

GCP
INFRA

GCP INFRASTRUCTURE INVESTMENTS LIMITED
Annual report and financial statements 2021

Gravis 

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ABOUT THE COMPANY

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

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

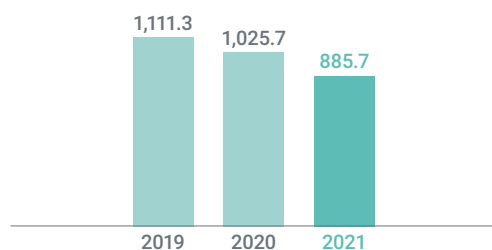
The Company is a FTSE 250, closed-ended investment company incorporated in Jersey. It was admitted to the Official List and to trading on the London Stock Exchange's Main Market in July 2010. Since then it has grown to a market capitalisation of £885.7 million at 30 September 2021.



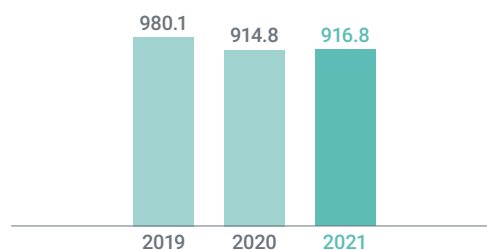
www.gcpinfra.com

AT A GLANCE – 30 SEPTEMBER 2021

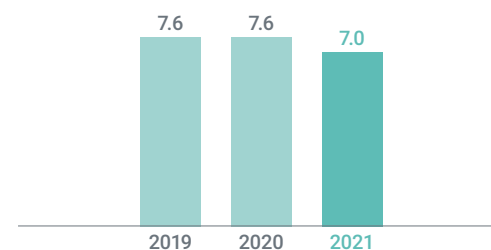
MARKET CAPITALISATION £m



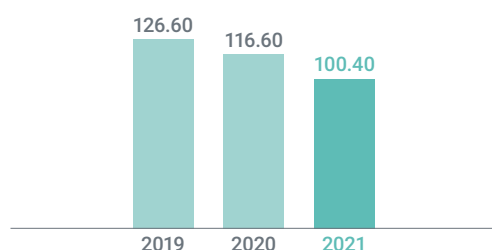
NET ASSETS £m



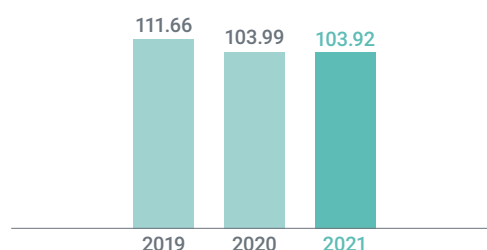
DIVIDENDS FOR THE YEAR p



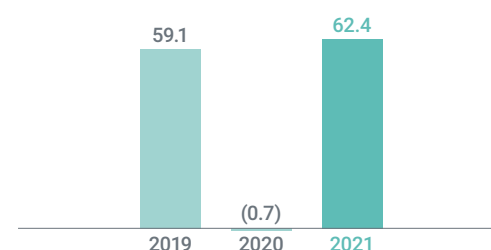
SHARE PRICE p



NAV PER SHARE p



PROFIT/(LOSS) FOR THE YEAR £m



HIGHLIGHTS FOR THE YEAR

- Dividends of 7.0 pence per share for the year to 30 September 2021 (30 September 2020: 7.6 pence per share). For the forthcoming financial year, the Company has set a dividend target¹ of 7.0 pence per share
- Total shareholder return² for the year of -7.9% (30 September 2020: -2.0%) and total shareholder return² of 102.3% since IPO in 2010. Total NAV return for the year of 7.2% (30 September 2020: -0.1%)
- Profit for the year of £62.4 million (30 September 2020: loss of £0.7 million) primarily due to revaluations in respect of high near-term electricity futures prices. For information on financial performance for the year, refer to the financial review on pages 36 to 39
- The Company entered into arrangements to partially hedge its financial exposure to electricity prices during the year. Further information is given in the financial review on pages 36 to 39
- New revolving credit arrangements for an aggregate amount of £165 million, replacing the Company's previous revolving credit facility
- Loans advanced totalling £94.8 million, secured against UK renewable energy, social housing and PPP/PFI projects. The Company also received loan repayments of £51.4 million
- NAV per ordinary share at 30 September 2021 of 103.92 pence (30 September 2020: 103.99 pence)
- Third party independent valuation of the Company's partially inflation-protected investment portfolio at 30 September 2021 of £1.1 billion (30 September 2020: £1.0 billion)
- Post year end, the Company made further advances of £2.2 million and received repayments of £4.7 million
- The Company entered into a conditional agreement to dispose of its investment in an offshore wind farm post year end. The expected disposal proceeds, representing a c.12% premium to fair value, demonstrates the Company's conservative approach to renewables valuation, further information on valuation methodology can be found on page 34

1. The dividend target set out above is a target only and not a profit forecast or estimate and there can be no assurance that it will be met.

2. Alternative performance measure ("APM"); for definition and calculation methodology, refer to the APMs section on pages 124 and 125.

INVESTMENT OBJECTIVES AND KPIs

The Company's purpose is to primarily invest in UK infrastructure debt and/or similar assets to meet the following key objectives:

 <h3>DIVIDEND INCOME</h3> <p>To provide shareholders with regular, sustained, long-term dividends.</p>	 <h3>DIVERSIFICATION</h3> <p>To invest in a diversified portfolio of debt and/or similar assets secured against UK infrastructure projects.</p>	 <h3>CAPITAL PRESERVATION</h3> <p>To preserve the capital value of its investments over the long term.</p>
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KEY PERFORMANCE INDICATORS

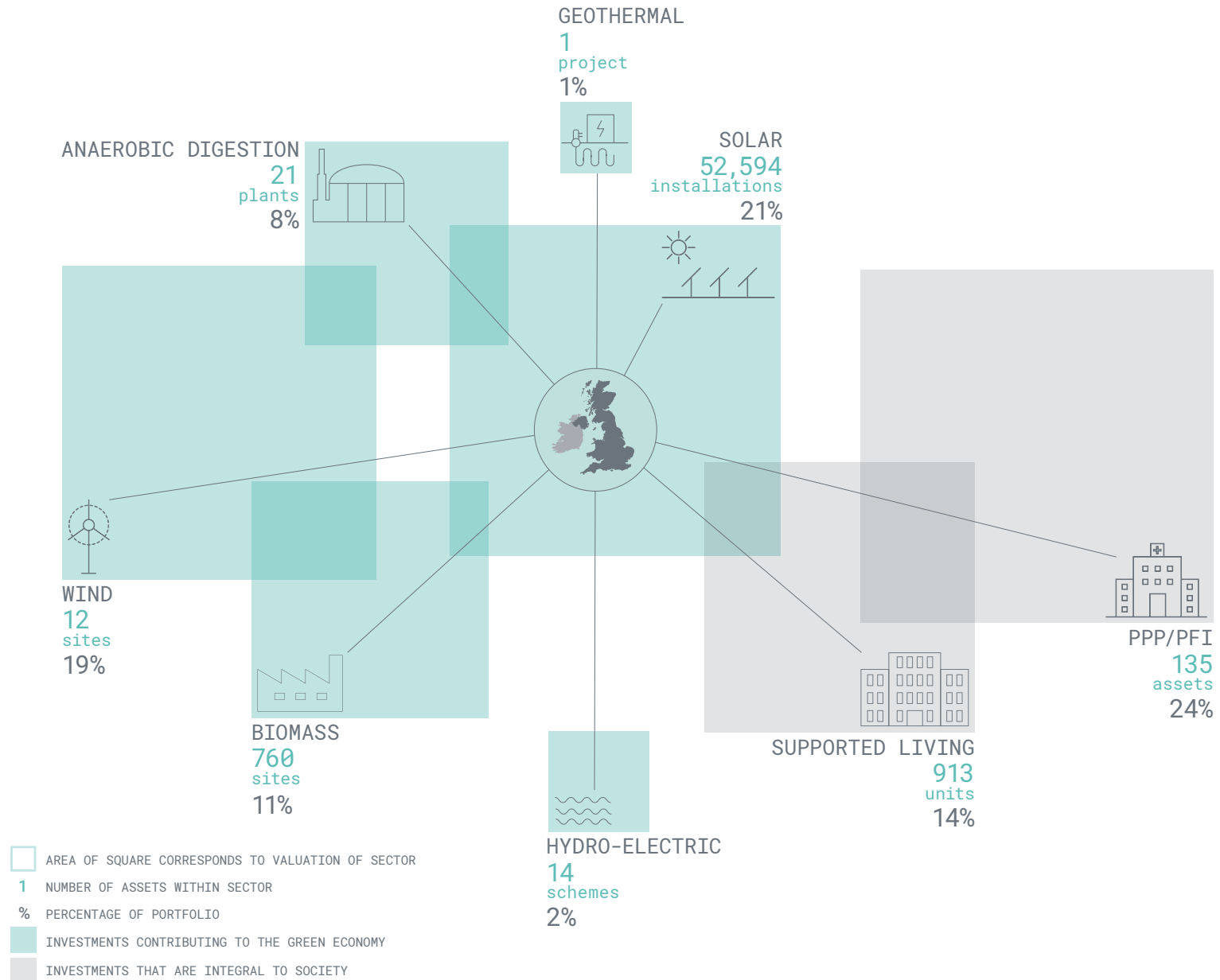
<p>The Company paid a dividend of 7.0 pence in respect of the year. A dividend target¹ of 7.0 pence has been set for the forthcoming financial year.</p> <p>7.0p Dividends paid in 2020/21</p> <p>£62.4m Profit for the year ended 30 September 2021</p>	<p>The investment portfolio is exposed to a wide variety of assets in terms of project type and source of underlying cash flow.</p> <p>49 Number of investments at 30 September 2021</p> <p>11.5%² Size of largest investment as a percentage of portfolio</p>	<p>The Company's ordinary shares have predominantly traded at a premium¹ to their NAV since IPO in 2010.</p> <p>103.92p NAV per share at 30 September 2021</p> <p>100.40p Share price at 30 September 2021</p>
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Further information on Company performance can be found in the financial review on pages 36 to 39.

1. The dividend target set out above is a target only and not a profit forecast or estimate and there can be no assurance that it will be met.
2. The size of the largest investment (the Cardale PFI loan) is calculated by reference to the percentage of total portfolio. The Cardale PFI loan is secured on a cross-collateralised basis against 18 separate operational PFI projects, with no exposure to any individual project being in excess of 10% of the total portfolio.

PORTFOLIO AT A GLANCE

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



 SENIOR RANKING SECURITY 42%	 WEIGHTED AVERAGE ANNUALISED YIELD¹ 8.0%	 AVERAGE LIFE 12 years	 PARTIALLY INFLATION PROTECTED 44%
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1. Alternative performance measure ("APM"); for definition and calculation methodology, refer to the APMs section on pages 124 and 125.

CHAIRMAN'S STATEMENT

I am pleased to present the annual report of GCP Infrastructure Investments Limited for the year ended 30 September 2021.



Ian Reeves CBE
Chairman

Introduction

This is the final annual report I have the pleasure of presenting as Chairman of the Company. It has been hugely rewarding to witness and contribute to the Company's success over the eleven years since IPO. In a world where the 15 year gilt rate, as a proxy for the risk-free rate at which the Company is investing, has reduced by c.75% since IPO, and infrastructure as an asset class has significantly matured, the Company's payment of a stable dividend over this period is an achievement of which all contributors should be extremely proud.

As set out on page 78 in the governance section of this report, I will step down as the Company's Chairman in June 2022 and, subject to shareholder approval, will hand over to Andrew Didham, who will join the Board on 17 December 2021. Once Andrew Didham takes the role as Chairman, we will together agree the date in 2022 that I will step down fully from the Board.

The impacts of the Covid-19 pandemic have continued during the year. Notwithstanding this, the impacts on the Company felt during the initial March 2020 lockdown, namely lower electricity prices and reduced waste wood availability, have not persisted. Rather, electricity prices have recently hit all-time highs and waste wood availability is strong. Electricity prices in particular have had a positive valuation impact of 5.7 pence per share over the second half of the year, offsetting the impact of lower electricity forecast prices during the first half.

The Company paid a 7.0 pence per ordinary share dividend in the period, in line with the target¹ established for this financial year in May 2020. The same target¹ is reaffirmed for the forthcoming financial year. The Company seeks to pay regular, sustained long-term dividends to shareholders. Further detail on the Board's assessment of dividend coverage is provided on page 39.

