lifecycle cost projections are received on a regular basis and appropriate provisions made.
<b>Insurance</b> All the projects that the Company is exposed to are required under the loan documentation to have appropriate insurance in place. There is a risk that a project encounters issues resulting in a loss that is uninsured, either because it is not covered by the insurance that is in place or because no insurance is in place. This could mean the Company loses all or part of the value of its investment.	The Investment Adviser requires confirmations and evidence from all borrowers that the insurance required by the relevant loan documentation is in place.
<b>Financial</b>	
<b>Valuation</b> The value of the investments made by the Company will change from time to time according to a variety of factors, including movements and expected movements in interest rates and inflation and general market pricing of similar investments. Such changes will impact the value of the Company's investment portfolio.	The Company's infrastructure investments are generally low volatility investments with stable pre determined, very long term, public-sector backed revenues. Where possible the Investment Adviser ensures that each loan carries an element of inflation protection.
<b>Assumptions</b> The Company makes investments which rely on detailed financial models based on certain assumptions, estimates and projections of each investment's future cash flow. Such assumptions include, inter alia, inflation, power price, feedstock cost, asset productivity, lifecycle and insurance cost. There can be no assurance that these assumptions will turn out to be accurate, and actual data could have an adverse impact on the performance of the Company's investments.	When modelling future cash flows and structuring debt profiles, the Investment Adviser uses assumptions considered to be conservative by third party experts. The Investment Adviser constantly monitors the actual performance of projects and takes action where appropriate.
<b>Interest rate</b> The Company has a floating rate revolving credit facility and as such the financial performance of the Company will be adversely affected in the event that interest rates rise.	The revolving credit facility is in place to fund potential investments in the near term and to avoid holding material amounts of uninvested cash awaiting investment. The credit facility is a short term measure and the loan to value at year end was 7.5%.
<b>Other</b>	
<b>Regulatory, legal and compliance risk</b> The Company may not achieve full compliance with all applicable legislation leading to reputational or financial consequences.	The Board monitors compliance information provided by the Administrator, Company Secretary, Investment Adviser and legal counsel and monitors ongoing compliance developments in the Channel Islands and Europe along with regulatory developments in the UK as well as listing rules and FCA marketing rules. The Company has a comprehensive compliance monitoring programme to ensure full compliance with legislation/regulation relevant to the Company's operations.
<b>Operational risk</b> Inadequate or failed internal processes, people, and systems, or from external causes (deliberate, accidental or natural). Events may be manifested as direct financial losses or result in damage to reputation causing longer-term financial consequences.	The Company has no employees and has sufficient policies and procedures in place to ensure operational risk is mitigated.
<b>Cybercrime risk</b> Inadequate systems, policies and procedures in place to prevent against cyber-attack, which may manifest as financial losses, theft of intellectual property or damage to the Company's reputation as a consequence.	The Board monitors compliance information provided by the Administrator, Company Secretary, Investment Adviser and legal counsel and monitors ongoing compliance developments in the Channel Islands and Europe.

### Going concern and viability statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the financial prospects of the Company for the next twelve months and made an assessment of the Company's ability to continue as a going concern. The Directors are satisfied that the Company has the resources to continue in business for the foreseeable future and furthermore are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

At least once a year, the Board carries out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors have considered each of the Company's principal risks and uncertainties detailed on pages 32 to 34, in particular the risk and impact of changes in government policy that could materially affect the cash flows of the underlying projects that support the Company's investments. The Directors also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks.

This assessment involved an evaluation of the potential impact on the Company of these risks occurring. Where appropriate, the Company's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Company's net cash flows and other key financial ratios.

In accordance with provision C.2.2 of the 2014 revision of the UK Code, the Directors have assessed the prospects of the Company over a longer period than the twelve months required by the going concern provision. The Board have conducted this review for a period covering the next five years as over this period it believes the risk is low on changes in government policy that would result in retrospective adjustments to such public-sector backed cash flows.

Given that the projects that the Company's investments are secured against are all UK infrastructure projects that generate long-dated, public-sector backed cash flows, the Board thus considers the revenue of the Company over that period to be dependable.

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

Based on this assessment of the principal risks facing the Company and the stress testing based assessment of the Company's prospects, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

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



**Mr Ian Reeves CBE**  
Chairman

17 December 2015



# Board of Directors



**Ian Reeves** CBE, CCMI, FCIInstCES, FRSA, FINSTD  
Chairman – 71

Ian Reeves CBE, a UK resident, is an entrepreneur, international businessman and adviser. He is Senior Partner of Synaps Partners LLP and visiting Professor of Infrastructure Investment and Construction at Manchester Business School, The University of Manchester. He was made a Commander of the Most Excellent Order of the British Empire (CBE) in 2003 for his services to business and charity. Ian has served as a Director since 15 June 2010.



**Clive Spears** ACIB, MCISI  
Deputy Chairman – 62

Clive Spears, a Jersey resident, is a career qualified corporate banker, with 32 years' experience with the Royal Bank of Scotland Group of which the last 18 years were spent in Jersey until retirement in 2003. Relevant experience has spanned Corporate Finance, Treasury Products, Global Custody and Trust & Fund Administration. Additional experience in audit and compliance has also accrued during the period. Mr Spears serves on the board of an AIM listed company, EPE Special Opportunities plc and on the board of a main market listed investment trust, Invesco Perpetual Enhanced Income Fund Ltd. Clive has served as a Director since 7 February 2014.



**David Pirouet** FCA  
Audit Committee Chairman – 61

David Pirouet, a Jersey resident, is a qualified accountant. He was an audit and assurance partner for 20 years with PwC until he retired in June 2009. He specialised in the financial services sector, in particular in the alternative investment management area. Since retiring from PwC, Mr Pirouet serves on the board of another listed company including the AIM listed Ludgate Environmental Fund Limited and on privately held investment entities. David has served as a Director since 15 June 2010.



**Julia Chapman**  
Non-executive Director – 50

Resident in Jersey, Julia Chapman was appointed to the Board on 1 October 2015 and is a solicitor qualified in England & Wales and Jersey with over 25 years' experience in the investment fund and capital markets sector. Having trained with Simmons & Simmons in London, Julia moved to Jersey to work for Mourant du Feu & Jeune (now Mourant Ozannes) and became a partner in 1999. Julia was then appointed general counsel to MIFA (the firm's fund administration division) with responsibility for legal, risk and compliance oversight of third-party administration services to alternative investment funds. Ms Chapman serves on the board of a main market listed company, Henderson Far East Income Limited.



**Paul de Gruchy**  
Non-executive Director – 43

Paul de Gruchy, a Jersey resident, is a qualified lawyer currently working as Head of Legal at a global financial services business in Jersey. He has extensive experience in the financial services sector, in particular in the area of offshore funds. He has held senior positions at the Jersey Economic Development Department and the Jersey Financial Services Commission (the regulator of the Company). Paul has served as a Director since 7 February 2014.



**Michael Gray** FCIBS  
Non-executive Director – 49

Michael Gray is a Jersey resident, a qualified Corporate Banker and Corporate Treasurer was appointed to the Board on 1 October 2015. Michael was most recently the Regional Managing Director, Corporate Banking for RBS International, based in Jersey but with responsibility for The Royal Bank of Scotland's Corporate Banking Business in the Crown Dependencies and British Overseas Territories.

In a career spanning 31 years with The Royal Bank of Scotland Group plc, Michael has undertaken a variety of roles including that of an Auditor for four years and has extensive general management and lending experience across a number of industries.

# The Investment Adviser



**Stephen Ellis**  
Partner

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

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



**Rollo Wright**  
Partner

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

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



**Nick Parker**  
Partner

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

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



**Ronan Kierans**  
Partner

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

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



**Chloe Marlow**  
Head of Operations and Risk

Chloe Marlow is responsible for reporting and monitoring of the ongoing performance of the Company.

Before joining GCP in 2013, she worked in a broad range of financial services roles over ten years. Chloe began her career at Lloyds Banking Group where she qualified as a Chartered Management Accountant. After holding a number of finance roles at the bank, she went on to work as a project accountant for a large IFA before joining fund administrator Capita Sinclair Henderson Limited in 2011 as a fund accountant, where she was responsible for a portfolio of alternative real estate and infrastructure funds.



**Ben Perkins**  
Analyst

Ben Perkins is responsible for asset sourcing and acquisitions, and the reporting and monitoring of the ongoing performance of the Company.

Ben graduated from Warwick University with a degree in Mechanical Engineering. He then spent five years at John Laing where he was involved in originating and monitoring a variety of infrastructure assets, whilst also obtaining the CFA qualification. He then moved to Hadrian's Wall Capital, specialising in infrastructure debt structuring, before joining GCP in 2013.

## Corporate governance statement



**Mr Ian Reeves CBE**  
Chairman



The Board recognises the importance of a strong corporate governance culture that meets the Listing Rules of the United Kingdom Listing Authority.

The Disclosure Rules of the UK Listing Authority require certain listed companies to disclose how they have applied the principles and complied with the provisions of the Corporate Governance Code to which the issuer is subject. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code issued by the FRC, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The FRC has confirmed that AIC member companies who report against the AIC Code and who follow the AIC Guide will be meeting their obligations in relation to the UK Code and the associated disclosure requirements of the Disclosure Rules. 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 AIC Code can be viewed at [www.theaic.co.uk](http://www.theaic.co.uk).

### **Statement of compliance with the AIC Code and Guide**

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

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

- the role of the Chief Executive: for the reasons set out in the AIC Guide, and as explained in the UK Code the Board considers that the post of Chief Executive Officer is not relevant for the Company, being an externally managed investment Company;
- the appointment of a Senior Independent Director: the Nomination Committee has discussed whether it would be in the best interests of the Company to recommend to the Board the appointment of a Senior Independent Director and have agreed that at the present time the Board has an appropriate balance of skills and experience and as such, an appointment is not considered necessary. However the Nomination Committee has agreed to keep the matter under regular review;
- executive Directors' remuneration: as the Board has no executive Directors, it is not required to comply with the principles of the AIC Code in respect of executive Directors' remuneration and does not have a Remuneration Committee. A full remuneration report is included on pages 49 to 51;
- 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 there is no need for the Company to have its own internal audit function but this is reviewed on an annual basis. The Directors consider semi-annually the principal risks relating to the operations of the Company. Such a review includes the consideration of whether the Company's third parties have adequate internal controls in place; and
- the Chairman of the Company, Ian Reeves CBE is a member of the Audit Committee. The Board believes it is appropriate for Mr Reeves to be a member of the Committee as he is considered to be independent and there are no conflicts of interest.

For the reasons set out in the AIC Code, the Board considers 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.

Following the Company entering into the FTSE 250 index the Board has reviewed the additional corporate governance requirements and is satisfied that the Company either already meets these requirements or intends to do so. The requirements identified that were not currently being met but where the Company intends to do so are shown below:

- all directors of FTSE 350 companies should be subject to annual election by shareholders – The Company intends to comply as disclosed in the Chairman's statement.

### The Board's responsibilities and processes

The Board is responsible to shareholders for the overall management of the Company, and may exercise all the powers of the Company subject to the relevant statutes, the Company's Articles of Association and any directions given by special resolution of the shareholders. The Articles of Association empower the Board to offer, allot, grant options over or otherwise deal with or dispose of the Company's shares as the Board may decide. The Companies (Jersey) Law 1991 authorises the Company to make market purchases of its own shares if the purchase has first been authorised by a resolution of the Company.

At the Annual General Meeting in February 2015, shareholders renewed the Board's authority to allot ordinary shares and to repurchase ordinary shares on behalf of the Company subject to certain limits. Details of the authorities which the Board will be seeking at the 2016 Annual General Meeting are set out in the 2016 Notice of Annual General Meeting.

At each quarterly meeting of the Board, the Directors follow a formal agenda which includes a review of the Company's investments and associated matters such as gearing, asset allocation, principal risks, marketing and investor relations, and economic and industrial issues. The Board is also active in ensuring any regulatory developments which may affect the operations of the Company are considered. The Board regularly considers the Company's investment objective and strategy. In June 2015 a strategy day was held 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.

# Corporate governance statement continued

## Matters reserved for the Board

The Board has approved a formal Schedule of Matters Reserved to it for decision. These matters include:

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

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

## Composition of the Board

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

Each of the Directors has signed letters of appointment which set out the terms and conditions of their appointment. These letters are available for inspection at the Company's registered office. No Director has any contract or arrangement in place between themselves and the Company. Further details as to the terms of appointment of the Directors are set out in the remuneration report on pages 49 to 51.

## Overview of Board and employees

Appointments to the Board continue to be based on merit, regardless of gender, ethnic group or background.

The Board comprises five male Directors and one female Director (2014: five male and no female Directors). The Company has no other employees.

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

## Appointment and re-election of Directors

On 1 October 2015 Julia Chapman and Michael Gray were appointed to the Board of Directors.

Under the provisions of the Company's Articles, the Directors retire by rotation with one-third of the Directors submitting themselves for election at each Annual General Meeting. The Board does recognise that as a FTSE 250 Company and in line with good corporate governance set out in the Code, all Directors should put themselves forward for re-election every year.

It has therefore been determined that each Director will be offering themselves for re-election and the two newly appointed Directors will be offering themselves for election at the forthcoming Annual General Meeting on 12 February 2016.

None of the Directors has served on the Board for more than six years and there are no executive Directors. The Board does not currently have a policy on tenure but it is aware of the potential impact on independence that long tenure may have.

The Board will therefore be confirming its policy on tenure in 2016.

The Board has reviewed the independence of each Director in accordance with the guidance set out under Principle 2 of the AIC Code and the corresponding AIC Guide. The Board acknowledges that Paul de Gruchy has a direct 284,309.45 and an indirect 396,461.30 holding in the shares of OEIC. The OEIC's primary asset is shares in the Company. The Board has discussed Mr de Gruchy's interest in the OEIC and maintains that it does not materially impact his ability to exercise independent judgement on the Board. Accordingly the Board considers all Directors on the Board to be independent.



### Performance evaluation

Last year, the Directors participated in a formal evaluation process which was conducted by external independent consultants, Thomas & Dessain and it is intended to carry out an external review every three years with the next review due to take place in 2017.

As part of an internal evaluation process this year the Nomination Committee reviewed the suggestions made in the prior year arising from the external review for further enhancement of the Board and Committees' performance. The evaluation process also included the completion of three separate questionnaires by all Directors. The areas under review included an assessment of the Chairman, Board and Committee process and effectiveness, overall strategy, corporate governance, investment management, shareholders, training requirements and personal development. A report on the results of the evaluation concluded that the Chairman, the Board and the Committees and each of the individual Directors are performing well.

Additionally the Board undertakes annual anti-money laundering training and the Jersey resident Directors undertake the required hours of Continuing Professional Development in accordance with their profession and Jersey regulations including training on areas relating to the Company's activities such as specialist renewable sectors.

The Board attempts to ensure that it has the appropriate balance of skills, experience, knowledge and independence in order to remain effective. Biographical details of the Directors are shown on page 36.

### Board operation

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

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

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

### Committees

The structure includes the Audit Committee, an Investment Committee, a Management Engagement Committee and a Nomination Committee.

### Audit Committee

The membership and activities of the Audit Committee are described in its report on pages 44 to 46.

### Investment Committee

At 30 September 2015 the Investment Committee comprised of two Directors, namely Clive Spears (Chairman), and Paul de Gruchy. Trevor Hunt also served on the Committee until his sad death on 2 May 2015. On 1 October 2015 Julia Chapman was appointed on the Committee.

The Board has agreed Terms of Reference for the Committee which is bound to meet to consider each new investment proposal received from the Investment Adviser and attendant advisory reports and recommendations. The Committee has met twelve times during the year. The Committee is also responsible for ensuring key conditions precedents are complied with for each deal and for sign off on release of capital advances.

# Corporate governance statement continued

## Management Engagement Committee

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

## Conflicts of interest

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

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

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include whether the situational conflict could prevent the Director from properly

performing his duties, whether it has, or could have, any impact on the Company and whether it could be regarded as likely to affect the judgement and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

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

## Dialogue with shareholders

The Board recognises the importance of maintaining a purposeful relationship with shareholders. The Company, through its Directors, Investment Adviser and Joint Brokers, engages in ongoing communication with its shareholders. The Board encourages shareholders to attend and vote at general meetings of the Company in order that they may discuss governance and strategy and to understand shareholders' issues and concerns. The Chairman of the Board and the Chairmen of each of the Committees attend 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 post and are also available to download from the Company's website at [www.gcpuk.com](http://www.gcpuk.com). This information is supplemented by the monthly calculation and publication at the London Stock Exchange of the NAV of the Company's shares and the publication of a monthly factsheet by the Investment Adviser.

## Meetings

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

Director	Quarterly Board meetings	Ad-hoc Board meetings	Audit Committee	Nomination Committee	Management Engagement Committee	Investment Committee
Ian Reeves	4	15	4	4	2	—
David Pirouet	4	19	4	4	2	1
Trevor Hunt (until 2 May 2015)	3	11	—	—	—	6
Clive Spears	4	21	4	4	2	12
Paul de Gruchy	4	17	—	—	2	12

Julia Chapman and Michael Gray were appointed to the Board on 1 October 2015.

In the annual report the Directors seek to provide shareholders with information in sufficient detail to allow them to obtain a reasonable understanding of recent developments affecting the business and the prospects for the Company in the year ahead. The various sections of the strategic report on pages 10 to 35 provide further information.

Communication of up-to-date information is provided through the website at [www.gcpuk.com](http://www.gcpuk.com).

### Internal controls and risk management review

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

The Board reviews the effectiveness of its risk management systems and 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. Please refer to pages 32 to 35 for a more detailed overview of the risks that have been assessed.

Responsibility for accounting and Company 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 semi-annual risk assessment.

### Internal control assessment process

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

### AIFMD

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

### AIFM remuneration

With effect from 22 July 2014, the Company's Investment Adviser was authorised as an AIFM by the FCA under the AIFMD regulations. The Company has provided disclosures on its website, [www.gcpuk.com](http://www.gcpuk.com), incorporating the requirements of the AIFMD regulations.

All authorised AIFMs are required to comply with the AIFMD Remuneration Code. The FCA's General Guidance on the AIFM Remuneration Code has established that the first full performance year is the first full performance period after the firm becomes authorised. The financial year end of the Company's AIFM is 31 March 2015 and therefore the remuneration information available will not provide materially relevant, reliable, comparable and clear information to investors about the remuneration policy of the AIFM until the Directive has been in force a full performance period.

In circumstances where the items of information relating to remuneration are not available to the AIFM in respect of the relevant reporting period in the required form, the Board have been advised that detailed information on remuneration of the Company's AIFM need not be disclosed until Directive has been in force for a full performance period. The expectation of the Board is that the information will be disclosed in the 30 September 2016 annual report and financial statements.

The total annual fee paid to the Investment Adviser by the Company is disclosed in note 20 to the financial statements.

### Annual General Meeting

The Annual General Meeting of the Company will be held on 12 February 2016 at 12 Castle Street, St Helier, Jersey JE2 3RT.

By order of the Board



**Mr Ian Reeves CBE**

Chairman

17 December 2015

## Audit Committee report



**Mr David Pirouet FCA**  
Audit Committee Chairman



The Audit Committee considered the requirements of the UK Companies Act 2006 Regulation 2013 with which it is complying voluntarily, in line with best practice reporting.

### Summary

Revised versions of the UK Code and the AIC Code and Guide were published in September 2014 and February 2015 respectively with the amended provisions having a specific impact on audit committee reporting. The Board has adopted the provisions set out in the revised UK Code and the AIC Codes.

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

### Composition

At 30 September 2015, the Audit Committee comprised three of the Company's Directors, the Chairman, David Pirouet, who is a Chartered Accountant and a former audit partner, Ian Reeves CBE and Clive Spears. Subsequent to the year end, Michael Gray was appointed to the Committee on 1 October 2015 and Clive Spears stepped down from the Committee at the conclusion of the Board meeting held on 17 December 2015. The Board considers that the independence, experience and knowledge of each of the Audit Committee members is sufficient for discharging its responsibilities. The Audit Committee meets at least twice a year.

### Financial reporting

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

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

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

- reviewing the effectiveness of the internal control environment of the Company and the Company's compliance with its regulatory requirements;
- reviewing and recommending to the Board significant accounting matters and accounting disclosures in the half-yearly and annual financial statements of the Company including the effect of the application of IFRS 10 and the merger and matters of judgement in relation to valuation. This year the areas examined include the discount rates applied in the valuation process and the performance of the investments. The Audit Committee discussed these matters with the Valuation Agent, the Investment Adviser and the Auditor, including the Auditor's valuation specialist;
- overseeing the Company's relations with its External Auditor including assessing the conduct and effectiveness of the audit process and the Auditor's independence and objectivity, recommending the Auditor's reappointment and approving the Auditor's fees; and
- reviewing the Company's compliance with its regulatory obligations in Jersey.

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

#### Significant issues considered

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

- revenue recognition
- valuation of investments; and
- existence and ownership of investments.

#### Revenue recognition

The material components of investment income reported in the statement of comprehensive income comprise dividend income, unrealised gains on the investment portfolio and interest received on the loan notes held. The Audit Committee has reviewed the accounting policies applied with regard to these as well as the procedures applied and has concluded these are satisfactory.

#### Valuation of investments

As outlined in note 19, the total carrying value of financial assets at fair value at 30 September 2015 was £657.7 million (2014: £432.7 million). Market quotations are not available for these financial assets such that their valuation is undertaken using a discounted cash flow methodology. This requires a series of material judgements to be made as further explained in note 19.

The Audit Committee discussed the valuation process and methodology with the Investment Adviser in May, June and October 2015 as part of the review of the half-yearly and annual reports. The Valuation Agent carries out a valuation monthly and provides a detailed valuation report to the Company.

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

The Audit Committee met with the external Auditor at the time at which the Audit Committee reviewed and agreed the external Auditor's audit plan in September 2015 and also at the conclusion of the audit of the financial statements in December 2015 and in particular discussed the audit approach and conclusion on the valuation.

The discount rates adopted to determine the valuation are selected and recommended by the Valuation Agent. The discount rate is applied to the expected future cash flows for each investment's financial forecasts derived adopting the assumptions explained above to arrive at a valuation (discounted cash flow valuation). The resulting valuation is sensitive to the discount rate selected. The Valuation Agent is experienced and active in the area of valuing these investments and adopts discount rates reflecting their current and extensive experience of the market. The discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate are disclosed in note 19.



## Audit Committee report continued

In particular the Audit Committee considered in detail the reductions of the discount rate applied to certain assets during the year. The Valuation Agent explained this was principally as a consequence of increased competition in the secondary market for infrastructure and renewable assets, which had been seen during bidding and general market activity. This was also corroborated by the Investment Adviser.

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

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

### **Existence and ownership of investments**

The Company held 40 investments at the end of the year. The Board reviews the Custodian and Depositary report on a quarterly basis, which confirms the existence of the assets at the quarter end date and follows up on any outstanding issues to confirm that the Company has satisfactory title to all assets held.

The Audit Committee met with the external Auditor at the time at which the Audit Committee reviewed and agreed the External Auditor's approach to the existence of the Company's investments in its plan in September 2015 and at the conclusion of the audit in December 2015.