The decarbonisation of the UK economy over the next 30 years will involve the most significant transformation of our infrastructure that has occurred in recent history. The link between growth and carbon emissions has started to be, and needs to be further, broken. Whether existing or new technology will enable this transition, it is clear that significant private sector investment will be required to transform our infrastructure over this short time frame. The Company remains well placed to capture exciting investment opportunities, which are aligned with the Company's original investment policy and objectives, as part of the UK's transition to net zero.

1. The dividend target set out above is not a profit forecast or estimate and there can be no assurance that it will be met.

Financial performance

The Company generated a profit of £62.4 million for the year. Further information on profitability and financial performance can be found on page 37.

The net assets of the Company increased to £916.8 million (103.92 pence per share) from £914.8 million the previous year (103.99 pence per share). At the year end, the Company's share price was 100.40 pence, representing a 3.4% discount¹ to NAV. However, I am pleased to say that at the time of writing, the shares are trading at a premium¹.

The dividend of 7.0 pence per share for the year was 0.99 times covered on an earnings cover¹ basis (under IFRS) and 1.1 times covered on an adjusted net earnings cover¹ basis, calculated on the Investment Adviser's assessment of adjusted net earnings² in the period, further information can be found on page 39.

Investment activity

Investments made in the year totalled £94.8 million, of which c.£31.4 million were new investments and £63.4 million was invested in the existing portfolio. The new investments of note in the period included a subordinated investment in a portfolio of 14 run-of-river hydro projects in Scotland and investments to fund the ongoing construction of the deep geothermal project being built adjacent to the Eden Project in Cornwall. Existing portfolio investments included the extension of a senior loan facility with Good Energy plc, through the introduction of the first commercial onshore wind farm in the UK at Delabole, Cornwall into the financing facility.

The Company continues to maintain an attractive investment pipeline, covering established asset classes and new areas. The pipeline is more than sufficient to cover expected repayments in the near term. The Company may consider issuing new equity to finance the pipeline at an appropriate time. Further details on the pipeline are provided on page 33.

As an investment entity, the Company has the dual advantage of:

- (i) targeting a diverse range of infrastructure asset classes, which has been important in supporting the historic stability of the dividend; and
- (ii) having a long track record investing in asset classes that are likely to be critical in the UK's decarbonisation agenda.

The Investment Adviser's extensive track record in certain sectors and proven ability to target emerging sectors means the Company is well placed to benefit from investment opportunities associated with the transition to net zero.

Financing

During the period, the Company replaced its revolving credit facilities. The new facilities, which were fully drawn at 30 September 2021, include commitments of £165 million across four lenders: Royal Bank of Scotland International, Lloyds Bank plc, Allied Irish Bank and Clydesdale Bank, and are due to expire in March 2024. Further details on the Company's credit facilities can be found in note 15 to the financial statements.

These arrangements are anticipated to provide the Company with continued access to flexible debt finance, enabling it to take advantage of investment opportunities as they arise, and may also be used to manage the Company's working capital requirements from time to time.

Market outlook

The lead-up to COP26 has brought into sharp focus the risks of accelerated climate change caused by human activity. The conference has seen many countries commit to significant decarbonisation targets and the establishment of global flows of capital investment to finance the associated costs.

The UK, like many of these countries, finds itself at a critical juncture for its infrastructure policy. Infrastructure investment offers a fiscal stimulus to support the necessary recovery from the Covid-19 pandemic. The UK has committed to a legally binding target to decarbonise by 2050 and is targeting the decarbonisation of its electricity generation sector by 2035. Both represent significant shifts in infrastructure policy and will need clear governmental support mechanisms to incentivise the necessary private investment. 'Build back better' is an appropriate, if overused, summary of the opportunity.

At the same time, the cost of government borrowing remains historically low, and public-private procurement models have been ruled out as they are not considered a 'best value-for-money' approach. Infrastructure investment opportunities that may historically have been available to the private sector are therefore being funded directly by central government. Centralised funding for sectors including roads, housing, education, healthcare and community facilities means such investment opportunities are increasingly limited for private investors. The anticipated increase to Bank of England interest rates is unlikely to materially impact this picture.

1. Alternative performance measure ("APM"); for definition and calculation methodology, refer to the APMs section on pages 124 and 125.

CHAIRMAN'S STATEMENT CONTINUED

The material private sector infrastructure investment opportunities therefore arise from the decarbonisation agenda. Mechanisms to attract investment in support of this agenda show some promise. The fourth contract-for-difference auction in December 2021 will, for the first time since 2014, support solar PV and onshore wind. Offshore wind has been allocated its own budget, opening up competition for other less-established technologies to win contracts. The Green Gas Support Scheme, introduced late in 2021, provides support for the decarbonisation of natural gas. During the period, the Government published strategies on the net zero transition, hydrogen and the decarbonisation of transport and industry. Subsequently, after the period end, the Government also published the strategies on heat and buildings.

In addition to the more established decarbonisation sectors, the Company is reviewing opportunities in other sectors that will be fundamental in contributing towards the net zero target, such as forestry, electric vehicles and controlled environment food production. All represent attractive diversification opportunities, whilst continuing to maintain the Company's core focus on UK infrastructure debt.

The Company's existing portfolio is well positioned in the context of the decarbonisation pathway. The Investment Adviser is reviewing a number of opportunities that originate from the evolution of policy, creation of new markets and/or advancements in technology associated with decarbonisation. With over £670 million of the Company's assets invested in a diversified portfolio of renewables, there is increasing visibility of material additional value through life extensions and/or alternative uses of assets.

The Board

During the year, Steven Wilderspin replaced David Pirouet as a Director and Chair of the Audit and Risk Committee. The Board is grateful for David's considerable contribution to the Company's successes over a period of ten years and is pleased to welcome Steven to the Board. As has been previously noted, I plan to step down as Chairman in June 2022, to be replaced by Andrew Didham. As announced on 1 December 2021, Paul De Gruchy will retire on 17 December 2021, having served as a Director of the Company for seven years, and previously on the Board of GCP Infrastructure Fund Limited, the original 'master fund', when the Company was part of a 'master/feeder' structure. The Board is grateful for Paul's contribution over this time as a Director and through his roles on the Investment Committee and more recently as Chair of the Management Engagement Committee.

Environmental, social and governance ("ESG")

The Company published its first ESG update during the period, which is available on the Company's website. The Board recognises the increasing significance of environmental, social and governance matters to all of the Company's stakeholders. All of the Company's assets have a core environmental and/or social benefit and therefore the Company is well placed in respect of such matters. This report also sets out the Company's intentions for the forthcoming year to measure, monitor and report on the Company's ESG impacts. The underlying portfolio is fundamentally aligned with a low carbon pathway and the Company expects to see further opportunities arising in existing and new areas such as forestry and hydrogen. Further information on ESG can be found on pages 40 to 47.

Risks

The principal risks of the Company include (but are not limited to) execution risk, portfolio risk, financial risk and other risks. Further details can be found on pages 54 to 63.

Ian Reeves CBE

Chairman

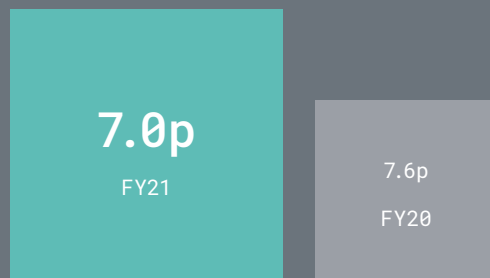
13 December 2021

FOR MORE
INFORMATION,
PLEASE REFER TO THE
STRATEGIC REPORT ON
PAGES 11 TO 63.

COMPANY PERFORMANCE

The Company continues to deliver sustained long-term dividends to shareholders.

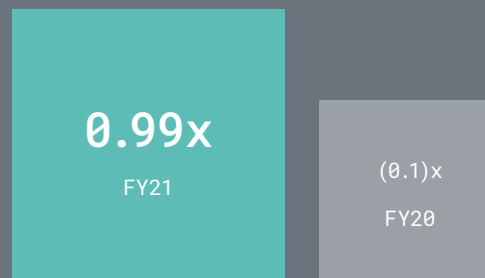
Dividends paid in respect of the year



Relevance to strategy

The dividend reflects the Company's ability to deliver regular, sustained, long-term dividends and is a key element of total shareholder return.

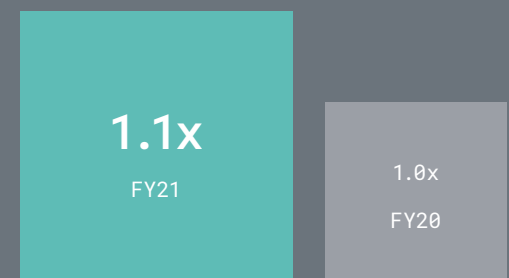
Earnings cover¹



Relevance to strategy

Earnings cover measures the Company's ability to pay dividends from the income generated from its investment portfolio under IFRS.

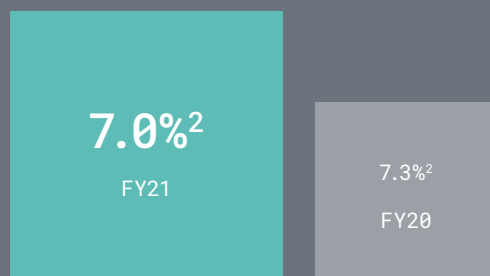
Adjusted net earnings cover¹



Relevance to strategy

Adjusted earnings cover measures the Company's ability to pay dividends from loan interest accrued¹ by the portfolio less expenses and finance costs.

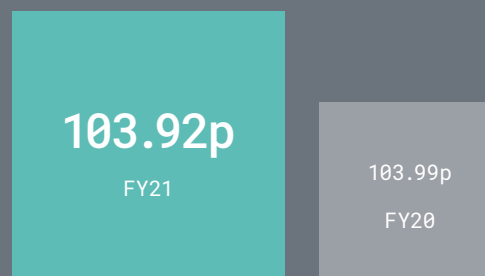
Dividend yield¹



Relevance to strategy

Dividend yield measures the Company's ability to deliver on its investment strategy of generating regular, sustained, long-term dividends.

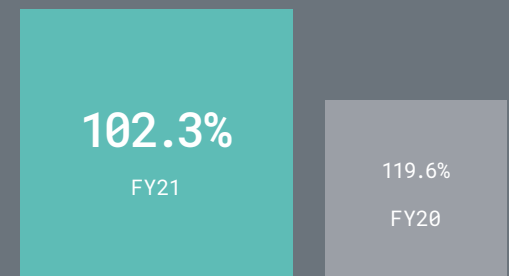
NAV per share



Relevance to strategy

NAV per share measures the Company's ability to preserve the capital value of its investments over the long term.

Total shareholder return since IPO¹



Relevance to strategy

Total shareholder return measures the delivery of the Company's strategy, to provide shareholders with attractive total returns in the longer term.

1. Alternative performance measure ("APM"); for definition and calculation methodology, refer to the APMs section on pages 124 and 125.

2. Total dividend paid for the year, relative to the closing share price at the year end, expressed as a percentage.

STRATEGIC REPORT

WHAT'S IN THIS SECTION

STRATEGIC OVERVIEW

Find out more on pages 10 and 11

BUSINESS MODEL

Find out more on pages 12 and 13

INVESTMENT ADVISER'S REPORT

Find out more on pages 14 to 25

INVESTMENT PORTFOLIO

Find out more on pages 26 to 35

FINANCIAL REVIEW

Find out more on pages 36 to 39

SUSTAINABILITY

Find out more on pages 40 to 47

STAKEHOLDERS

Find out more on pages 48 to 53

RISK MANAGEMENT

Find out more on pages 54 to 63



STRATEGIC OVERVIEW

The Company seeks to provide shareholders with regular, sustained, long-term dividends and preserve the capital value of its investments through exposure to a diversified portfolio of UK infrastructure projects.

GCP INFRASTRUCTURE INVESTMENTS LIMITED

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Investment strategy

The Company's investment strategy is set out in its investment objective, policy and strategy below. It should be considered in conjunction with the Chairman's statement and the strategic report which provide an in-depth review of the Company's performance and future strategy. Further information on the business model and purpose is set out on pages 12 and 13.

Investment objective

The Company's investment objective is to provide shareholders with regular, sustained, long-term dividends and to preserve the capital value of its investment assets over the long term.

Investment policy and strategy

The Company seeks to generate exposure to the debt of UK infrastructure Project Companies, their owners or their lenders and related and/or similar assets which provide regular and predictable long-term cash flows.

Core projects

The Company will invest at least 75% of its total assets, directly or indirectly, in investments with exposure to infrastructure projects with the following characteristics (core projects):

- pre-determined, long-term, public sector backed revenues;
- no construction or property risks; and
- benefit from contracts where revenues are availability based.

In respect of such core projects, the Company focuses predominantly on taking debt exposure (on a senior or subordinated basis) and may also obtain limited exposure to shareholder interests.

Non-core projects

The Company may also invest up to an absolute maximum of 25% of its total assets (at the time the relevant investment is made) in non-core projects, taking exposure to projects that have not yet completed construction, projects in the regulated utilities sector and projects with revenues that are entirely demand based or private sector backed (to the extent that the Investment Adviser considers that there is a reasonable level of certainty in relation to the likely level of demand and/or the stability of the resulting revenue).

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

Diversification

The Company will seek to maintain a diversified portfolio of investments and manage its assets in a manner which is consistent with the objective of spreading risk. No more than 10% in value of its total assets (at the time the relevant investment is made) will consist of securities or loans relating to any one individual infrastructure asset (having regard to risks relating to any cross default or cross-collateralisation provisions). This objective is subject to the Company having a sufficient level of investment capital from time to time, the ability of the Company to invest its cash in suitable investments and the investment restrictions in respect of 'outside scope' projects described above.

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

Non-financial objectives of the Company

The key non-financial objectives of the Company are:

- to build and maintain strong relationships with all key stakeholders of the Company, including (but not limited to) shareholders and borrowers;
- to continue to focus on creating a long-term, sustainable business relevant to our stakeholders; and
- to develop and increase the understanding of the investment strategy of the Company and infrastructure as an investment class.

Key policies**Distribution**

The Company seeks to provide its shareholders with regular, sustained, long-term dividend income. The Company has previously offered a scrip dividend alternative and anticipates that it will continue to do so whilst the shares typically trade at a premium¹ to NAV.

Leverage and gearing

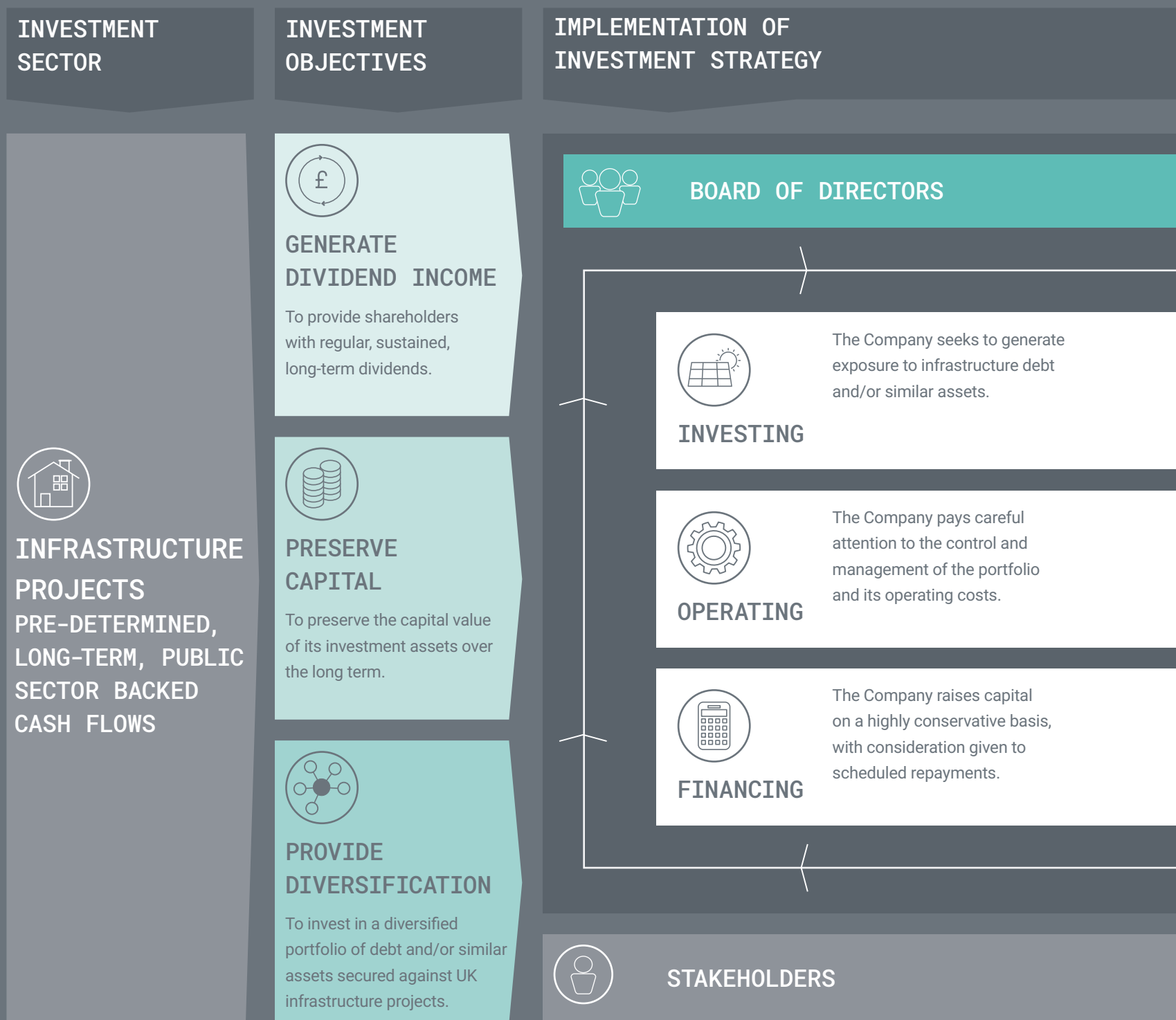
The Company intends to make prudent use of leverage to finance the acquisition of investments and enhance returns for shareholders. Structural gearing of investments is permitted up to a maximum of 20% of the Company's NAV immediately following drawdown of the relevant debt.

The calculation of leverage under the AIFMD in note 15 to the financial statements includes derivative financial instruments as is required by the applicable regulation.

1. Alternative performance measure ("APM"); for definition and calculation methodology, refer to the APMs section on pages 124 and 125.

BUSINESS MODEL

The Company's purpose is to invest in UK infrastructure debt and/or similar assets to provide regular, sustained, long-term dividends and to preserve the capital value of its investments over the long term.



STRONG GOVERNANCE

Read more on pages 64 to 89.

The Company is currently invested in a diversified, partially inflation-protected portfolio of investments in the renewable energy, social housing and PPP/PFI sectors.

The day-to-day provision of investment advice and administration to the Company is provided by the Investment Adviser and the Administrator respectively, whose roles are overseen by the Board.

The Company only raises capital when it has an advanced pipeline of investment opportunities. It also makes prudent use of leverage to finance the acquisition of investments and enhance returns.

Read more about stakeholders on pages 48 to 53.

KPI MEASUREMENT



The Company has declared a dividend of 7.0 pence for the year¹.

7.0p

Dividends per share declared in 2020/21



The valuation of the Company's investment portfolio was £1.1 billion at the year end.

103.92p

NAV per share at 30 September 2021



The investment portfolio is exposed to a wide variety of assets in terms of project type and source of underlying cash flow.

49

Number of investments at 30 September 2021

SUSTAINABILITY



ENVIRONMENTAL AND SOCIAL

Read about how the Company's activities benefit the environment and contribute to society in the sustainability section on pages 40 to 47.



GOVERNANCE

Read how the Company is governed and the activities of the Board during the year in the governance section on pages 64 to 89.



FINANCIAL

Read about the Company's financial performance and dividend cover in the financial review on pages 36 to 39 and its long-term viability on page 63.

1. A dividend target of 7.0 pence has been set for the forthcoming financial year. The dividend target is a target only and not a profit forecast or estimate and there can be no assurance that it will be met.

INVESTMENT ADVISER'S REPORT

The Company's focus remains on investing in UK infrastructure debt in Project Companies that own and operate assets that benefit from public sector backed revenues.

GCP INFRASTRUCTURE INVESTMENTS LIMITED

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UK infrastructure market

Infrastructure development continues to reflect the evolution of society's needs. At a time when society has embarked on a rapid decarbonisation of our economy, the need for new infrastructure investment to support this urgent ambition is greater than ever. Moreover, existing infrastructure needs to be maintained and upgraded to address evolving user needs, such as an increasing and ageing population, the digitalisation of the economy and the impacts of Covid-19, including in the healthcare and social care systems, working arrangements and travel.

The UK's first National Infrastructure Plan, published in 2020, points to the need for infrastructure to support economic recovery from the impacts of Covid-19, to 'level up' through regional infrastructure development and to support the transition to net zero.

The decarbonisation agenda is likely to increase the range of assets that can be considered 'infrastructure'. For example, the Energy White Paper published in late 2020 points to significant roles of hydrogen and carbon capture and storage as part of the net zero transition.

This will involve infrastructure, and in some cases new technologies, that do not exist today. The accelerating role of electric vehicles and alternative sources of heating, such as air-source heat pumps and deep geothermal, provide further examples.

Notwithstanding the evolution of infrastructure, the characteristics of infrastructure investment remain constant: investments are long-dated and generate inflation-linked, high yielding cash flows that are uncorrelated to wider markets. The chart below summarises the market for infrastructure investment.

INFRASTRUCTURE INVESTMENT MARKET

TYPE	SECTOR	DESCRIPTION	EXAMPLE ASSET CLASSES	SUMMARY OF INVESTMENT CHARACTERISTICS
Economic	Regulated monopolies/core infrastructure	Exposure to monopoly corporate entities with regulated and non-regulated businesses	Water, sewage, electricity and gas transmission and distribution, OFTOs	Return determined by periodic regulatory price controls and/or reviews
	Energy – decarbonisation	Energy generation and management that supports decarbonisation	Renewables, biomethane, hydrogen, energy efficiency, energy storage	Returns based on energy prices, supported by subsidies or grants to support development. Varying operational and/or technology risk
	Energy – other	Other energy generation and management	Nuclear, gas	Linked to long-term energy prices
	Transportation	Infrastructure required to support various forms of transport	Airports, ports, roads, rail	Returns likely to have a component of demand or usage risk
	Carbon	Infrastructure to manage the production, capture and/or storage of carbon	Forestry, carbon capture and storage	Returns based on the value of carbon

TYPE	SECTOR	DESCRIPTION	EXAMPLE ASSET CLASSES	SUMMARY OF INVESTMENT CHARACTERISTICS
Social	Social infrastructure	Infrastructure that meets the needs of the population and provides societal benefits	Healthcare, education, leisure, community, judiciary, waste, defence	Limited new investment opportunities: historically supported by PPP/PFI
			Housing	Real estate/property risk return profile

INVESTMENT ADVISER'S REPORT CONTINUED

UK infrastructure market continued

The Company's focus remains on investing in UK infrastructure debt in Project Companies that own and operate assets that benefit from public sector backed revenues. Historically, the Company has benefited from such revenues through the unitary charge in PPP/PFI project agreements, renewable subsidies and housing benefit.

Revenue support models continue to promote infrastructure investment. The contract-for-difference scheme is the UK's main current support mechanism for renewable electricity generation.

The fourth auction is due to take place in December 2021 under a restructured format, in which established technologies (including solar PV and onshore wind) can compete for the first time since 2014 and offshore wind has its own dedicated budget, meaning it is not competing with other less established technologies. Other support mechanisms such as the Green Gas Support Scheme, introduced late in 2021, will support the injection of biomethane to grid, contributing to the decarbonisation of the natural gas system. In other asset classes, schemes such as the Woodland Carbon Guarantee or Sustainable Farming Initiative provide revenues associated with capturing carbon or improving biodiversity.

More widely, the emergence of a UK carbon price as part of the UK emissions trading scheme, which launched in May 2021 as a replacement to the EU emissions trading system, may provide the opportunity for certain infrastructure assets to generate income through the production and sale of carbon credits.

Other models of public participation in projects, outside of revenue support, are also used to promote investment. Grant funding and advantageous tax regimes (such as accelerated capital allowances) are examples of such alternatives. The Investment Adviser will continue to review opportunities that benefit from alternative models of support as part of the Company's 25% 'non-core' investment allocation.

Differentiation

The Company retains some key differentiators that means it is well positioned to take advantage of attractive risk-adjusted returns, despite infrastructure investment opportunities remaining competitive. These include:



SCALE

The Company can make investments that are too small for certain investors (such as commercial banks) to consider, particularly where there is an opportunity to scale an investment over time through follow-on financing.