### **External audit**

Audit fees for the year amounted to £55k (2014: £40k) and non-audit fees amounting to £37k (2014: £58k)

The Audit Committee reviewed the effectiveness of the external audit process during the year, considering performance, objectivity, independence and relevant experience with EY during the year.

In order to assist in assessing the performance of the existing external Auditor against other providers in the market and to determine whether it was appropriate to seek a new firm as external Auditor from next year the Audit Committee conducted a formal audit tender process.

Mr Pirouet, Chairman of the Audit Committee, together with a partner of the investment Adviser met with four audit firms in September 2015, that had been invited to tender for the external audit work, including EY. The Audit Committee considered each of the tender submissions in detail and received presentations in October 2015. As a result of this process, the Audit Committee found that the experience demonstrated within the sector as well as the strength of the overall audit team at KPMG would be better aligned to the Company's requirements and it was therefore proposed to recommend the appointment of KPMG in place of EY at the Annual General Meeting.

The Audit Committee, on behalf of the Board, would like to thank EY for their work over the years.



**Mr David Pirouet FCA**

Chairman of the Audit Committee

17 December 2015

# Nomination Committee report



**Mr Ian Reeves CBE**

Chairman



The function of this Committee is to consider appointments to the Board and its individual Committees in the context of the requirements of the Company and its need to have a balanced and effective Board.

The Nomination Committee comprises Ian Reeves CBE, Clive Spears and David Pirouet. The function of this Committee is to consider appointments to the Board and its individual committees in the context of the requirements of the Company and its need to have a balanced and effective Board. The Nomination Committee is also obliged to consider succession planning for Directors with particular attention paid to the challenges and opportunities facing the Company. Gender and diversity are taken into account when evaluating the skills, knowledge and experience desirable to fill vacancies on the Board as and when they arise. The Committee would like to emphasise that all appointments to the Board are based on merit. The Committee believes the Directors provide, individually and collectively, the necessary breadth of skills and experience to run the Company.

Mr Reeves is Chairman of the Nomination Committee but he will not chair at any meeting when dealing with the appointment of a successor to chairmanship. Following the sad death of Trevor Hunt on 2 May 2015, the Board engaged an external recruitment consultant to identify potential candidates. The Nomination Committee then drew up a shortlist of candidates for interview and following this they made a recommendation to the Board.

The Nomination Committee met to review and evaluate the performance of the Board. The evaluation process involved an analysis of the Board performance and that of its Committees and individual Directors. The Chairman also held one-on-one discussions informed by a checklist with all Directors. The results of the evaluation process were reported to, and discussed by, the Board and the Nomination Committee. The evaluation considered the overall composition of the Board including plans for board succession over time and the delivery of Directors performance appraisals. At this meeting, the Committee noted that each of the Directors had expressed an intention to continue as Directors of the Company for the foreseeable future. The Committee also agreed that Clive Spears would continue to assume the role of Deputy Chairman in the event of Mr Reeves' unavailability.

## Nomination Committee report continued

Based on the outcome of the Board performance evaluation process, the Nomination Committee agreed to recommend the re-appointment of Mr Reeves. The Committee believes that Mr Reeves has continued to make valuable contributions to the Company and has exercised his judgement and expressed his opinions in an independent manner.

The Company does not have a Remuneration Committee; the Board fulfils the role of the Remuneration Committee as it was agreed that the size and nature the Board does not warrant the establishment of a separate committee.

The Terms of Reference for each of the Committees are available on request from the Company Secretary.



**Mr Ian Reeves CBE**

Chairman of the Nomination Committee

17 December 2015

# Remuneration report

## Introduction

The Directors are pleased to present their report on remuneration for the year ended 30 September 2015. The report is made up of two sections; the Directors' policy report and the annual report on remuneration.

The annual remuneration report provides details on remuneration in the year. It will be subject to an advisory shareholder vote at the 2016 Annual General Meeting. Although it is not a requirement under Jersey Company Law to have the annual report on remuneration approved by shareholders, the Board believes that as a company whose shares are listed on the London Stock Exchange it is good practice for it to do so. Accordingly a resolution to approve the annual report on remuneration will be proposed at the forthcoming Annual General Meeting.

This report is not subject to audit.

## Directors' policy report

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

In December 2014, the Board engaged an independent external consultant Thomas & Dessain to conduct a review of the Directors' remuneration and their recommendations were put forward to the 2015 Annual General Meeting. The cumulative cap on Directors' base remuneration was increased from £270,000 to £370,000 at the 2015 Annual General Meeting and the linkage of the fees to net asset value was ceased. In addition the caps were increased as follows:

- Chairman; an increase from £45,000 to £55,000;
- Chairman of Audit Committee: an increase from £35,000 to £45,000;
- Chairman of Investment Committee: an increase from £35,000 to £45,000; and
- Director: an increase from £35,000 to £40,000.

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

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

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

# Remuneration report continued

## Annual remuneration report

The fees paid to the Directors in the year ended 30 September 2015 are set out in the table below:

	2015				
	Directors' fees (base fee) £'000	Special fee for reorganisation and placing programme £'000	Audit Committee fees £'000	Investment Committee £'000	Total £'000
Ian Reeves CBE	55	5	4	n/a	64
David Pirouet	45	5	10	n/a	60
Trevor Hunt	30	5	n/a	7	42
Clive Spears	45	5	4	10	64
Paul de Gruchy	40	5	n/a	10	55
<b>Total</b>	<b>215</b>	<b>25</b>	<b>18</b>	<b>27</b>	<b>285</b>

	2014 (restated)					
	Directors' fees (base fee) £'000	Special fee for C share issue £'000	Special fee for reorganisation and placing programme £'000	Audit Committee fees £'000	Investment Committee £'000	Total £'000
Ian Reeves CBE	44	5	5	3	n/a	57
David Pirouet	34	5	5	5	n/a	49
Trevor Hunt	37	5	5	2	6	55
Clive Spears	26	n/a	5	2	6	39
Paul de Gruchy	26	n/a	5	n/a	6	37
<b>Total</b>	<b>167</b>	<b>15</b>	<b>25</b>	<b>12</b>	<b>18</b>	<b>237</b>

Directors' expenses for the year totalled £13k (30 September 2014: £4k), no other remuneration or compensation was paid or payable by the Company during the year to any of the Directors.

## Statement of Directors' shareholding and share interests

Paul de Gruchy has an indirect interest in the Company via GCP Infrastructure OEIC Limited. Mr de Gruchy has a direct interest in 284,309.45 ordinary accumulation shares and an indirect interest in 396,461.30 ordinary accumulation shares of GCP Infrastructure OEIC Limited.

None of the Directors have been granted options to acquire shares in the Company.

The Directors do not hold any shares in the Company and there have been no changes from the 30 September 2015 to the date of this report.

## Statement of voting at general meeting

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

At the last Annual General Meeting 99.99% of shareholders voted for the resolution to approve the Directors' remuneration report.



### Approach to recruitment remuneration

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

In respect of the appointment of the two new Directors in October 2015, the Board used an external recruitment consultant to identify potential candidates. The Nomination Committee then drew up a shortlist of candidates for interview and following this they made a recommendation to the Board.

### Company performance

In setting the Directors' remuneration, consideration is given to the size and long-term performance of the Company. The tables below highlight the comparative total shareholder return to ordinary shareholders since launch compared with the GBP Corporate Bond Index over the same period. The GBP Corporate Bond Index is used as a benchmark as the constituents are comparable in asset type with the Company's investments portfolio (being a portfolio of debt instruments). During that period, the total shareholder return for the Company was c.67.86%, compared with the GBP Corporate Bond Index which was c.41.54%.

#### Cumulative performance to 30 September 2015

Period	3 months	6 months	1 year	3 years	4 years	Since launch
GCP Infrastructure Investments Ltd	6.97%	6.62%	9.45%	41.56%	53.85%	67.86%
GBP Corporate Bond Index	1.45%	-3.81%	3.38%	14.80%	31.86%	41.54%

#### Annual performance to 30 September 2015

Period	Year ended 30 September 2015	Year ended 30 September 2014	Year ended 30 September 2013	Year ended 30 September 2012
GCP Infrastructure Investments Ltd	9.45%	17.08%	9.74%	8.55%
GBP Corporate Bond Index	3.38%	7.60%	2.49%	14.99%

### Relative importance of the spend on pay

The table below sets out in respect of the financial years ended 30 September 2015 and 30 September 2014, Directors' fees for the Company as a relative proportion of the Company's total expenses for the year:

	30 September 2015 £'000	30 September 2014 £'000
Percentage of expenses	4.11%	2.77%

### Approval

This annual report on remuneration and the policy report were approved by the Board on 17 December 2015 and signed on its behalf by:

By order of the Board



**Mr Ian Reeves CBE**

Chairman

17 December 2015

# Directors' report

The Directors are pleased to present their annual report and the audited financial statements for the year ended 30 September 2015. The corporate governance statement set out on pages 38 to 43 forms part of this report.

## Principal activity and business review

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

## Greenhouse gas emissions reporting

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

The Company outsources all services on a fee basis, and, as such it is not practical to attempt to measure or quantify emissions in respect of any outsourced energy use. Additionally, the Company loans money to SPVs and does not have the ability to control the activities of these SPVs and has no responsibility for their emissions.

Therefore the Directors believe the Company has no reportable emissions for the year ended 30 September 2015.

## Dividends

The Directors have announced a fourth interim dividend of 1.9 pence per ordinary share which was paid on 25 November 2015 to ordinary shareholders on the register on 23 October 2015.

The Company offered a scrip dividend alternative under which shareholders elected to receive new ordinary shares in lieu of the cash dividend. The price of a new ordinary share to be issued under the scrip dividend alternative was calculated by taking the average of the Company's closing middle market quotations of an ordinary share for the five consecutive dealing days commencing on the ex-dividend date of 22 October 2015. A circular and form of election was sent to shareholders on 30 October 2015.

## Share capital

During the year the Company issued 126,060,923 ordinary shares of £0.01. Details of the movements in share capital during the year are set out in the statement of changes in equity on page 64 and in note 17.

At 30 September 2015 the Company's issued share capital comprised 576,481,586 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.

## Significant voting rights

As at 30 September 2015 the Company had received notification of the following disclosable interests in the voting rights of the Company:

Name	Shares held	% of total voting rights
City of Bradford Metropolitan District Council	17,882,919	6.87%
Third National Swedish Pension Fund	32,750,000	6.37%
Rathbone Brothers plc	24,847,873	5.75%
Investec Wealth & Investment Limited	29,564,614	5.74%
Insight Investment Management (Global) Limited	29,197,728	5.07%
GCP Infrastructure OEIC Limited	25,442,316	4.95%
Close Asset Management Limited	28,005,932	4.86%
Brewin Dolphin Limited	26,347,366	4.58%
Cheviot Capital (Nominees) Limited	17,650,500	4.05%
J M Finn Nominees Limited	10,086,106	3.81%

No changes have been notified to the Company between 30 September 2015 and the date of this report.

## Directors

The Directors in office as at 30 September 2015 are listed on page 36.

Details as to the Directors' terms of appointment can be found in the corporate governance statement on pages 38 to 43 and the remuneration report on pages 49 to 51.

## Directors' interests

None of the Directors have been granted options to acquire shares in the Company.

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

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

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

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

### Key service providers

Gravis Capital Partners LLP (the “Investment Adviser”), provides advice to the Directors of the Company to enable them to make informed decisions for the Company’s funding requirements (including advice and assistance in any equity/further fund raising process) and also borrowings/gearing requirements. The terms of appointment of the Investment Adviser and their fees are explained on note 20.

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

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

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

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

The personnel primarily responsible for delivering investment advice to the Company on behalf of the Investment Adviser are detailed on page 37.

The Company is party to an Investment Adviser Agreement under which the Investment Adviser provides advisory services relating to the Company’s assets on a day-to-day basis in accordance with the investment objectives and policies agreed by the Company and under the overall supervision and direction of the Board of Directors.