DIVERSIFICATION

Having the explicit objective of diversifying across a range of asset classes means that the Investment Adviser can seek the most attractive risk-adjusted returns, and is not bound to invest in sectors that remain unattractive due to higher competition or asset characteristics.



TRACK RECORD

The Company has been investing in new infrastructure sectors for over ten years. The Investment Adviser has an established model to assess and evaluate opportunities in new asset classes. Moreover, this track record means the Investment Adviser has developed expertise in a number of asset classes, such as anaerobic digestion and biomass, that other investors are not likely to benefit from.



DEBT FOCUS

The Company's focus on debt, and flexibility across senior and subordinated positions, means that it is well placed to match the investment risk with an appropriate capital structure solution.

Key investment activity in the year

The main investment activity in the period related to a c.£22 million subordinated investment secured against a portfolio of 14 small hydro projects in Scotland. Each project benefits from accreditation under the feed-in tariff regime and therefore has an embedded floor to protect against merchant electricity price exposure. The Company also received c.£9 million in early prepayments of historic investments in other hydro projects. Historically, the Company's hydro investments have performed well, and therefore the Investment Adviser is pleased to have retained exposure to this asset class.

Additional investment activity included a c.£8 million extension of an existing senior loan secured against a portfolio of onshore wind and solar projects owned by Good Energy plc, as part of the accession of the Delabole onshore wind farm into the portfolio. This further builds on the Company's long-standing and positive relationship with this borrower.

Additional drawdowns included scheduled utilisations of c.£7 million to finance the ongoing construction of the deep geothermal well being built adjacent to the Eden Project in Cornwall.

At the time of writing, drilling of phase one has been completed and significant fracture zones have been identified, representing a significant de-risking of this stage of the project.

Further investments of c.£6 million were also made to fund remedial works on three anaerobic digestion projects that the Company assumed control of c.18 months ago. The remedial capital works have had a material positive impact on gas generation at these projects.

Further repayments and investments against PPP/PFI and biomass assets are materially the result of internal restructuring and optimisation, with no new assets invested in or repaid during the period.

Current portfolio exposures

The chart below shows a representation of the Investment Adviser's view of the current asset risk characteristics for each of the sectors to which the Company has exposure. Whilst this picture changes over time as the asset classes mature, it is intended to provide a snapshot at the year end of the current relative risk across asset classes. The changes in risk below are further explained in the table on page 18.

PORTFOLIO EXPOSURES







		RENEWABLES							SH	PPP/PFI					
		Wind (onshore)	Wind (offshore)	Solar	Biomass	Anaerobic digestion	Hydro	Geothermal	Supported living	Healthcare	Leisure	Education	Waste	Housing	
Asset characteristics	Market risks	High	High	Medium	High	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	
	Credit risks	Medium	Medium	Low	High	High	Low	Medium	High	Medium	Medium	Medium	Medium	Medium	
	Operational risks	Low	Medium	Low	High	Medium	Medium	High	Low	High	High	High	High	High	
	Legal/regulatory risks	Medium	Medium	Medium	High	High	Medium	Medium	Medium	High	High	High	High	High	
OVERALL SCORE		Low	Medium	Low	High	High	Medium	High	High	Medium	Medium	Medium	Medium	Medium	
Sector exposure (by value at 30 September 2021)		14%	5%	21%	11%	8%	2%	1%	14%	24%					
PERIODIC CHANGE (12 MONTHS)¹			↑		↓	↓			↓						
		↑ Overall increase in renewables sector													

1. For further commentary refer to page 18.

INVESTMENT ADVISER'S REPORT CONTINUED

Investment risk

The Company continues to monitor the investment risk of the asset classes to which it has exposure. An updated summary of the key investment risks specific to the portfolio measured against likelihood and magnitude is presented on page 17. The table below shows the Investment Adviser's view of the changes to the risk ratings for sectors where changes have been observed in the past year.

RISK	SECTOR	CHANGE IN PERIOD	DESCRIPTION
Market risk The risks of an investment being exposed to changes in market prices, such as electricity prices or inflation.	Biomass/ anaerobic digestion	 Decrease	The introduction of, or ambition to introduce, further policy mechanisms that are likely to benefit these technologies provide comfort that the projects are likely to operate beyond their current subsidy period.
	Renewables (all sectors)	 Increase	During recent months, the volatility of spot and short-term futures electricity prices has increased, resulting in more variability in prices being captured, and forecast to be captured, by investments in the portfolio where electricity prices have not been fixed as part of PPAs. This volatility has been partially offset by the Company's hedging arrangements, further detail on which can be found on pages 34 and 35.
Operational risk The risks of being exposed to the construction and/or operations of a project, associated with the failure of people, processes and/or systems required to monetise an asset.	Offshore wind	 Increase	There have been widely published issues with cable protection systems installed at a number of offshore wind farms. Those issues have impacted a project in the Company's portfolio. The Investment Adviser continues to work closely with the applicable project's stakeholders to determine the best approach to resolution of these issues. Post year end, the Company entered a conditional agreement to dispose of its interest in the applicable project and therefore this risk is not expected to impact the Company's portfolio going forward.
Legal/regulatory risk The risks associated with changes to laws and/or regulations. This covers UK-wide, non-specific risks, such as changes to the tax regime, and specific risks such as the change to a subsidy regime that a project relies on.	Social housing	 Decrease	A number of Registered Providers ("RPs") to which the Company is exposed have made improvements to processes, systems and personnel during the period as part of addressing the RSH's governance concerns. Further, the Company has consented to the restructure of certain relationships between its borrowers and RPs that seek to improve the RSH's assessment of the financial viability of those RPs.

GCP INFRASTRUCTURE INVESTMENTS LIMITED

Annual report and financial statements 2021

Interest capitalised

During the period, £83.6 million (30 September 2020: £84.0 million) of loan interest accrued¹ on the underlying investment portfolio for the benefit of the Company. Of this, £75.3 million (30 September 2020: £81.1 million) was paid or capitalised in the period.

The payment or capitalisation of interest occurs contractually at certain points under the applicable loan documentation. In the next financial year, c.£73.4 million can be expected to be paid or capitalised (as applicable) in accordance with the relevant loan documents.

The financial results for the year show that, of the £75.3 million (30 September 2020: £81.1 million) of interest recognised, c.£26.1 million (30 September 2020: £30.8 million) was capitalised. This means the interest was deemed to be received by way of a payment-in-kind ("PIK"), alongside an increase in loan outstanding to the borrower equal to the interest owed. To put it another way, the applicable borrower was lent more money to service its interest payment.

PIK interest payments occur in the portfolio for two reasons:

1. On a scheduled basis, where a loan has been designed to contain an element of capitalisation of interest due to the nature of the underlying cash flows.

Examples include projects in construction that are not generating operational cash flows, or subordinated loans where the bulk of subordinated cash flows are towards the end of the assumed life of a project, after the repayment of senior loans.

Planning future capital investment commitments in this way forms an effective way of reinvesting repayments received from the portfolio back into other portfolio projects.

2. Loans are not performing in line with the financial model, resulting in:
 - (i) lock-up of cash flows to investors who are junior to senior lenders; and/or
 - (ii) cash generation is not sufficient to service debt.

The table below illustrates the forecast component of interest capitalised that is planned and unscheduled.

The Investment Adviser and the independent Valuation Agent review any capitalisation of interest and associated increase to borrowings to confirm that such increase in debt, and associated cost of interest, can ultimately be serviced over the life of the asset. To the extent an increase in loan balance is not serviceable, a downward revaluation is recognised, notwithstanding that such amount remains due and payable (and, where such capitalisation has not been scheduled, attracting default interest) by the underlying borrower.

The main drivers of unscheduled capitalised interest, which the Investment Adviser is actively working to resolve, are:

- the lock-up of payments on two waste wood biomass investments, which are expected to be resolved by the end of the calendar year;
- the lock-up of distributions resulting from the ongoing audit of a portfolio of solar assets by Ofgem (refer to page 31); and
- the reinvestment of cash flows into three gas-to-grid anaerobic digestion plants in Scotland by way of capital investment to address performance issues. These are expected to be resolved during early 2022.

% OF TOTAL INTEREST	2021	2022	2023	2024	2025	2026
PIK (planned)	20%	13%	12%	13%	14%	13%
PIK (unscheduled)	15%	11%	4%	–	–	–

1. Alternative performance measure ("APM"); for definition and calculation methodology, refer to APMs section on pages 124 and 125.

INVESTMENT ADVISER'S REPORT CONTINUED SECTOR BACKGROUND AND UPDATE

RENEWABLES



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

62%

Percentage of portfolio
by value

£678.2m

Valuation of sector

Background

Renewable energy includes the sustainable use of energy in electricity and heat production and transport. To date, public sector support in the UK has focused on the decarbonisation of the electricity system. To achieve the UK's ambitions to have net zero emissions by 2050 and decarbonise the electricity generation system by 2035, significantly more support will be required across all of the electricity, heat production and transport sectors.

Current position

The UK has promoted the growth in renewables over the last decade through various support mechanisms. In 2020, renewables accounted for 43.1% of total generation, with c.48 GW of installed capacity across a number of technologies. Wind and solar PV make up c.80% of this installed capacity and were responsible for 66% of the total generation from renewable sources.

The fourth auction round of the UK's contract-for-difference mechanism is due to take place in December 2021. The draft budget of £265 million is seeking to support c.12 GW of new capacity, double the capacity of the 2019 auction and more than the last three rounds combined, albeit a component of this growth is attributable to reduced technology costs as well as budget increases.

This auction round has also been significantly restructured with solar PV and onshore wind able to compete as part of the established technology budget for the first time since 2014. Further, offshore wind has been granted its own budget, meaning the other eligible less established technologies are not required to compete for available budget against offshore wind, a technology that has historically been significantly more cost competitive. The Company will be reviewing the contract-for-difference auction outcomes closely, particularly in relation to the less established technologies.

Other support mechanisms include the Green Gas Support Scheme, which launched late in 2021 and seeks to promote the decarbonisation of heat through injecting sustainably produced biomethane from anaerobic digestion projects to the grid. The Company has significant experience with this asset class. Further, the Industrial Decarbonisation and Hydrogen Revenue Support ("IDHRS") scheme seeks to provide a revenue mechanism to enable deployment of industrial carbon capture and storage and hydrogen production. A number of potential beneficiaries of this support may include existing portfolio investments, as well as new financing opportunities.

The recently published 'UK Net Zero Strategy' sets out a pathway to the UK achieving net zero, as part of which additional capital investment of £50-£60 billion per annum through the late 2020s and 2030s will be required.

The strategy sets out how the barriers to these funding flows will be overcome through a combination of revenue support, public grants and public financing, including from sources such as Innovate UK, the Clean Growth Fund, British Business Bank and the newly formed UK Infrastructure Bank. The Company has historically benefited from co-investment alongside public bodies seeking to 'crowd-in' private sector capital and will continue to seek and evaluate such opportunities.

Future outlook

The Investment Adviser sees a material investment opportunity in renewables across electricity, heating and transport as part of the transition to net zero. Given that this transition will require the financing of both asset classes with which the Company is familiar, and new asset classes that would further contribute to the Company's objective of diversification, the Company is well placed to benefit from the investment opportunities that will emerge.

The main question is one of timing. The message from Government is hugely positive and the direction of travel makes change, and the investment required to enable such change, an inevitability. Whilst positive developments are emerging, such as the contract-for-difference scheme, more policy support needs to be offered to ensure the gap between the message on the one hand, and the practical realities of infrastructure planning, development and construction on the other, does not become any wider.

FEATURED ASSET

Birmingham Bio Power

A biomass gasification power plant located in England

£43.5m

Valuation

Project information

The project is a 10.3 MW biomass gasification power plant which processes up to 72,000 tonnes of recovered waste wood annually, predominantly sourced in the West Midlands. Its design has four individual gasifiers that combust up to 10 tonnes per hour of fuel within a sub-stoichiometric atmosphere. The resultant synthetic gas ('syn gas') is then fully combusted in a single oxidiser unit from where the products of combustion are fed directly into a heat recovery steam generator. The steam produced is fed into a condensing steam turbine to generate electricity which exhausts into an air-cooled condenser.

Senior

Security

The application of gasification within the recovered wood power generation sector attracts income from the sale of 1.9 renewable obligation certificates ("ROCs") per MWh of electricity generated. This provides a long-term, indexed linked revenue stream. Other income is derived from a long-term 15 year PPA with Npower and private wire export to the site's landlord.