The Investment Adviser Agreement was amended in January 2014 to reflect a change in methodology for the calculation of fees and the provision of AIFM services to the Company. An increase in the fees payable for the provision of AIFM services was agreed by the Board in October 2014. The Investment Adviser Agreement was further amended and restated in November 2015 in order to ensure that the key person provisions of that agreement remain up to date. The remuneration of the Investment Adviser is set out in note 20 to the financial statements.

The Company has noted the publication of a prospectus on 29 September 2015 by Project Finance, a new fund for which the investment manager is Gravis Capital Partners LLP, which is also the Investment Adviser to the Company. The Directors further note that Project Finance will seek to make investments in a portfolio of project finance loans across multiple sectors. Under its Investment Advisory Agreement, the Company’s prior consent is required for the Investment Adviser to act as the adviser, manager or sponsor of any fund or entity that may invest in assets within the scope of the Company’s investments or engage in any activity which may compete in the same or substantially similar investment area as the Company.

The Company has given its consent for the Investment Adviser to act as the investment manager of Project Finance, on the basis that the Investment Adviser has agreed with the Company that where it identifies an investment which, in its opinion acting reasonably and in good faith, falls within the Company’s remit, the Company will have a ROFR.

The Directors believe that the Company’s investment objectives, and the pipeline of opportunities available to it, will not be adversely affected, and that the ROFR Agreement protects the Company’s interests in the event of any conflict. The Investment Advisory Agreement continues to contain other clauses specifying minimum time commitments from key Investment Adviser personnel and general provisions for dealing with conflicts of interest.

Fund accounting administration services and company secretarial services are provided to the Company by Capita Financial Administrators (Jersey) Limited pursuant to an Agreement dated 31 January 2014. The fee for the provision of these services during the year was £531k (2014: £461k). The Agreement with Capita Financial Administrators (Jersey) Limited continues until terminated by either party on giving not less than six months’ written notice.

Custodian services are provided to the Company by Capita Trust Company (Jersey) Limited pursuant to an agreement dated 21 July 2014. The fee for the provision of these services during the year was £170k (2014: £125k). The agreement with Capita Trust Company (Jersey) Limited continues until terminated by either party on giving not less than six months’ written notice.

Registrar services are provided to the Company by Capita Registrars (Jersey) Limited pursuant to an agreement dated 28 June 2010. The fee for the provision of these services during the year was £75k (2014: £69k). The agreement with Capita Registrars (Jersey) Limited continues until terminated by either party on giving not less than six months’ written notice.

## Directors' report continued

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

### Political donations

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

### Annual general meetings

The Company's annual report and financial statements for the year will be tabled for approval at the Company's 2016 Annual General Meeting. It is anticipated that this Annual General Meeting will be held on 12 February 2016 at 12 Castle Street, St Helier, Jersey JE2 3RT.

### Share repurchases

No shares have been bought back in the year. The latest authority to purchase ordinary shares for cancellation was granted to the Directors on 12 February 2015 and expires on the date of the next Annual General Meeting. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming Annual General Meeting on 12 February 2016.

### Treasury shares

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

### Auditor

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

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

Following an audit tender process in October, the Board are recommending that KPMG be appointed as Auditor and a resolution to appoint them will be proposed at the upcoming Annual General Meeting. The Board would like to thank the current Auditor EY who will not be standing for re-election as Auditor at the upcoming Annual General Meeting.

### Non-mainstream pooled investments

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

By order of the Board



**Mr David Pirouet FCA**

17 December 2015

# Statement of Directors' responsibilities

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

The Companies (Jersey) Law 1991 requires the Directors to prepare such financial statements for each financial year. Under Article 105 (2) (a) of that law, the Directors are required to prepare the Company financial statements in accordance with one of the stated generally accepted accounting principles. The Directors have chosen International Financial Reporting Standards ("IFRS") as adopted by the European Union. As a company listed on the London Stock Exchange, the Company is subject to the FCA's Listing Rules and Disclosure and Transparency Rules as well as to all applicable laws and regulations of Jersey, where it is incorporated. Under the Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991, as amended. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Directors' responsibility statement

In accordance with the FCA's Disclosure and Transparency Rules, each of the Directors, whose names are set out on page 36 confirms that to the best of his/her knowledge:

1. the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
2. the strategic report and the Directors' report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

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

By order of the Board



**Mr Ian Reeves CBE**  
Chairman



# Independent Auditor's report

To the members of GCP Infrastructure Investments Limited

## Our opinion on the financial statements

In our opinion:

- GCP Infrastructure Investments Limited's financial statements (the "financial statements") give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

## What we have audited

GCP Infrastructure Investments Limited's financial statements comprise:

- statement of comprehensive income for the year ended 30 September 2015;
- statement of financial position as at 30 September 2015;
- statement of changes in equity for the year ended 30 September 2015;
- statement of cash flows for the year ended 30 September 2015; and
- related notes 1 to 24 to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union.

## Overview of our audit approach

Risks of material misstatement:

- existence and ownership of investments;
- valuation of investments; and
- revenue recognition.

Audit scope:

- we performed an audit of the complete financial statements of the Company for the year ended 30 September 2015;
- as a result of the application of the IFRS10 amendments for Investment Entities ("IFRS10 amendments"), consolidated financial statements are no longer prepared for the entity, with its investment in subsidiary instead being held at fair value through profit or loss until the subsidiary was merged with GCP Infrastructure Investments Limited on 30 September 2015 (refer to note 3 for further details); and
- procedures were performed by the audit team in a single location with any work relating to the subsidiary during the period prior to merger being directly conducted by the audit team.

Materiality:

- overall materiality of £6.2 million which represents 1% of total equity.

### Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
<p><b>Existence and ownership of Investments (£657,730,000, PY comparative £389,036,000)</b></p> <p><b>Refer to the Audit Committee report (pages 44 to 46); Accounting policies (pages 69 to 71); and Note 19 of the financial statements</b></p> <p>Risk that investments presented in the financial statements do not exist or GCP Infrastructure Investments Limited does not have the rights to cash flows derived from these underlying investments.</p> <p>Due to the significance of the carrying value of these investments there is a risk that if GCP Infrastructure Investments Limited did not have the right to cash flows in respect of the investments, the carrying value of investments in the financial statements could be materially overstated.</p> <p>GCP Infrastructure Investments Limited had historically presented consolidated financial statements, reporting its investments in the underlying portfolio of loan notes at fair value in its consolidated statement of financial position as a result of its controlling interest in GCP Infrastructure Asset Holdings Limited.</p> <p>The application of the IFRS 10 amendments required a change in the presentation of the financial statements, with the requirement to present the investment in subsidiary at fair value through profit or loss rather than on a consolidated basis. The comparative financial information in the financial statements is presented on this basis.</p> <p>As a result of the merger as at 30 September 2015, GCP Infrastructure Investments Limited now holds a direct interest in all investments held and presents investments held as at 30 September 2015 on this basis.</p>	<p>Our response comprised:</p> <ul style="list-style-type: none"> <li>• updating our understanding of the processes adopted by the Board and management in respect of the existence of investments including our understanding of the systems and controls implemented; and</li> <li>• performance of substantive audit testing of investment existence including: <ul style="list-style-type: none"> <li>• obtaining a portfolio statement from the independent custodian and reconciling investment holdings to the accounting records of the Company;</li> <li>• Obtaining contracts/agreements for new investments entered into during the period to support the initial recognition and associated terms and conditions; and</li> <li>• Obtaining supporting documentation for the merger process, to support transfer of title of investments from subsidiary to merged entity.</li> </ul> </li> </ul>	<p>We confirmed that there were no matters identified during our audit work on existence of investments that we wanted to bring to the attention of the Audit Committee.</p>

# Independent Auditor's report continued

To the members of GCP Infrastructure Investments Limited

Risk	Our response to the risk	What we concluded to the Audit Committee
<p><b>Valuation of Investments (£657,730,000, PY comparative £389,036,000)</b></p> <p><b>Refer to the Audit Committee report (pages 44 to 46); Accounting policies (pages 69 to 71); and Note 19 of the financial statements</b></p> <p>The investments held comprise a portfolio of loan notes measured at fair value through profit or loss and the fair value of these investments is determined through the application by the Board, in conjunction with the Investment Adviser and third-party Valuation Agent, of a discounted cash flow methodology.</p> <p>The valuation risk considers the risk of an inappropriate valuation model being applied which incorporates the risk of manipulation or error in both the discount rate applied (including the risk that the factor applied is not appropriate to the circumstances of the Company and its investment portfolio) and the amount and timing of cash flows supporting the interest and capital repayments on the debt positions held by the Company.</p>	<p>Our response comprised:</p> <ul style="list-style-type: none"> <li>• updating our understanding of the processes adopted by the Board and management in respect of investment valuation including our understanding of the systems and controls implemented;</li> <li>• obtaining and reading the Valuation Agent's report to determine that period end valuation methodologies applied are consistent with that required by IFRS13 Fair Value Measurement; and</li> <li>• substantive audit testing of investment valuation.</li> </ul> <p>Our substantive testing was broadly broken down into consideration of the cash flow profile of each underlying investment and the appropriateness of the discount rate applied. We involved EY valuation experts to support our testing of the valuation methodology applied by the Company including specifically the discount rate applied.</p> <p>This included a direct dialogue with the Valuation Agent regarding model structure, inputs into the valuation model and key assumptions applied. In addition our valuation experts applied their market knowledge to corroborate the range of discount rates utilised as the primary input into the valuation model.</p> <p>We conducted substantive procedures on a sample of underlying investment cash flows, agreeing terms back to original agreements and corroborating the Board's assumptions regarding the cash flow profile to supporting evidence and analysis held/prepared by the Investment Adviser.</p>	<p>As part of the dialogue during the audit process, the Board and Investment Adviser informed us that they had become aware of certain operational issues regarding the underlying project supporting the loan note cash flows for one biomass investment. This resulted in a post year-end downward revaluation amounting to £2.2 million.</p> <p>Whilst the Directors acknowledged that the circumstances leading to the revaluation were likely to have substantially existed at the accounting year-end, they considered this not to be a material adjustment requiring amendment in the financial statements.</p> <p>We have reported an unadjusted audit difference in respect of the biomass loan note valuation and sought specific representation from the Directors that they are satisfied that the amount of this unadjusted difference is not material to the users of the financial statements.</p> <p>We confirmed that there were no other material matters identified during our audit work on investment valuation that we wanted to bring to the attention of the Audit Committee.</p>
<p><b>Revenue Recognition (£56,304,000, PY comparative £37,424,000)</b></p> <p><b>Refer to the Audit Committee report (pages 44 to 46); Accounting policies (pages 69 to 71); and Note 4 of the financial statements</b></p> <p>Revenue primarily comprises of the dividend income stream generated by the investment held in the subsidiary up to the date of merger. The element of revenue comprising the movement in fair value of investment in subsidiary is considered as part of the valuation of investments risk described above.</p> <p>Management may seek to overstate revenue as a result of seeking to report the desired level of return to investors.</p> <p>As a result of the change in applicable accounting treatment, revenue reported in the financial statements for the year ended 30 September 2015 primarily comprises of income received from the subsidiary in the form of distributions. In the 2014 financial statements as previously stated, revenue primarily comprised interest income and associated fair value movement on the underlying loan note portfolio.</p>	<p>Our response comprised:</p> <ul style="list-style-type: none"> <li>• updating our understanding of the processes adopted by the Board and management in respect of revenue recognition including our understanding of the systems and controls implemented;</li> <li>• performance of substantive audit procedures including agreeing dividend income recorded to supporting documentation; and</li> <li>• recalculating the net movement in value of investment in subsidiary and agreeing to amount recorded as income.</li> </ul> <p>All audit procedures were performed in a single location by the audit team.</p>	<p>We confirmed that there were no matters identified during our audit work on revenue recognition that we wanted to bring to the attention of the Audit Committee.</p>

In the prior year, our Auditor's report included a risk of material misstatement in relation to risk of management override. Addressing the risk of management override is a requirement of auditing standards and we concluded that this risk is most likely to occur in the risk areas identified above. In the current year, as a result, we have not provided separate responses to the risk of management override and have instead reflected this consideration of risk as part of our responses to the specific risks set out above.