From its commissioning in 2016, a combination of reliability issues and working capital requirements saw the project enter administration in June 2020 following an enforcement process initiated by the Company. The project emerged from administration in March 2021 with the Company as the sole equity holder.

Since Q3 2021, the Investment Adviser has recruited an experienced asset manager to oversee the operations of the project and to identify and implement optimisation works.

The Investment Adviser remains positive about the long-term prospects of the project, including in relation to improvements in reliability (which has already been shown), future private wire offtake arrangements and cost optimisations. Further forward, additional revenue streams associated with carbon capture, heat export and hydrogen production may provide additional revenue streams for the project.

INVESTMENT ADVISER'S REPORT CONTINUED SECTOR BACKGROUND AND UPDATE CONTINUED

SUPPORTED LIVING

Supported living projects create long-dated cash flows supported by the UK Government through the secured pledge of centrally funded benefits.

14%

Percentage of portfolio
by value

£158.5m

Valuation of sector

Background

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

Current position

As has been previously reported, a number of the RPs to which the Company is exposed have been graded as non-compliant in respect of governance and financial viability by the RSH. In the period under review, these RPs have focused on improving processes, people and systems in seeking to address the RSH's governance concerns. Further, the Company has consented to a number of amendments in the relationships between RPs and the Company's borrowers that seek to enhance the financial viability of the applicable RPs.

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

Future outlook

The Company has maintained the position for some time that it does not intend to grow its exposure to the social housing sector in any new projects as a result of concerns raised by the RSH in respect of the governance and financial viability of RPs. The Investment Adviser also notes increased competition in this sector, which has put pressure on potential returns. The Board and Investment Adviser will continue to review this position in light of these factors.



FEATURED ASSET

Westmoreland Supported Housing

A portfolio of social housing assets located across the UK

£11.7m

Valuation

Project information

The Company has invested in a portfolio of 13 properties and 51 units that are leased to Westmoreland Supported Housing ("Westmoreland"), a RP of social housing.

Westmoreland experienced significant financial distress during 2019. This led the RSH to enact its statutory powers to elect new officers to Westmoreland's board at the end of 2019 and was closely followed by a board directed change in the executive team at the start of 2020.

Senior

Security

During the period under review, following discussions with the new executive team, the Company agreed to provide financial support to stabilise the financial performance of the portfolio. This included the reprofiling of payments to ensure Westmoreland could maintain a positive operating margin across the portfolio, alongside a contribution towards identified improvement works. This provided a defined financial backstop dependent on specific operational performance and has allowed it to go on to deliver strong operational performance, which is expected to continue.

In changing the board and executive team, and restructuring the lease payment arrangements, Westmoreland sought to address the wider concerns raised by the RSH relating to the governance and financial viability of RPs operating under a long-lease model, with a favourable outcome for all parties.

INVESTMENT ADVISER'S REPORT CONTINUED SECTOR BACKGROUND AND UPDATE CONTINUED

PPP/PFI

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

24%

Percentage of portfolio
by value

£259.8m

Valuation of sector

Background

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

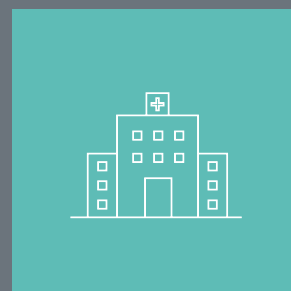
Current position

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

The Company does not see material new deal flow in this sector, with this being limited to a small number of discrete secondary market opportunities arising from minority owners of PPP/PFI assets seeking to monetise their investment.

Future outlook

It remains unclear whether there will be an availability-based, or other, mechanism that attracts private sector finance into the types of asset (such as schools, hospitals, community infrastructure) that PFI and its various derivatives successfully supported. The 2019 Infrastructure Finance Review consulted on possible future alternatives, including the regulated asset base ("RAB") model that has historically been used to regulate monopoly utilities, and more recently in the finance of the Thames Tideway sewer. It was further confirmed by the Government that PFI/PF2 will not be reintroduced as procurement models, and expressed support for the contract-for-difference and RAB models, with the potential to apply these to new sectors. A possible alternative is that the Government involves the private sector in the delivery of this type of infrastructure, but does not require private sector finance in the provision of equity or debt capital to finance these projects.



FEATURED ASSET

Scottish hub PPP programme

Three high schools and a community campus in Scotland

£7.2m

Valuation

Project information

The Company's most recent investment into the Scottish Hub PPP programme involved a £6.8 million loan note issued by GCP Education 1 Limited to finance the acquisition of subordinated debt in three high schools and a community campus located in the north of Scotland and the Shetland Islands. Built between 2016 and 2018, the schools cater for over 4,000 pupils.

One of these schools, Lochside Academy in Aberdeen, is a new-build secondary school which replaced two academies to become the largest school in Aberdeen and is able to accommodate up to 1,350 pupils.

Subordinated

Security

Completed in June 2018, the £47 million three-story high-tech campus includes a state-of-the-art IT centre, a rooftop art studio and terrace, a design and technology area, drama and dance studios.

Two atriums act as social hubs and there is a separate vocational teaching space for light industrial training along with craft and design workshops.

The fitness facilities, which are available to the local community, include a six-lane swimming pool, fitness suite and a multi-use games hall along with a third generation synthetic pitch. The loan expires in June 2043.

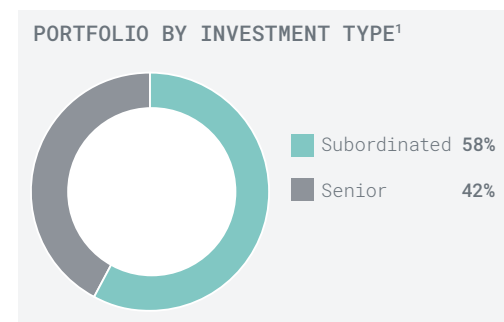
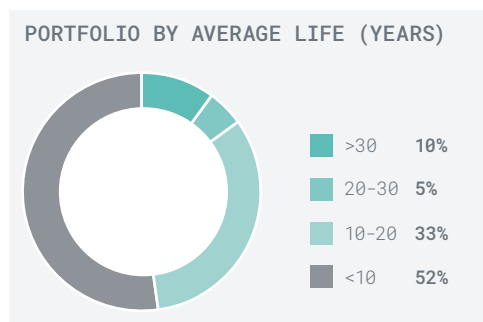
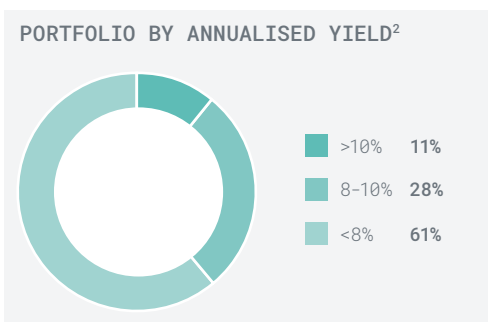
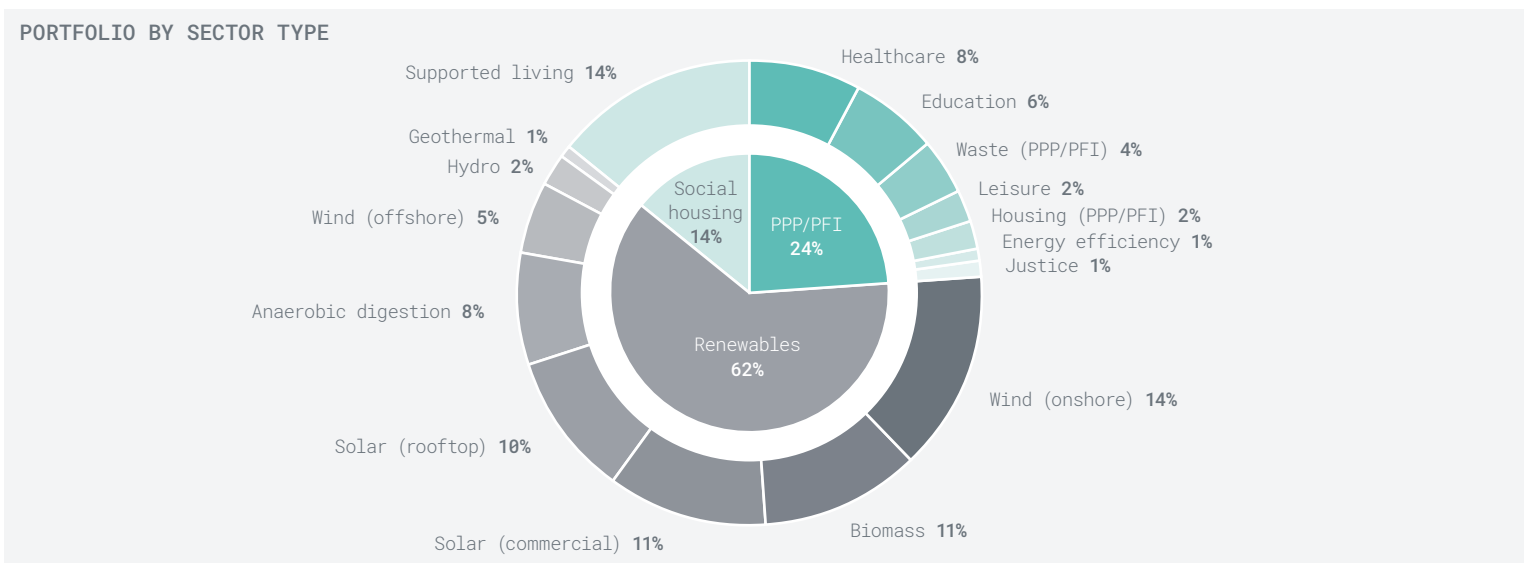
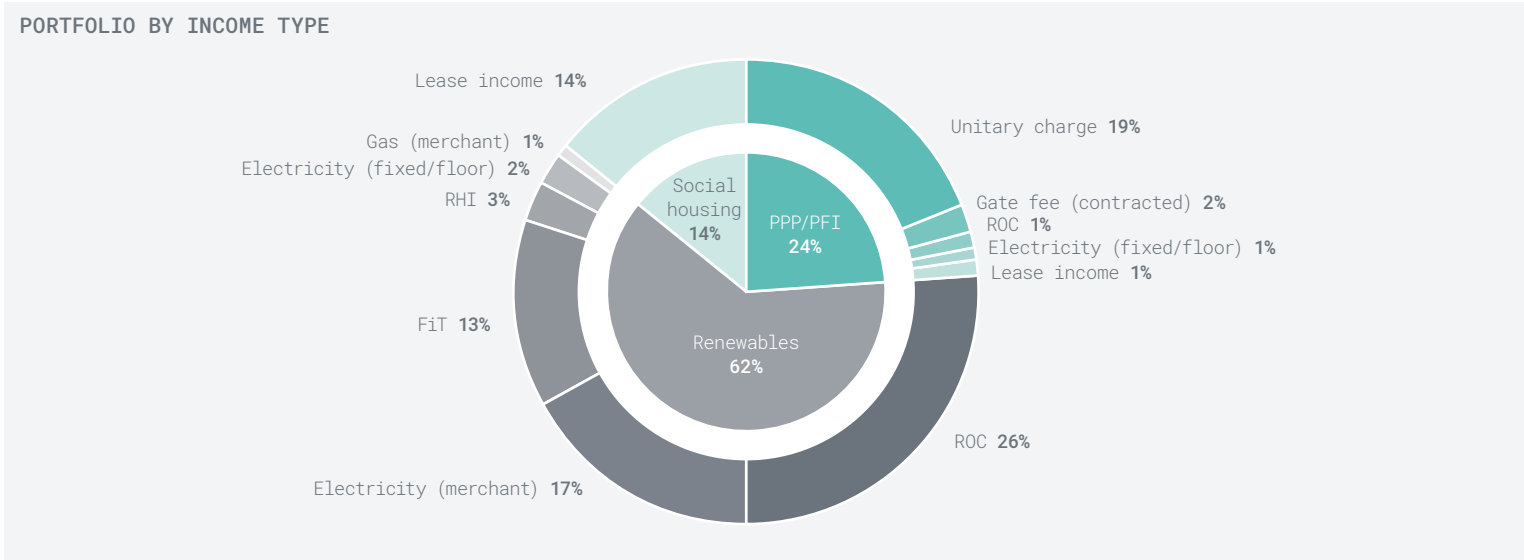
The Company also invests in 16 Scottish hub projects through loans held by GCP Asset Finance 1 Limited, which also has exposure to two schools held by GCP Education 1 Limited, Lochside Academy and Elgin High School.

INVESTMENT PORTFOLIO

The Company is exposed to a portfolio of 49 investments with a weighted average annualised yield² of 8.0% and average life of twelve years.

PORTFOLIO SUMMARY

The Company's portfolio has performed well during the year. There have been notable performance improvements at a biomass project and three gas-to-grid anaerobic digestion projects that the Company enforced against in the past 18 months, with no new notable issues arising in the period. Overall, the number of assets categorised as 'watchlist' or 'problem' has decreased. Further, the Investment Adviser continues to be positive about the future potential to optimise and enhance value of assets the Company controls or where valuation would positively benefit from such circumstances.



1. Includes incremental exposure to shareholder interests of c.5%.

2. Alternative performance measure ("APM"); for definition and calculation methodology, refer to the APMs section on pages 124 and 125.

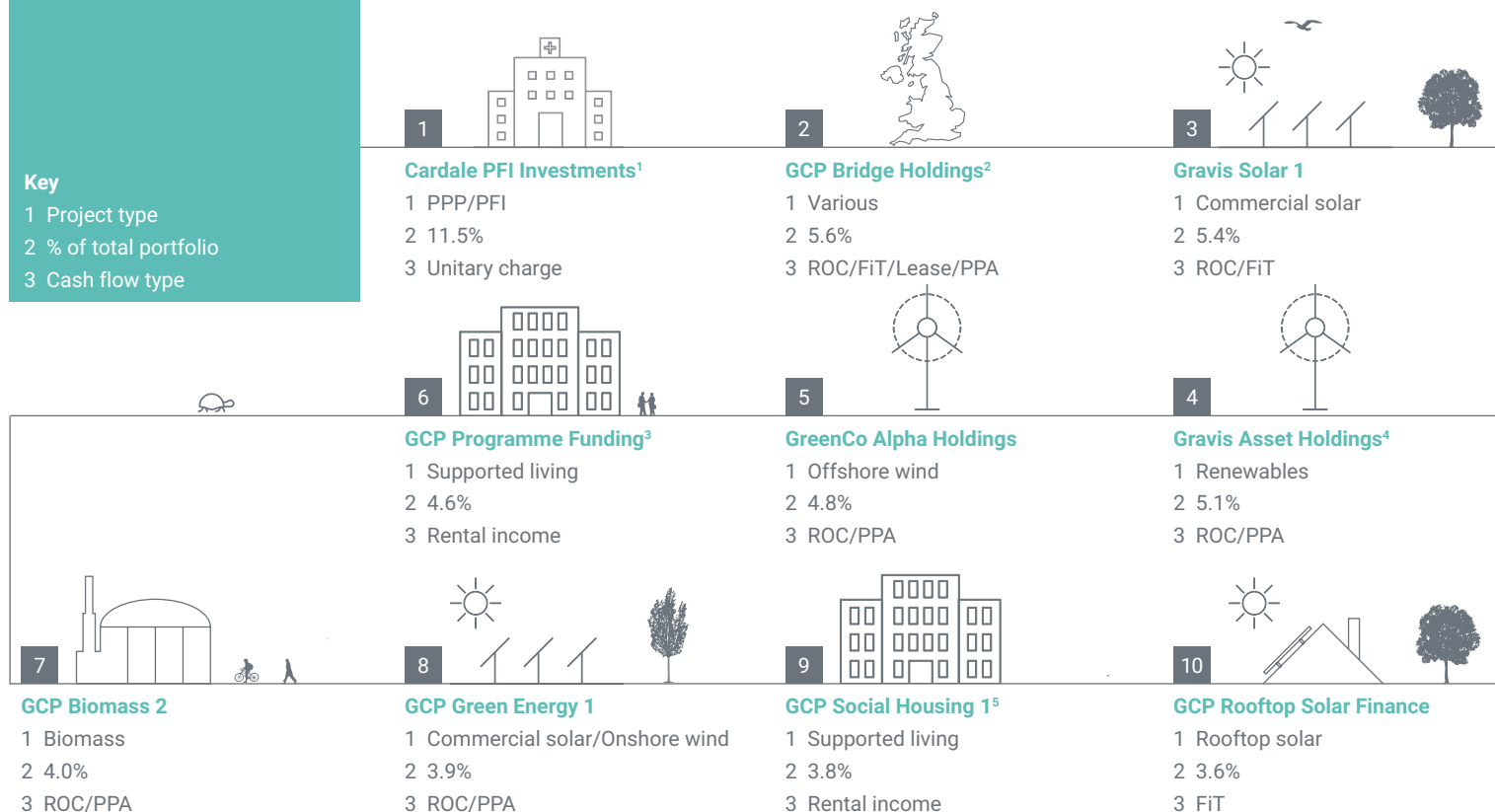
INVESTMENT PORTFOLIO CONTINUED

PORTFOLIO SUMMARY CONTINUED

TOP TEN INVESTMENTS

Key

- 1 Project type
- 2 % of total portfolio
- 3 Cash flow type



TOP TEN REVENUE COUNTERPARTIES	% OF TOTAL PORTFOLIO
Power NI Energy Limited	12.2%
Ecotricity Limited	8.6%
Bespoke Supportive Tenancies Limited	7.2%
Statkraft Markets GmbH	5.4%
Ørsted AS	4.8%
Office of Gas and Electricity Markets	4.8%
British Gas Trading Limited	4.4%
Smartestenergy Limited	4.3%
Good Energy Limited	4.3%
Npower Limited	4.0%

TOP TEN PROJECT SERVICE PROVIDERS	% OF TOTAL PORTFOLIO
Vestas Celtic Wind Technology Limited	11.2%
A Shade Greener Maintenance Limited	8.6%
PSH Operations Limited	8.6%
Burmeister and Wain Scandinavian Contractor AS	7.1%
Solar Maintenance Services Limited	5.4%
Engie FM Limited	5.0%
Ørsted AS	4.8%
Urbaser Energy Limited	3.9%
Atlantic Biogas Ltd	3.5%
Agrikomp Limited	3.0%

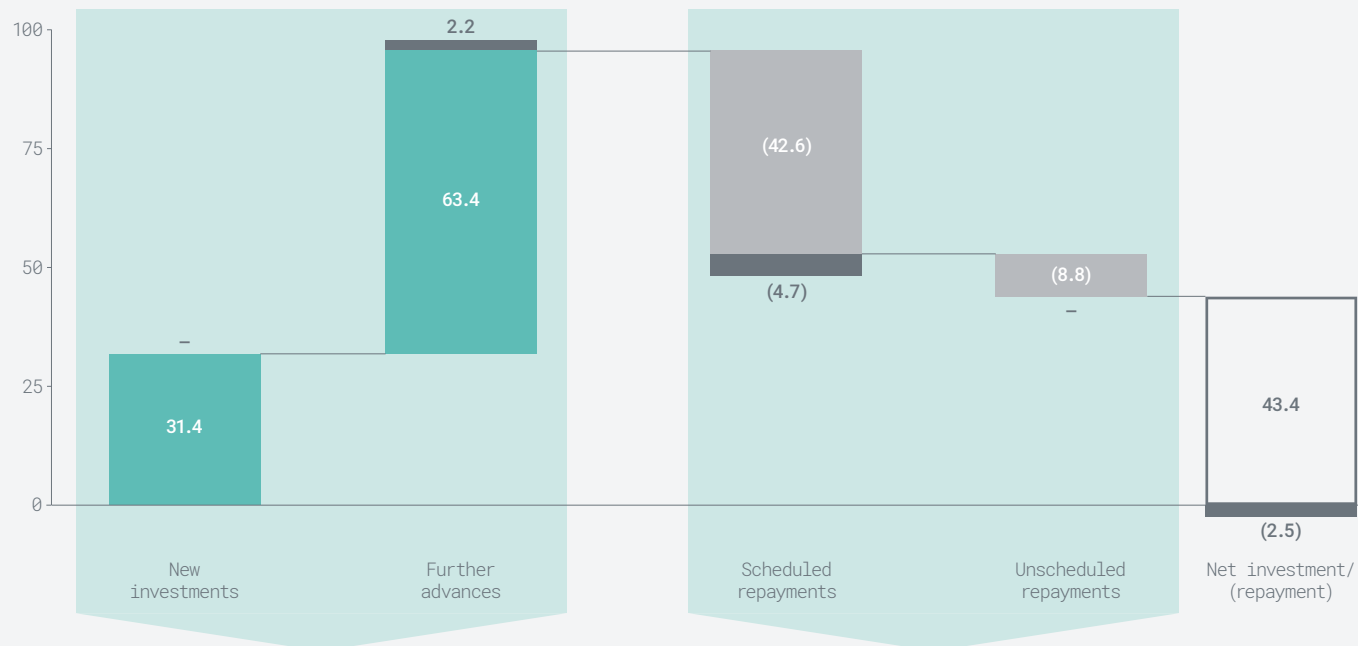
1. The Cardale loan is secured on a cross-collateralised basis against 18 individual operational PFI projects.
2. GCP Bridge Holdings is secured against a portfolio of six infrastructure investments in the renewable energy and PPP/PFI sectors.
3. GCP Programme Funding 1 Ltd Series 1 Notes.
4. Gravis Asset Holdings Senior Secured H Notes.
5. GCP Social Housing 1 Ltd D Notes.

Portfolio overview

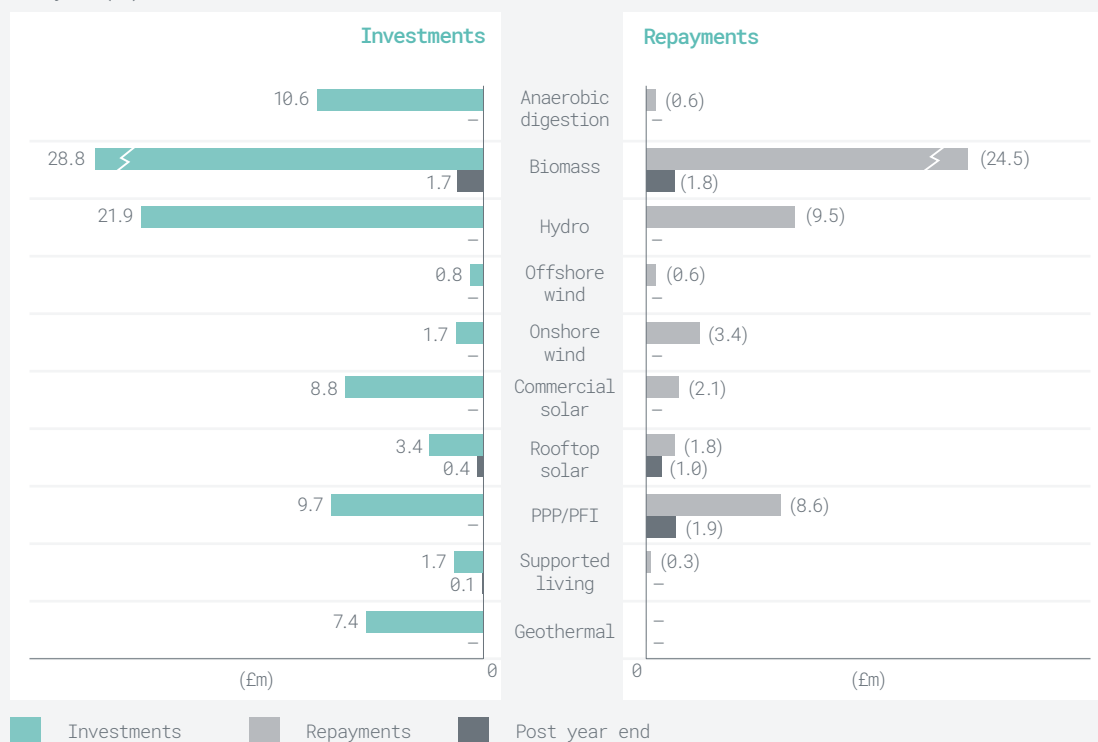
In the reporting year, the valuation of the portfolio increased by £65.4 million to a total value of £1.1 billion. The portfolio generated net unrealised valuation gains of £22.0 million, predominantly attributable to revaluations in respect of high near-term electricity futures prices in the period. Investments made and repayments received during the year are summarised in the chart below:

INVESTMENT ANALYSIS FOR YEAR ENDED 30 SEPTEMBER 2021

Investments and repayments (£m)