### The scope of our audit

#### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope. Taken together, this enables us to form an opinion on the financial statements.

In prior periods we conducted an audit of the consolidated financial statements of the Company and its wholly owned subsidiary, GCP Infrastructure Asset Holding Limited. In the current year, as a result of the required application of IFRS10 amendments, the Company was required to hold its investment in its subsidiary at fair value for financial reporting purposes and as a result consolidated financial statements have not been presented.

In addition, with effect from 30 September 2015, the subsidiary was merged into the Company leaving a single operating entity with direct exposure to the investment portfolio held at the year end.

Our audit scope was tailored to reflect the above changes.

The primary accounting and administrative activities for both the Company and its subsidiary were conducted in the same geographical locations and by the same service providers during the year and as a result our work was conducted as a single audit process.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### Materiality

**This is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.**

We determined materiality for the Company to be £6.2 million (2014: £4.7 million), which is 1% (2014: 1%) of total equity.

It was considered inappropriate to determine materiality based on Company profit before tax as the primary focus of the Company is the overall performance of investments held which includes a significant asset revaluation component. In addition, profit is not a key metric reported upon by the Company, with the ability to make dividend payments not limited by the profitability of the Company in any particular period.

We believe that total equity provides us with an appropriate basis for audit materiality as net asset value is a key published performance measure and is a key metric used by management in assessing and reporting on the overall performance of the Company.

During the course of our audit, we reassessed initial materiality and noted no factors leading us to amend materiality levels from those originally determined at the audit planning stage.

#### Performance materiality

**This refers to the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.**

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2014: 75%) of our planning materiality, namely £4.6 million (2014: £3.5 million). We have set performance materiality at this percentage due to investment strategy remaining consistent with our previous experience and limited identification of audit findings in previous periods.

# Independent Auditor's report continued

To the members of GCP Infrastructure Investments Limited

## Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3 million (2014: £0.2 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement set out on page 55, 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.

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.

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

<b>ISAs (UK and Ireland) reporting</b>	<p>We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:</p> <ul style="list-style-type: none"> <li>materially inconsistent with the information in the audited financial statements; or</li> <li>apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or</li> <li>otherwise misleading.</li> </ul> <p>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.</p>	We have no exceptions to report.
<b>Companies (Jersey) Law 1991 reporting</b>	<p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>proper accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>the financial statements are not in agreement with the accounting records and returns; or</li> <li>we have not received all the information and explanations we require for our audit.</li> </ul>	We have no exceptions to report.
<b>Listing Rules review requirements</b>	<p>We are required to review:</p> <ul style="list-style-type: none"> <li>the Directors' statement in relation to going concern and longer-term viability, set out on page 35; and</li> <li>the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.</li> </ul>	We have no exceptions to report.



## Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

### ISAs (UK and Ireland) reporting

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

### Christopher James Matthews, FCA

for and on behalf of Ernst & Young LLP

Jersey, Channel Islands

17 December 2015

### Notes:

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

# Statement of comprehensive income

For the year ended 30 September 2015

		Year ended 30 September 2015 £'000	Restated <sup>1</sup> Year ended 30 September 2014 £'000
	Notes		
<b>Income</b>			
Net income/gains on investments at fair value through profit or loss	4	54,818	37,286
Other income	4	1,486	138
		56,304	37,424
<b>Expense</b>			
Investment advisory fees	20	(4,740)	(2,309)
Set up costs		—	(1,767)
Operating expenses	6	(2,182)	(2,524)
		(6,922)	(6,600)
<b>Total operating profit before finance costs</b>		<b>49,382</b>	<b>30,824</b>
<b>Finance costs</b>			
Finance expenses	7	(707)	—
<b>Profit for the year</b>		<b>48,675</b>	<b>30,824</b>
Other comprehensive income		—	—
<b>Total comprehensive income</b>		<b>48,675</b>	<b>30,824</b>
Earnings per share (p)	11	<b>9.3032</b>	9.0497

1 Comparative information, including relevant notes, has been restated as a result of applying IFRS 10, including Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). Refer to note 2 and 3 for details.

# Statement of financial position

As at 30 September 2015

		As at 30 September 2015 £'000	Restated <sup>1</sup> As at 30 September 2014 £'000	Restated opening balance as at 1 October 2013 £'000
	Notes			
<b>Assets</b>				
Cash and cash equivalents	15	4,906	38,432	936
Other receivables and prepayments	12	49	55	10
Receivable from subsidiary		—	44,558	—
Amounts held on security account	14	1,230	—	—
Financial assets at fair value through profit or loss	19	657,730	389,036	293,054
<b>Total assets</b>		<b>663,915</b>	<b>472,081</b>	<b>294,000</b>
<b>Liabilities</b>				
Other payables and accrued expenses	13	(2,018)	(1,278)	(384)
Amounts held on security account	14	(1,230)	—	—
Borrowings	16	(41,123)	—	—
<b>Total liabilities</b>		<b>(44,371)</b>	<b>(1,278)</b>	<b>(384)</b>
<b>Net assets</b>		<b>619,544</b>	<b>470,803</b>	<b>293,616</b>
<b>Capital and reserves</b>				
Share capital	17	5,765	4,504	2,814
Share premium	17	599,242	461,402	287,239
Other capital reserves	18	101	101	66
Retained earnings		14,436	4,796	3,497
<b>Total capital and reserves</b>		<b>619,544</b>	<b>470,803</b>	<b>293,616</b>

1 Comparative information, including relevant notes, has been restated as a result of applying IFRS 10, including Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). Refer to note 2 and 3 for details.

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



**Mr Ian Reeves CBE**

Chairman

17 December 2015



**Mr David Pirouet FCA**

Director

17 December 2015

# Statement of changes in equity

For the year ended 30 September 2015

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>At 1 October 2013</b> (restated <sup>1</sup> )		2,814	287,239	66	3,525	293,644
Profit for the year		—	—	—	30,824	30,824
Equity shares issued	17	1,690	174,163	—	—	175,853
Transfer to capital redemption reserve		—	—	35	—	35
Dividends	10	—	—	—	(29,553)	(29,553)
<b>At 1 October 2014</b>		4,504	461,402	101	4,796	470,803
Profit for the year		—	—	—	48,675	48,675
Equity shares issued	17	1,261	141,577	—	—	142,838
Share issue costs	17	—	(3,737)	—	—	(3,737)
Dividends	10	—	—	—	(39,035)	(39,035)
<b>At 30 September 2015</b>		<b>5,765</b>	<b>599,242</b>	<b>101</b>	<b>14,436</b>	<b>619,544</b>

1 Comparative information, including relevant notes, has been restated as a result of applying IFRS 10, including Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). Refer to note 2 and 3 for details.

# Statement of cash flows

For the year ended 30 September 2015

	Notes	Year ended 30 September 2015 £'000	Restated <sup>1</sup> Year ended 30 September 2014 £'000
<b>Cash flows from operating activities</b>			
Total operating profit before finance costs		49,382	30,824
Movement in fair value of investment in subsidiary		(54,818)	(37,286)
Increase in other payables and accrued expenses		519	894
Decrease/(increase) in other receivables and prepayments		2	(45)
<b>Net cash flow used in operating activities</b>		<b>(4,915)</b>	<b>(5,613)</b>
<b>Cash flows from investing activities</b>			
Investment in subsidiary		(224,453)	(145,753)
Capital repayments of investments		20,819	597
Dividends received		34,321	16,421
Amounts received from subsidiary		—	25,508
<b>Net cash flow (used) in investing activities</b>		<b>(169,313)</b>	<b>(103,227)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		136,264	175,889
Proceeds from borrowings		91,600	—
Repayments of borrowings		(50,000)	—
Dividends paid	10	(36,198)	(29,553)
Finance costs paid		(964)	—
<b>Net cash flow generated from financing activities</b>		<b>140,702</b>	<b>146,336</b>
Net (decrease)/increase in cash and cash equivalents		(33,526)	37,496
Cash and cash equivalents at beginning of the year		38,432	936
<b>Cash and cash equivalents at end of the year</b>		<b>4,906</b>	<b>38,432</b>
<b>Non-cash items</b>			
Decrease in amounts held on security account		(1,230)	496
Decrease in amounts held on security account payable		1,163	(547)
Increase in interest held on security account payable		67	51
<b>Non-cash items arising from switching shares</b>			
Issue of share capital and share premium		—	73,666
Redemption of non-controlling interests		—	(73,666)
<b>Net cash generated by operating activities includes:</b>			
Investment income received		858	—
Deposit interest received		132	133

<sup>1</sup> Comparative information, including relevant notes, has been restated as a result of applying IFRS 10, including Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). Refer to note 2 and 3 for details.



# Notes to the financial statements

For the year ended 30 September 2015

## 1. General information

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

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

The Company makes infrastructure investments through acquiring (or acquiring interests in) debt instruments issued by infrastructure project companies (or by their existing lenders or holding vehicles) that are, or are expected to be, in receipt of public-sector backed cash flows. These acquisitions were made through the subsidiary before the merger of the Company and its subsidiary at 30 September 2015.

At the 30 September 2015 the Company merged with its subsidiary. The Company now holds all the assets of the original Company and the subsidiary to create a more transparent and cost effective vehicle to deploy capital.

## 2. Significant accounting policies

### 2.1 Basis of preparation

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

The 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 sterling and all values have been rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

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

### Changes to accounting standards and interpretations

The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 September 2014, except for the adoption of IFRS 10 and new standards and interpretations effective as of 1 October 2014.

IAS 24 Related Party Disclosures on key management personnel (effective for annual periods beginning on or after 1 July 2014) has had no impact on the financial statements of the Company.

The Company has applied, for the first time, IFRS 10 Consolidated Financial Statements.

IFRS 10 (including the investment entities amendments) has made a significant impact to the financial performance and position of the Company as its adoption requires the restatement of results previously presented.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

In addition, IFRS 10 includes an exception from consolidation for entities, which meet the definition of an investment entity, and requires such entities to recognise investments at fair value through profit or loss, other than investments in entities that provide investment-related services.

The Company met the definition of an investment entity (see note 2.2), and therefore all investments are recognised at fair value through profit or loss. This has changed the treatment of the Company's investment in the subsidiary, which was previously consolidated, was treated as an investment in subsidiary at fair value up to the date of merger on 30 September 2015 upon which the assets and liabilities were then merged with the Company. Under the transitional provisions of IFRS 10 this change in accounting policy is required to be accounted for retrospectively. Therefore, the relevant comparative figures have been restated.

Due to the underlying nature of the Company investing in an open ended vehicle, there are variances between the operating profit reported at Company level and consolidation due to the valuation of investments and varying ownership percentages. As a result of the restatement of the comparatives, there is an increase in the reserves of £27,000 as at 1 October 2013 attributable to this fact.

The impact of these changes on the statement of financial position as at 30 September 2014 and the statement of comprehensive income and statement of cash flows for the year ended 30 September 2014 are shown below:

Impact on statement of financial position

Decrease in cash and cash equivalents	(350)
Increase in receivable from subsidiary	44,558
Decrease in other receivables and prepayments	(521)
Decrease in financial assets designated at fair value through profit or loss	(43,690)
Decrease in other payables and accrued expenses	3

**Impact on net assets at 30 September 2014**

—

The most significant change relates to the recognition under IFRS 10 of the receivable from subsidiary that was previously eliminated on consolidation. In addition the financial assets at fair value through profit or loss are impacted by the remainder of net assets and liabilities no longer being consolidated.

Impact on statement of comprehensive income

Decrease in income	(6,228)
Decrease in expenses	1,968
Decrease in distributions to non-controlling interests	4,233

**Impact on retained earnings as at 30 September 2014**

**(27)**

The most significant changes relates to certain items of income and expenditure, recognised by the subsidiary, previously reflected in the consolidated statement of comprehensive income but now form part of the movement in fair value of subsidiary. Income that was historically received by the subsidiary is no longer reflected in the statement of comprehensive income other than to the extent income was formally distributed from subsidiary to parent during the period. The decrease in distributions to non-controlling interests relates to the removal of distributions paid to minority interests of the subsidiary that were previously reflected in the consolidated statement of comprehensive income.

Impact on statement of cash flows

Decrease in cash flow generated from operating activities	(55,553)
Increase in cash flow used in investing activities	3,424
Increase in cash generated from financing activities	76,235
Change in net increase in cash and cash equivalents	24,106
Decrease in cash at beginning of the year	(24,456)

**Decrease in cash at end of the period**

**(350)**

The decrease in cash flow from operating activities upon application of IFRS 10 results primarily from investment income cash inflows at the subsidiary level not being recorded in the Company cash flow statement. The increase in cash generated from financing activities results from the cash paid as dividends from subsidiary to parent that was previously eliminated on consolidation.

	Year ended 30 September 2014
Impact on earnings per share	
As previously reported	9.0577
As currently reported	9.0497

# Notes to the financial statements continued

For the year ended 30 September 2015

## 2. Significant accounting policies continued

### 2.1 Basis of preparation continued

#### New standards, amendments and interpretations

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Company's accounting periods beginning after 1 October 2015 or later periods, but the Company has decided not to early adopt them. The following are the most relevant to the Company:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018);
- IFRS 7 Financial Instruments: Disclosures – amendments regarding additional hedge accounting disclosures (applies when IFRS 9 is applied);
- IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018; and

Other than the above details it is not practical to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The Company does not expect that the adoption of new accounting standards issued but not yet effective to have a significant impact on its financial statements.

### 2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future. For more details in respect of the judgements and estimates applied in the valuation of investment please refer to note 19.

#### Assessment as investment entity

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

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

The Company reports to its investors via monthly investor information, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Company's annual reports.

The Board has also concluded that before the merger the Company met the additional characteristics of an investment entity, in that it indirectly held a portfolio of investments by investing in an investment entity that itself holds a portfolio of investments; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

The Board has concluded that the Company, before the merger, met the definition of an investment entity.

#### Fair value of subsidiary

Before the merger, the Company had a wholly-owned subsidiary, which was a vehicle to hold the Company's investments. These investments are valued by a third party Valuation Agent using the discounted cash flow methodology, which is deemed an appropriate method in measuring their fair value.

Following the introduction of IFRS 10, which became applicable for accounting periods beginning on or after 1 January 2013, the Company is no longer allowed to prepare consolidated financial statements and had to fair value its subsidiary. This has resulted in a significant change in the accounting policy for the subsidiary and the opening comparative figures were restated. The most significant impact of these changes was the restatement of the investment in subsidiary on the statement of financial position at fair value. The income statement was also restated to show the movement in fair value of the subsidiary.

During the year, the subsidiary continued to be held at fair value through profit or loss with only income distributions recorded as income together with any unrealised movement in the fair value of the subsidiary. The merger took effect on the 30 September 2015 at which point the Company has taken over the assets and liabilities of the subsidiary at their fair values and eliminated against the Company's cost of investment, resulting in no gains or losses upon the merger. The holding of the portfolio of loan notes held by the subsidiary prior to merger is now shown as financial assets through profit or loss on the statement of financial position.

#### Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis. In addition to a going concern assessment the Directors have undertaken a longer term assessment of the Company, the results of which can be seen on page 35 in the viability statement.

### 2.3 Summary of significant accounting policies

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

#### (a) Financial instruments

##### (i) Classification

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

##### Financial assets and liabilities at fair value through profit or loss

This category consists of financial instruments designated at fair value through profit or loss upon initial recognition. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Company, as set out in the prospectus dated 30 March 2015. The financial information about the financial assets of the Company is provided by the Investment Adviser to the Directors with the valuation model being supplied by the Valuation Agent.

In accordance with IAS 32 (Financial Instruments: Presentation) the Company's C share class fund when in existence, is designated as a financial liability on the Company's 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. No C shares have been issued in the year and as at 30 September there were no C shares in issue.

##### (ii) Recognition

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

# Notes to the financial statements continued

For the year ended 30 September 2015

## 2. Significant accounting policies continued

### 2.3 Summary of significant accounting policies continued

#### (a) Financial instruments continued

##### (iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

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

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

##### (iv) Initial measurement

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

##### (v) Subsequent measurement

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

#### (b) Determination of fair value

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 19.

#### (c) Functional and presentation currency

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

#### (d) 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. Dividends due to the Company's shareholders are recognised when they become payable.

#### (e) Cash and cash equivalents

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



**(f) Borrowings**

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

**(g) Receivables and payables**

Receivables and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts according to the original terms of the receivable/payable.

**(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 statement of comprehensive income.

**(i) Dividend income**

Dividend income is recognised when the right to receive payment has been established.

**(j) Arrangement fees**

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

**(k) Finance expense**

Interest expense in the statement of comprehensive income comprises of loan arrangement and commitment fees which are expensed in the year they occur and interest accrued on the facility incurred in connection with the borrowing of funds.

**(l) Fees and commissions**

Fees and commissions in the statement of comprehensive income and the statement of financial position are recognised on an accruals basis.

**(m) Share capital**

The Directors of the Company continually assess the classification of the ordinary shares and C shares. If the ordinary shares cease to have all the features or meet all the conditions set out to be classified as equity, they will be reclassified as financial liabilities and measured at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the C shares subsequently have all the features and meet the conditions as equity, they will be reclassified as equity instruments and measured at the carrying amount of the liabilities at the date of reclassification.

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

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

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

# Notes to the financial statements continued

For the year ended 30 September 2015

## 3. Merger of subsidiary

Investment in subsidiary is accounted for at fair value in accordance with the principles of IFRS 10. In prior years the results of the subsidiary were consolidated within the Company's financial statements but with the application of IFRS 10 the comparative figures have been restated to take account of this change. The Company has accounted for its investment in subsidiary at fair value up to the date of merger on the 30 September 2015.

In preparation for the merger the subsidiary distributed to the Company all capital and income held at the subsidiary level. The result of this distribution meant that the Company was able to assume the assets and liabilities of the subsidiary at their fair values which were eliminated against the Company's cost of investment resulting in no gains or losses upon merger.

The results of the subsidiary up to the date of merger are disclosed below:

	30 September 2015 £'000	Restated 30 September 2014 £'000
Net asset value at the beginning of the year	389,036	293,081
Fair value gains and losses through profit or loss	20,005	9,740
Additions	231,615	116,843
Capital repayments	(27,790)	(37,998)
Decrease/(increase) in liabilities	44,859	(67,852)
Fair value of assets acquired through merger	(657,725)	—
Net asset value at the end of the year	—	389,036

Below are details of the subsidiary which was held by the Company at the comparative year end and until merger at 30 September 2015:

Name of company	Country	Interest
GCP Infrastructure Asset Holdings Limited	Jersey	100%

## 4. Segment information

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

### Operating income

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

	30 September 2015 £'000	Restated 30 September 2014 £'000
Channel Islands	128	138
United Kingdom	56,176	37,286
<b>Total</b>	<b>56,304</b>	<b>37,424</b>

The Company's main income is derived from dividends paid by the former subsidiary, which was a company domiciled in the Channel Islands.

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

	30 September 2015 £'000	Restated 30 September 2014 £'000
Cash and cash equivalents	128	138
Net movement in fair value of subsidiary through profit or loss	54,818	37,286
Other non-investment income	1,358	—
<b>Total</b>	<b>56,304</b>	<b>37,424</b>

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

	30 September 2015 £'000	Restated 30 September 2014 £'000
Dividend income	58,971	16,421
Net movement in financial assets at fair value through profit or loss	(5,011)	20,865
Investment income	858	—
<b>Total</b>	<b>54,818</b>	<b>37,286</b>

## 5. Auditor's remuneration

	30 September 2015 £'000	Restated 30 September 2014 £'000
Audit fees	55	40
Non-audit fees	37	58
<b>Total</b>	<b>92</b>	<b>98</b>

## 6. Operating expenses

	30 September 2015 £'000	Restated 30 September 2014 £'000
Corporate administration	708	391
Legal and professional	410	949
Valuation	346	165
Directors' remuneration	298	201
Advisory	100	97
Other	320	721
<b>Total</b>	<b>2,182</b>	<b>2,524</b>

# Notes to the financial statements continued

For the year ended 30 September 2015

## 7. Finance expenses

	30 September 2015 £'000	Restated 30 September 2014 £'000
Finance costs for the period	707	—
Total	707	—

## 8. Directors' remuneration

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

	30 September 2015 £'000	Restated 30 September 2014 £'000
Ian Reeves CBE	64	57
David Pirouet	60	49
Trevor Hunt	42	55
Clive Spears	64	39
Paul de Gruchy	55	37
	285	237
Directors' expenses	13	4
<b>Total</b>	<b>298</b>	<b>241</b>

Full details of the Directors' remuneration policy can be found in the Directors' remuneration report on pages 49 to 51.

## 9. Taxation

Profits arising in the Company for the year ended 30 September 2015 are subject to tax at the standard rate of 0% (30 September 2014: 0%) in accordance with the Income Tax (Jersey) Law 1961 as amended.

## 10. Dividends

Total dividends paid at Company level for the year ended 30 September 2015 totalled 7.6 pence per share (30 September 2014: 7.6 pence per share) as follows:

Payment date	Dividend	Pence	30 September 2015 £'000	30 September 2014 £'000
<b>Current year dividends</b>				
30 September 2015	2015 interim dividend	1.9	—	—
30 June 2015	2015 interim dividend	1.9	10,940	—
31 March 2015	2015 interim dividend	1.9	9,774	—
31 December 2014	2014 interim dividend	1.9	9,763	—
		7.6		
<b>Prior year dividends</b>				
30 September 2014	2014 interim dividend	1.9	8,558	—
30 June 2014	2014 interim dividend	1.9	—	6,756
31 March 2014	2014 interim dividend	1.9	—	6,746
31 December 2013	2013 interim dividend	1.9	—	5,359
		7.6		
30 September 2013	2013 interim dividend	3.8	—	10,692
Dividends in statement of changes in equity			39,035	29,553
Dividends settled in shares <sup>1</sup>			(2,837)	(2,173)
<b>Dividends in cash flow statement</b>			<b>36,198</b>	<b>27,379</b>

<sup>1</sup> The dividends settled in shares where shareholders have elected to take the scrip dividend alternative.

The Directors have announced a fourth interim dividend of 1.9 pence per ordinary share amounting to £10,953,150 which was paid on 25 November 2015 to ordinary shareholders on the register on 23 October 2015.