Sector analysis (£m)

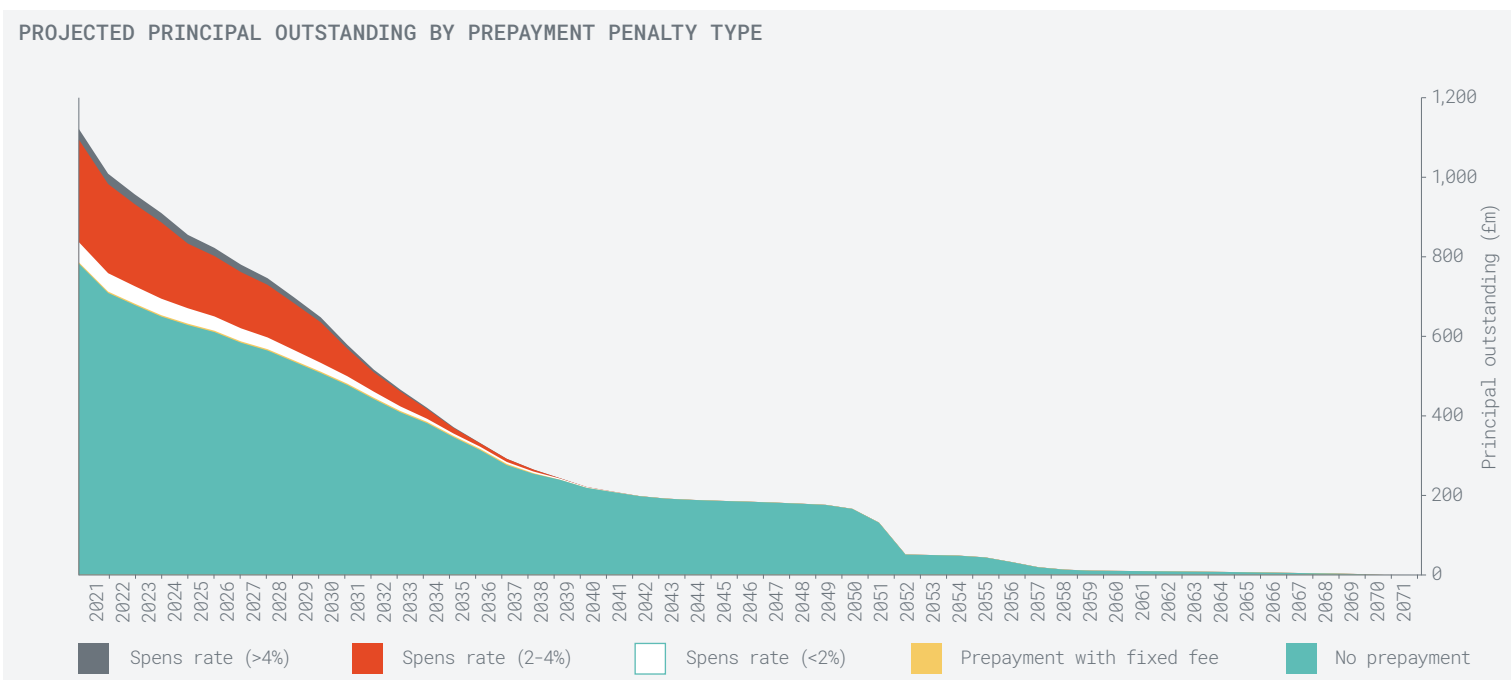
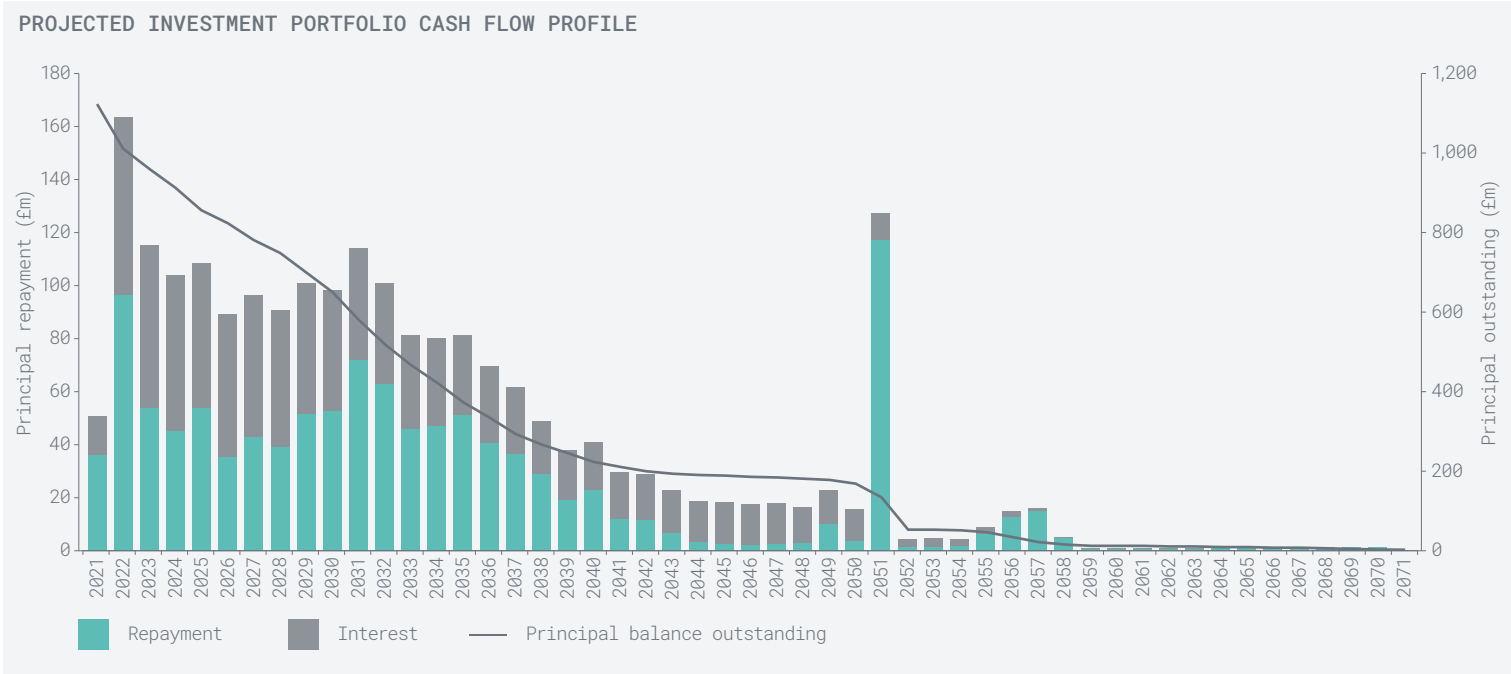


INVESTMENT PORTFOLIO CONTINUED

PORTFOLIO SUMMARY CONTINUED

Portfolio overview continued

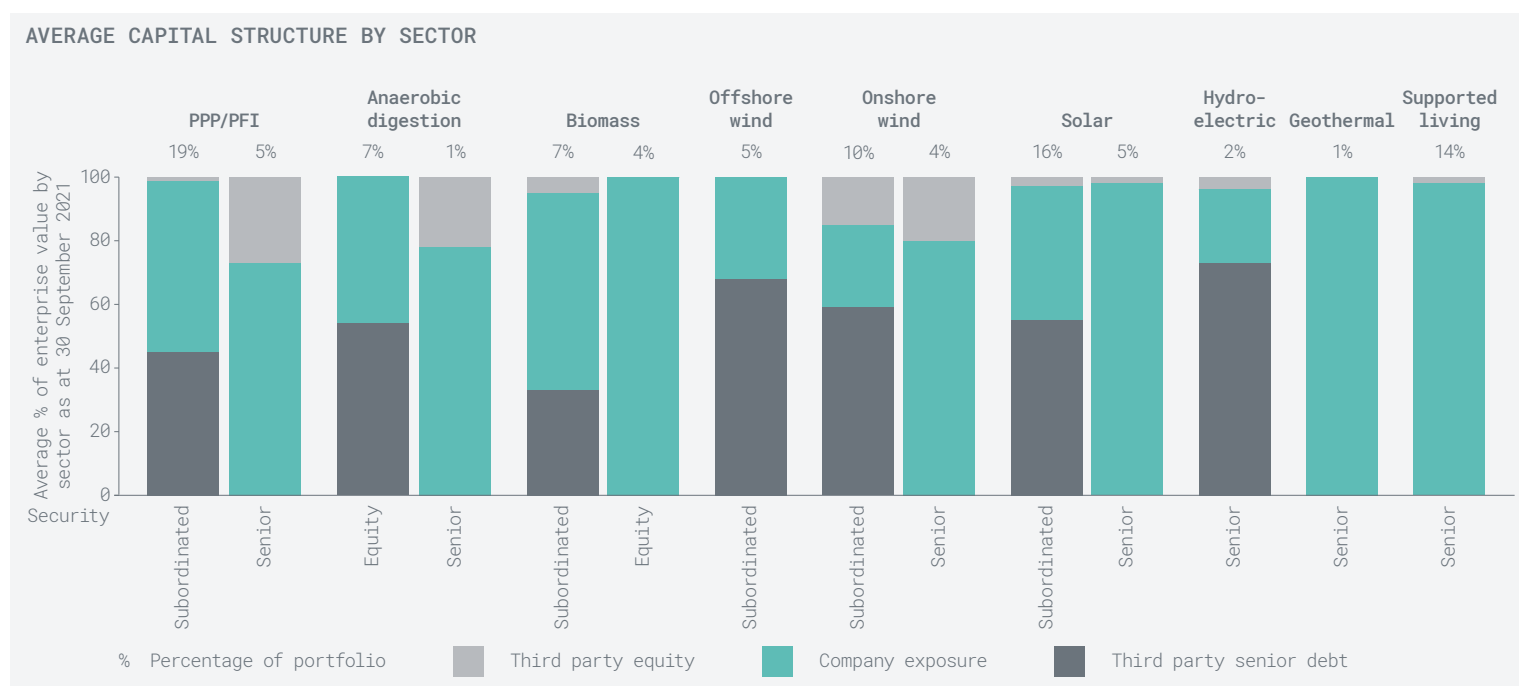
The charts below show the projected cash flows from the investment portfolio and the principal outstanding by prepayment penalty type.



Capital structure

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

The chart below shows, through the position of the coloured bars, the average portion of the capital structure (expressed as a percentage of total enterprise value) to which the Company has exposure. The light grey areas represent third party equity (first loss) positions, the dark grey areas represent third party senior debt positions in each sector, with the green areas representing the Company’s exposure.



Portfolio performance update

The Company’s Valuation Agent, Mazars LLP, carries out a fair market valuation of the Company’s investments on behalf of the Board on a quarterly basis. The valuation principles used by the Valuation Agent are based on a discounted cash flow methodology. A fair value of each asset acquired by the Company is calculated by applying an appropriate discount rate (determined by the Valuation Agent) to the cash flow expected to arise from each asset. The weighted average discount rate used across the Company’s investment portfolio at 30 September 2021 was 7.32%, compared to 7.44% at 30 September 2020. The valuation of investments is sensitive to changes in discount rates and sensitivity analysis detailing this is presented in note 19.3 to the financial statements.

From an operational perspective, the investment portfolio is materially performing in line with expectations. At 30 September 2021, c.1% (30 September 2020: c.5%) of the investment portfolio was exposed to construction stage assets.

The Company continues to be exposed to ongoing audits by Ofgem relating to the accreditation and ongoing compliance of 14 ground-mounted commercial solar projects accredited under the renewables obligation. During the period the Company was not successful in a judicial review relating to the revocation of ROCs on one project. Notwithstanding this outcome, the Company remains confident that it will be able to either or cumulatively: (i) address Ofgem’s queries to prevent or mitigate negative impact on other assets under audit; (ii) successfully challenge any adverse decision by Ofgem on other assets under audit; or (iii) recover losses it incurs from third parties in relation to a breach of investment documentation across all assets.