## 11. Earnings per share

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

	Profit £'000	Weighted average number of ordinary shares	Pence per share
<b>Year ended 30 September 2015</b>			
Basic and diluted earnings per ordinary share	48,675	523,206,327	9.3032
<b>Year ended 30 September 2014</b>			
Basic and diluted earnings per ordinary share	30,824	340,605,066	9.0497



# Notes to the financial statements continued

For the year ended 30 September 2015

## 12. Other receivables and prepayments

	30 September 2015 £'000	Restated 30 September 2014 £'000
Interest receivable	1	5
Other debtors	3	—
Prepayments	45	50
<b>Total</b>	<b>49</b>	<b>55</b>

## 13. Other payables and accrued expenses

	30 September 2015 £'000	Restated 30 September 2014 £'000
Investment advisory fees	1,381	940
Accruals	637	338
<b>Total</b>	<b>2,018</b>	<b>1,278</b>

## 14. Amounts held on security account

	30 September 2015 £'000	Restated 30 September 2014 £'000
Amounts held on security account payable	1,163	—
Interest payable on security account	67	—
<b>Total</b>	<b>1,230</b>	<b>—</b>

Until 11 June 2015, amounts held on security account related to a cash deposit of £1,230,482 belonging to GPFI. The cash was held in a segregated Company account as collateral to protect the Company against under performance of the loans made to GPFI (the "GPFI Loans"). On 11 June 2015 GPFI Loans were refinanced by a loan to Cardale PFI Investments Limited (the "Cardale Loan"). Under the terms of the Cardale Loan, the amounts held on the security account can be distributed to GPFI but not released to the shareholders of GPFI until the Cardale Loan is fully repaid. It is expected that the amounts held on security account will be released to GPFI in early 2016.

## 15. Cash and cash equivalents

	30 September 2015 £'000	Restated 30 September 2014 £'000
Cash and cash equivalents	4,906	38,432
<b>Total</b>	<b>4,906</b>	<b>38,432</b>

Cash is held at a number of financial institutions to spread credit risk and cash awaiting investment is held on behalf of the Company in interest-bearing bank accounts (at banks carrying a minimum rating of A-1, P-1 or F-1 from Standard & Poor's, Moody's or Fitch respectively), or in one or more similarly-rated money market or short-dated gilt funds. Cash held by institution at year end is shown in the table below:

	30 September 2015 £'000	Restated 30 September 2014 £'000
RBS Cash Management Account	1,598	1,204
Lloyds Money Market Call Account	3,308	21,621
HSBC	—	15,607
<b>Total</b>	<b>4,906</b>	<b>38,432</b>

## 16. Borrowings

	30 September 2015 £'000	Restated 30 September 2014 £'000
RBSI loan facility	41,600	—
Unamortised arrangement fees	(477)	—
<b>Total</b>	<b>41,123</b>	<b>—</b>

On 23 March 2015 the Company entered into a three-year £50 million revolving credit facility with RBSI; (the "Facility") Interest on amounts drawn under the Facility is charged at LIBOR plus 2.25% per annum. A commitment fee is payable on undrawn amounts. An arrangement fee of £675,000 was levied upon signing. The Facility was fully drawn on 24 March 2015. The total costs incurred to establish the facility (including the arrangement fee) of £754,000 has been offset against the amount drawn down. The loan was subsequently repaid on 24 June 2015, then £5 million was drawn down on 27 July 2015 and a further £36.6 million was drawn down on 28 August 2015.

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD as at 30 September 2015, figures are as follows:

Leverage exposure	Maximum limit	Actual exposure
Gross Method	1.20	1.06
Commitment Method	1.20	1.07

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

	Gross	Commitment
Investments at fair value through profit or loss	657,730	657,730
Cash and cash equivalents	—	4,906
<b>Total exposure under AIFMD</b>	<b>657,730</b>	<b>662,636</b>
Total shareholders' funds	619,544	619,544
<b>Leverage</b>	<b>1.06</b>	<b>1.07</b>

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

# Notes to the financial statements continued

For the year ended 30 September 2015

## 17. Authorised and issued share capital

	30 September 2015		30 September 2014	
	Number of shares	£'000	Number of shares	£'000
Share capital				
<b>Ordinary shares issued and fully paid</b>				
At 1 October	450,420,663	4,504	281,384,013	2,814
Issued in the year	126,060,923	1,261	169,036,650	1,690
At 30 September	576,481,586	5,765	450,420,663	4,504

	30 September 2015	30 September 2014
	£'000	£'000
Share premium		
<b>Ordinary shares issued and fully paid</b>		
At 1 October	461,402	287,239
Issued in the year	141,577	174,163
Share issue costs	(3,737)	—
<b>At 30 September 2015</b>	<b>599,242</b>	<b>461,402</b>

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

The Company is authorised to issue 800 million ordinary shares, 150 million C shares and 150 million deferred shares, each having a par value of 1 pence per share.

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

The ordinary shares and C shares carry the right to dividends out of the profits available for distribution attributable to each share class, if any, as determined by the Directors. Each holder of an ordinary share or C share is entitled to attend meetings of shareholders and, on a poll, to one vote for each share held. No C shares have been issued in the year and as at 30 September there were no C shares in issue. The deferred shares do not carry the right to dividends out of the profits available for distribution or assets attributable to the Company and are in existence for C share conversion purposes only. As at 30 September 2015 there are no deferred shares in issue (30 September 2014: nil).

On 25 November 2014, the Company issued 787,758 new ordinary shares following the offer of scrip dividend alternative for the interim dividend for the period 1 July 2014 to 30 September 2014.

On 25 November 2014, the Company issued 62,639,821 new ordinary shares following the fundraising of £70 million by way of a placing programme.

On 24 February 2015, the Company issued 602,044 new ordinary shares following the offer of scrip dividend alternative for the interim dividend for the period 1 October 2014 to 31 December 2014.

On 26 May 2015, the Company issued 305,536 new ordinary shares following the offer of scrip dividend alternative for the interim dividend for the period 1 January 2015 to 31 March 2015.

On 12 June 2015, the Company issued 61,002,179 new ordinary shares following the fundraising of £70 million by way of a placing programme.

On 26 August 2015, the Company issued 723,585 new ordinary shares following the offer of scrip dividend alternative for the interim dividend for the period 1 April 2014 to 30 June 2014.

As at 30 September 2015, the Company's issued share capital comprised 576,481,586 ordinary shares, none of which were held in treasury.

## 18. Other reserve

	30 September 2015 £'000	Restated 30 September 2014 £'000
Share premium		
At 1 October	101	66
Transfer to capital redemption reserve	—	35
<b>Total</b>	<b>101</b>	<b>101</b>

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

## 19. Financial instruments

### 19.1 Capital management

The Company is wholly funded from equity balances, comprising issued ordinary share capital as detailed in note 17 and retained earnings, as well as a credit facility amounting to £50 million.

The Company may seek to raise additional capital from time to time to the extent that the Directors and the Investment Adviser believe the Company will be able to make suitable investments. The Company raises capital on a highly conservative basis only when it has a clear view of a robust pipeline of highly advanced investment opportunities. Further details on the Company's objectives, policies and processes for managing the Company's capital are set out in the strategic report on pages 10 to 15.

The Company may borrow up to 20% of its net asset value as at such time any such borrowings are drawn down.

### 19.2 Financial risk management objectives

The Company has an investment policy and strategy as summarised in its prospectus dated 30 March 2015 that sets out its overall investment strategy and its general risk management philosophy and has established processes to monitor and control these in a timely and accurate manner. These guidelines are the subject of regular operational reviews undertaken by the Investment Adviser to ensure that the Company's policies are adhered to as it is the Investment Adviser's duty to identify and assist in the control of risk. The Investment Adviser reports regularly to the Directors who have ultimate responsibility for the overall risk management approach.

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

As explained in note 2.2, the subsidiary was a holding vehicle used solely to hold the Company's investments and therefore the Directors believe there is no market risk, interest rate risk, credit risk and liquidity risk associated with the investment in the subsidiary. The Directors have therefore chosen to include details of the indirect risks associated with the assets held by the subsidiary and subsequently merged with the Company, rather than the direct investment in the subsidiary.

### 19.3 Market risk

The Directors have also included the risks which up to the date of merger, were indirect but are now considered as direct risks.

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

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

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

# Notes to the financial statements continued

For the year ended 30 September 2015

## 19. Financial instruments continued

### 19.3 Market risk continued

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

- sterling interest rates
- movements of comparable credit markets: and
- observable yield on other comparable instruments

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

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

The Valuation Agent exercises its judgement in assessing the expected future cash flows from each investment. Given that the investments of the Company are generally fixed income debt instruments (in some cases with elements of inflation protection) or other investments with a similar economic effect, the focus of the Valuation Agent is on assessing the likelihood of any interruptions to the debt service payments, in light of the operational performance of the underlying asset.

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

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

#### 30 September 2015

Change in discount rate	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Value of financial assets at fair value (£'000)	<b>635,706</b>	<b>646,554</b>	<b>657,730</b>	<b>669,248</b>	<b>681,122</b>
Change in value of financial assets at fair value (£'000)	<b>(22,023)</b>	<b>(11,176)</b>	<b>—</b>	<b>11,518</b>	<b>23,392</b>

As at 30 September 2015, the discount rates used in the valuation of financial assets ranged from 6.5% to 10.5%

#### 30 September 2014

Change in discount rate	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Value of financial assets at fair value (£'000)	366,570	381,472	389,036	396,828	404,863
Change in value of financial assets at fair value (£'000)	(14,902)	(7,564)	—	7,792	15,827

Comparative information has been restated as a result of applying IFRS 10 and therefore the values stated above represent the effect on net assets of the subsidiary as a result of a discount rate movement on the assets held.

### 19.4 Interest rate risk

The Directors have also included the risks which up to the date of merger, were indirect but are now considered as direct risks.

Interest rate risk has the following effect:

#### Fair value of financial assets and liabilities

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

#### Future cash flows

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

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

Where the debt instrument is subordinated, the Company is indirectly exposed to the gearing of the infrastructure project companies. The Investment Adviser ensures as part of its due diligence that the project company senior debt has been hedged against movements in interest rates where appropriate, through the use of interest rate swaps.

### Borrowings

During the period the Company made use of a revolving credit facility with RBSI, which was used to finance investments made by the Company. Details of the RBSI facility are given in note 16.

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

The Directors do not consider the change in interest rates on borrowings to be material and therefore no sensitivity analysis has been provided in this respect.

### 19.5 Credit risk

The Directors have also included the risks which up to the date of merger, were indirect but are now considered as direct risks.

Credit risk refers to the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty is not an exchange clearing house. The assets classified at fair value through profit or loss do not have a published credit rating, however the Investment Adviser monitors the financial position and performance of the project companies on a regular basis to ensure that credit risk is appropriately managed.

The Company is exposed to differing levels of credit risk on all its assets. Per the statement of financial position, the Company's total exposure to credit risk is £663.9 million (2014: £472.1 million).

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

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

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

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

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

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

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

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

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



# Notes to the financial statements continued

For the year ended 30 September 2015

## 19. Financial instruments continued

### 19.6 Liquidity risk

The Directors have also included the risks which up to the date of merger, were indirect but are now considered as direct risks.

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities or redeem its shares earlier than expected.

The following table analyses all of the Company's assets and liabilities into relevant maturity groupings based on the remaining period from 30 September 2015 to the contractual maturity date. The cash flows are on an undiscounted basis and due to the merger the financial assets at fair value through profit or loss are shown based on their maturity dates but the comparatives due to restatement present only the investment in subsidiary. The Directors have elected to present both assets and liabilities in the liquidity disclosure below to illustrate the net liquidity exposure of the Company.

Ordinary shares 30 September 2015	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	No stated maturity £'000	Total £'000
<b>Financial assets</b>						
Cash and cash equivalents	4,906	—	—	—	—	4,906
Other receivables and prepayments	—	—	49	—	—	49
Amount held on security account	—	—	—	1,230	—	1,230
Financial assets at fair value through profit or loss	5,164	33,319	46,863	1,242,288	—	1,327,634
<b>Total financial assets</b>	<b>10,070</b>	<b>33,319</b>	<b>46,912</b>	<b>1,243,518</b>	<b>—</b>	<b>1,333,819</b>
<b>Financial liabilities</b>						
Other payables and accrued expenses	—	2,018	—	—	—	2,018
Borrowings	—	41,123	—	—	—	41,123
Amounts held on security account	—	—	—	1,230	—	1,230
<b>Total financial liabilities</b>	<b>—</b>	<b>43,141</b>	<b>—</b>	<b>1,230</b>	<b>—</b>	<b>44,371</b>
30 September 2014	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	No stated maturity £'000	Total £'000
<b>Financial assets</b>						
Cash and cash equivalents	38,432	—	—	—	—	38,432
Other receivables and prepayments	—	—	55	—	—	55
Intercompany receivable from subsidiary	—	—	—	—	44,558	44,558
Financial assets at fair value through profit or loss	—	—	—	—	389,036	389,036
<b>Total financial assets</b>	<b>38,432</b>	<b>—</b>	<b>55</b>	<b>—</b>	<b>433,594</b>	<b>472,081</b>
<b>Financial liabilities</b>						
Other payables and accrued expenses	—	1,278	—	—	—	1,278
<b>Total financial liabilities</b>	<b>—</b>	<b>1,278</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,278</b>

### 19.7 Fair values of financial assets and liabilities

The Company's existing financial assets are designated as financial assets at fair value through profit or loss. As at 30 September 2015 the Company held no financial liabilities at fair value through profit or loss. The Company's investment in the subsidiary up until the merger at 30 September 2015 was designated as a financial asset at fair value through profit or loss. As explained in note 2.2, the subsidiary was a holding vehicle used solely to hold the Company's investments and therefore the Directors believed that it was appropriate to value this entity on its portfolio of assets held.

#### Basis of determining fair value

The Valuation Agent carries out monthly fair valuations of the financial assets of the subsidiary prior to merger and loan notes post merger. These valuations are reviewed by the Investment Adviser and the subsequent NAV is reviewed and approved by the Directors on a monthly basis.

#### Fair value measurements

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

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

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

The table below summarises all securities held by the Company based on the fair valuation technique adopted:

		30 September 2015 £'000	30 September 2014 £'000
<b>Financial assets at fair value through profit or loss</b>			
Loan notes – PFI and Renewables excluding Biomass	Level 2	<b>492,299</b>	—
Loan notes – Biomass	Level 3	<b>165,431</b>	—
Investment in subsidiary	Level 3	—	389,037

The Directors have classified the financial instruments as level 2 or level 3 depending on whether or not there is a consistent data set of comparable and observable market transactions. Due to the limited number of comparable and observable market transaction in the biomass sector, the Directors have classified the Company's investments in biomass projects as level 3. The significant input for the level 3 investment at the year end is the discount rate for Biomass investments which is considered to be primarily modelled rather than market observed.

# Notes to the financial statements continued

For the year ended 30 September 2015

## 19. Financial instruments continued

### 19.7 Fair values of financial assets and liabilities

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

	2015 £'000	2014 £'000
<b>Opening balance</b>	<b>389,036</b>	293,081
Total gains and losses in profit or loss	<b>(5,011)</b>	20,864
Purchases	<b>224,453</b>	75,091
Repayments	<b>(20,819)</b>	—
Decrease in intercompany loan	<b>70,066</b>	—
Merger of subsidiary	<b>(657,725)</b>	—
Introduction of loan notes through merger	<b>165,431</b>	—
<b>Closing balance</b>	<b>165,431</b>	389,036
Total gains and losses for the year included in profit or loss	<b>—</b>	20,864

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

Change in discount rate	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Valuation of financial assets at fair value (£'000)	<b>160,999</b>	<b>163,188</b>	<b>165,431</b>	<b>167,730</b>	<b>170,086</b>
Change in valuation of financial assets at fair value (£'000)	<b>(4,433)</b>	<b>(2,243)</b>	<b>—</b>	<b>2,299</b>	<b>4,655</b>

As noted in note 19.3 in determining the discount rate for calculating the fair value of financial assets at fair value through profit or loss, reference is made to sterling interest rates, movements of comparable credit markets and observable yield on comparable instruments. Hence, movements in these factors could give rise to changes in the discount rate.

The Board of Directors consider the inputs used in the valuation of investments and the appropriateness of their classification in the fair value hierarchy. In particular the Directors are satisfied the significant inputs into the discount rate, other than in respect of Biomass investments as noted above, are market observable. Should the valuation approach change causing an investment to meet the characteristics of a different level of the fair value hierarchy, it will be reclassified accordingly. During the year there were no transfers of investments between levels therefore no further disclosure is considered necessary by the Board of Directors.

The range of discount rates used reflects the Investment Adviser's view of a reasonable expectation of valuation movements across the portfolio in a twelve month period.

## 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.

### Directors

The non-executive Directors of the Company and the former subsidiary are considered to be the key management personnel of the Company. Directors' remuneration for the year (including reimbursement of Company related expenses) totalled £298k (30 September 2014: £241k). As at 30 September 2015 liabilities in respect of these services amounted to £47k (2014: £61k)

### Investment Adviser

The Company is party to an Investment Adviser Agreement with the Investment Adviser, amended and restated in November 2015, pursuant to which the Company has appointed the Investment Adviser to provide advisory services relating to the assets on a day to day basis in accordance with its investment objectives and policies, subject to the overall supervision and direction of the Board of Directors. As a result of the responsibilities delegated under this Agreement the Company considers it to be a related party by virtue of being "key management personnel".

For its services to the Company, the Investment Adviser receives an annual fee at the rate of 0.90% of the net asset value of the Company (or such lesser amount as may be demanded by the Investment Adviser at its own absolute discretion) multiplied by the sum of:

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

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

During the period, the Company expensed £4.74 million (30 September 2014: £2.309 million) in respect of investment advisory fees. As at 30 September 2015 liabilities in respect of these services amounted to £1,381k (2014: £940k)

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

The voting partners of the Investment Adviser hold directly or indirectly, and together with their family members, 1,352,922 ordinary shares in the Company.

The non-voting partners of the Investment Adviser hold directly or indirectly, and together with their family members, 3,457,034 ordinary shares in the Company.

### Subsidiary

The subsidiary was considered to be a related party by virtue of being part of the same group. Investment into the subsidiary during the year amounted to £295k (2014: £75k) and repayments amounting to £21k (2014: £nil). In 2014 the Company assumed all costs incurred by the subsidiary. Upon merger the net assets of the subsidiary amounting to £658k were transferred to the Company refer note 3.

# Notes to the financial statements continued

For the year ended 30 September 2015

## 21. Reconciliation of net asset value

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

## 22. Contingent liabilities

At 30 September 2015 there were no contingent liabilities (30 September 2014: nil).

## 23. Subsequent events after the report date

On 3 November 2015, the Company announced the completion of a transaction subscribing for a loan note with an expected term of c.35 years and a value of up to £25.5 million when fully drawn. The Company has advanced c.£14.4 million post year end and the remainder will be advanced over the next twelve months. The loan note was issued by GCP Social Housing 1 Limited and the proceeds used to provide a loan facility secured on a senior basis to finance the acquisition of a number of social housing units for occupation by adults with learning or physical difficulties.

On 30 November 2015, the Company announced its proposed placing of ordinary shares targeting gross proceeds of £20 million. The placing was successfully closed on 4 December 2015, allowing the Company to repay part of the existing revolving credit facility and take advantage of a number of investment opportunities. The issue price was 118 pence per new ordinary share. The Company has 88,997,821 ordinary shares remaining under its Placing Programme.

As at 30 November 2015 in light of prevailing market conditions the Valuation Agent reduced the discount rate used to value certain of the Company's PFI and wind investments resulting in an increase in the net asset value per ordinary share of 0.65 pence. The Valuation Agent also increased the discount rate used to value one of the Company's biomass investments due to the underlying project suffering delays in both grid connection and operational ramp up, resulting in a decrease in the net asset value per ordinary share of 0.38 pence. The overall impact of these valuation adjustments was a reduction in the weighted average discount rate from 8.31% to 8.28% and an increase in the net asset value per ordinary share of 0.27 pence.

Since the reporting date, in addition to the transactions noted above, the Company has advanced £11.1 million under existing loan arrangements.

## 24. Ultimate controlling party

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

# Corporate information

## The Company

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

## Custodian/Depository

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

## Directors

Ian Reeves CBE (Chairman)  
Clive Spears (Deputy Chairman)  
David Pirouet  
Paul de Gruchy  
Michael Gray – appointed 01/10/15  
Julia Chapman – appointed 01/10/15

## Administrator, Secretary and registered office of the Company

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

## Investment Adviser

Gravis Capital Partners LLP<sup>1</sup>  
53/54 Grosvenor Street  
London W1K 3HU

## Registrar

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

## Financial adviser and joint broker

Stifel Securities Limited  
(formerly Oriel Securities Limited)<sup>1</sup>  
150 Cheapside  
London EC2V 6ET

## Joint brokers

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London EC2R 7AS

## Advisers on Jersey law

Carey Olsen  
47 Esplanade  
St Helier  
Jersey JE1 0BD

## Independent Auditor

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

## Advisers on English law

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

## Operational bankers

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

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

## Valuation Agent

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

<sup>1</sup> Authorised and regulated by the Financial Conduct Authority.



# Glossary of key terms

AIC	Association of Investment Companies	The Law	The Companies (Jersey) Law 1991
AIC Code	Code of Corporate Governance	LECs	Levy Exemption Certificates
AIC Guide	Corporate Governance Guide for Investment Companies	LIFT	Local Improvement Finance Trust
AIF	Alternative Investment Fund	MIFA	Mourant International Finance Administration
AIFM	Alternative Investment Fund Manager	NIC	National Infrastructure Commission
AIFMD	Alternative Investment Fund Managers Directive	NIP	National Infrastructure Plan
ASG	A Shade Green Limited	NIROCs	Northern Ireland Renewable Obligation Certificates
BEPS	Base Erosion Profit Shifting	O&M	Operations and maintenance
Borrower	The entity which issues loan notes to GCP Infrastructure Asset Holdings Limited, usually a special purpose vehicle	OEIC	GCP Infrastructure OEIC Limited
CfDs	Contracts for Difference	Ordinary shares	The ordinary share capital of GCP Infrastructure Investments Limited
CIF Law	Collective Investment Funds (Jersey) Law 1988	PEPs	Person Equity Plans
The Company	GCP Infrastructure Investments Limited	PFI	Private Finance Initiative
C shares	A share class issued by the Company from time to time. Conversion shares are used to raise new funds without penalising existing shareholders. The funds raised are ring fenced from the rest of the Company until they are substantially invested	PF2	Private Finance 2
Depository	CapitaTrust Company (Jersey) Limited	PIP	Pensions Infrastructure Platform
Disclosure Rules	Listing Rules and the Disclosure and Transparency Rules	PwC	Pricewaterhouse Coopers CI LLP
EEA	European Economic Area	Project Finance	Project Finance Investments Limited
EMR	Electricity Market Reform	PSPB	Priority Schools Building Programme
EY	Ernst & Young LLP	PV	Photovoltaics
FCA	Financial Conduct Authority	RBSI	Royal Bank of Scotland International Limited
FiT	Feed-in Tariff	RHI	Renewable Heat Incentive
FRC	Financial Reporting Council	ROCs	Renewable Obligation Certificates
GEM 1 Loan	T-26 GEM Infrastructure	ROFR	Right Of First Refusal
GPFI	GPFI Holdings Limited	SIPPs	Self-Invested Personal Pension
IASB	International Accounting Standards Board	SPV	Special Purpose Vehicles
ISAs	Individual Savings Account	Tap issue	Issue of new equity capital
KPMG	KPMG Channel Islands Limited	The Scheme	The reorganisation of the Company such the subsidiary was to become wholly-owned
		The subsidiary	GCP Infrastructure Asset Holdings Limited (formerly GCP Infrastructure Fund Limited)
		UK Code	UK Corporate Governance Code
		UKLA	United Kingdom Listing Authority



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