INVESTMENT PORTFOLIO CONTINUED

PORTFOLIO PERFORMANCE UPDATE

Performance updates

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

VALUATION PERFORMANCE ATTRIBUTION

DRIVER	DESCRIPTION	IMPACT (£M)	IMPACT (PPS)
Electricity price movements ¹	Significant upward movement in short-term electricity prices	50.2	5.69
Electricity price methodology	Change to electricity price assumptions to use futures prices for short-term forecasts and power price consultant estimates for medium and long-term forecasts	19.7	2.23
Discount rate reductions	Reduction in discount rates across the portfolio	13.4	1.52
PPA prices/terms	Fixing power prices on an underlying power purchase agreement and updated terms	1.6	0.19
O&M costs	Replacement of O&M contractor at more favourable rates across renewables portfolio	1.5	0.17
REGOs	Negotiation of increased prices for REGOs with power offtakers	1.0	0.11
Other movements	Other upward movements across the portfolio	0.8	0.09
TOTAL UPWARD VALUATION MOVEMENTS		88.2	10.0
Corporation tax	Impact of taxation changes across underlying portfolio, predominantly due to increased long-term corporation tax rate from 19% to 25% from 2023	(17.3)	(1.96)
Actuals	Impact of actual generation versus forecast on renewables investments driven by very low wind generation	(15.9)	(1.81)
Inflation	Lower inflation driven by the updated (May 2021) OBR medium-term inflation forecast versus previous forecasts	(11.6)	(1.31)
Biomass and anaerobic digestion performance	Additional provision for underperformance and restructuring of investment in Northern Irish anaerobic digestion portfolio	(6.4)	(0.72)
Solar portfolio movements	Impact of expected outcomes arising from ongoing accreditation audits across solar portfolio	(2.9)	(0.33)
Remedial provisions on renewables projects	Impact of provision for cable repairs on offshore wind assets	(0.6)	(0.07)
Litigation funding	Impact of funding requirement of ongoing litigation	(0.3)	(0.03)
TOTAL DOWNWARD VALUATION MOVEMENTS		(55.0)	(6.23)
Interest receipts	Net valuation movements attributable to the timing of debt service payments between periods	(11.2)	(1.26)
Loan prepayments	Unwinding of premia associated with the historic reduction of interest rates	(0.0)	(0.01)
TOTAL OTHER VALUATION MOVEMENTS		(11.2)	(1.27)
TOTAL NET UNREALISED MOVEMENTS ON INVESTMENT PORTFOLIO		22.0	2.50
Commodity swap ²	Derivative financial instrument entered into for the purpose of hedging electricity price movements	(20.9)	(2.36)
TOTAL NET UNREALISED MOVEMENTS ON INVESTMENT PORTFOLIO AFTER HEDGING		1.1	0.14

1. Refer to commodity swap below.

2. The derivative financial instrument is utilised to mitigate volatility in electricity price movements as detailed above, refer to note 18 for further details.

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Pipeline of investment opportunities

The Company has an active pipeline of c.£260 million of investment opportunities under consideration. This is summarised in the table below.

SECTOR	DESCRIPTION	AMOUNT (£M)	RETURN	STAGE
New opportunities				
Anaerobic digestion/biomass	Two anaerobic digestion plants and one biomass plant seeking senior debt for a HoldCo structure	5	7.5%	Termsheet
Anaerobic digestion	Senior debt acquisition finance of two anaerobic digestion CHP plants and one biogas plant	6.5	7.0%	Termsheet
Anaerobic digestion	Three farm-based anaerobic digestion projects. Senior debt provision to management team seeking buyout from current owners	4	7.5%	Due diligence
Forestry	Project seeking to benefit from the government's new Woodland Carbon Guarantee scheme	12	9.0%	Due diligence
Electric vehicles	London taxi operator seeking financing to purchase a fleet of 600 electric taxis from LEVC	28	7.0%	Termsheet
Solar	Subordinated debt to fund the disposal of a portfolio of FiT and ROC ground-mounted and rooftop solar assets	35	7.0%	Pre-termsheet
Solar	Rollout of co-located solar carports and vehicle chargers with local authority counterparties	TBD	7.5%	Pre-termsheet
Hydro/wind	Financing of the disposal of an existing co-mingled fund of hydro and wind assets	TBD	TBD	Pre-termsheet
Battery storage/flexible generation	Senior debt finance to fund the construction of a portfolio of battery storage and gas peaking assets	100	8.0%	Pre-termsheet
		190.5		
Portfolio follow-on opportunities				
Biomass	Purchase of senior loans and restructure of capital in an existing biomass project	25	7.25%	Termsheet
Biomass	Purchase of senior loans and restructure of capital in an existing biomass project	45	7.5%	n/a
PPP/PFI	Financing the acquisition of minority stakes in Scottish PPP/PFI projects	0.5	7.0%	Pre-termsheet
Solar	Extension to an existing solar project	TBD	TBD	Development
		70.5		

INVESTMENT PORTFOLIO CONTINUED






PORTFOLIO PERFORMANCE UPDATE CONTINUED

Portfolio sensitivities

This section details the sensitivity of the value of the investment portfolio to a number of the risk factors to which it is exposed. A summary of the overall investment portfolio risks, and the Investment Adviser's view of the changes in risk, can be found on pages 17 and 18. Sensitivity analysis to changes in discount rates changes on the valuation of financial assets is presented in note 19.3 to the financial statements.

Renewables valuations

As part of the Company's half-yearly report and financial statements, the Investment Adviser presented the valuation sensitivity of the Company's renewable portfolio, recognising an increasingly divergent view in a number of valuation assumptions that is observed within the Company's renewable energy peer group. The sensitivity analysis previously reported has been updated at the year end and is presented in the table below.

ASSUMPTION	COMPANY APPROACH	MARKET APPROACH AND SENSITIVITY		
		LOWER VALUATIONS	COMPANY VALUATION SENSITIVITY ¹ (PPS)	HIGHER VALUATIONS
ELECTRICITY PRICE FORECAST ²	Futures (three years) and Afry four quarter average long term	Afry Q3 2021	(3.79)  4.78	Aurora Q3 2021
CAPTURE PRICES (WIND, SOLAR)	Average capture prices of c.10% discount to baseload applied to wind	Capture price discount of 15%	(0.97)  2.09	None assumed
ASSET LIFE	Lesser of planning, lease, technical life (20 to 25 years)	Contractual limitations	-  3.20	Wind = 30 years Solar = 40 years
INDEXATION	OBR short term, 2.5% RPI and 2.0% CPI long term	2.5% RPI and 2.0% CPI long term	-  2.23	3%+
TAX	Long-term corporation tax assumption of 25% from 1 April 2023	Long-term corporation tax at 25%	-  0.96	Short-term corporation tax at 25%

1. Impact on NAV per share between higher and lower valuation assumptions.

2. In March 2021, the Company updated its approach to long-term electricity price forecasts, refer to below for further detail.

Electricity prices

A number of the Company's investments rely on market electricity prices for a proportion of their revenues. Changes in electricity prices may therefore impact on a borrower's ability to service debt or, in cases where the Company has taken enforcement action and/or has direct exposure through its investment structure, impact on overall returns.

The Company amended its approach to forecasting electricity prices during the year. Previously, the Company had based its long-term forecast on the average of the last four quarterly publications from Afry, an independent market consultant (the "Afry Average"). The Company now uses the quoted futures prices for the three year period immediately after a valuation date, and the Afry Average thereafter.

The table below shows the forecast impact on the portfolio of a given percentage change in electricity prices over the full life of the forecast period, the impact of hedging arrangements for the winter 2021/22 period and the subsequent net impact on a pence per share basis. For further information on the Company's hedging arrangements refer to page 32 and in note 18 to the financial statements.

SENSITIVITY APPLIED TO BASE CASE ELECTRICITY PRICE FORECAST ASSUMPTION

	(10%)	(5%)	0%	5%	10%
Portfolio sensitivity (pence per share)	(5.75)	(2.81)	—	2.42	4.84
Hedge sensitivity (pence per share)	0.39	0.19	—	(0.19)	(0.39)
Net sensitivity (pence per share)	(5.36)	(2.62)	—	2.23	4.45

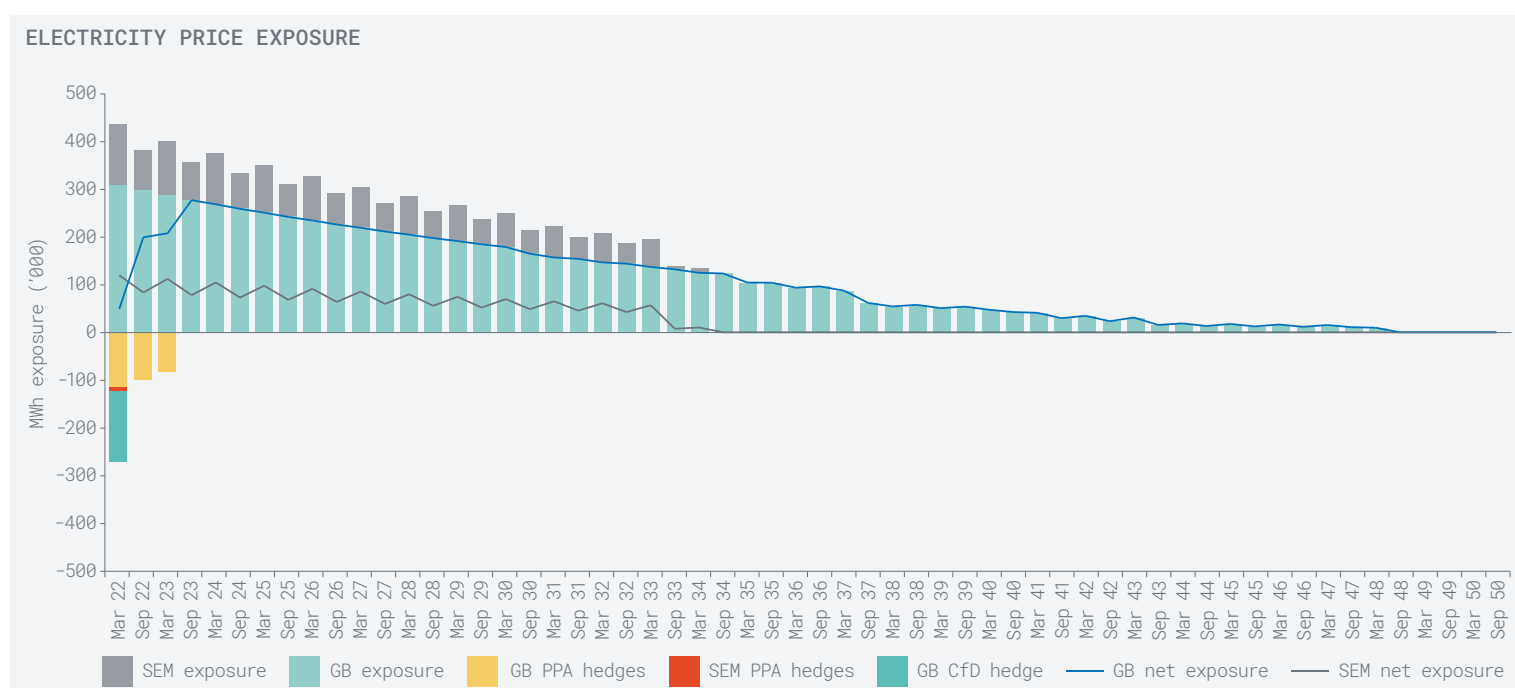
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Hedging

As further detailed in note 18 to the financial statements, the Company entered into a financial derivative arrangement to hedge a portion of its financial exposure to electricity prices during the year. The Company will continue to lock-in attractive electricity prices through fixing prices under power purchase agreements at an asset level and mitigating volatility through entering into hedging arrangements at Company level.

The chart below shows the Company's financial valuation exposure to the GB market and the Irish single electricity market ("SEM"), alongside the offsetting fixed price hedges entered into as part of asset-level PPAs and the Company's commodity swap arrangement for the winter 2021/22 period with resulting net exposure positions. The Investment Adviser and Board will continue to review the hedging strategy on an ongoing basis with the objective of mitigating excessive NAV volatility and managing risks relating to hedging, including credit and cash flow impacts.



Inflation

A number of the Company's investments (making up c.44% of the investment portfolio by value) have some form of inflation protection. This is structured as a direct link between the return and realised inflation (relevant to the supported living assets and certain renewables) and a principal indexation mechanism which increases the principal value of the Company's loans outstanding by a share of realised inflation over a pre-determined strike level (typically 2.75-3.00%). The table below summarises the change in interest accruals and potential NAV impact that would be associated with a movement in inflation.

SENSITIVITY APPLIED TO BASE CASE

INFLATION FORECAST ASSUMPTION	(2.0%)	(1.5%)	(1.0%)	(0.5%)	0%	0.5%	1.0%	1.5%	2.0%
NAV impact (pence per share)	(10.79)	(8.37)	(5.76)	(2.98)	—	3.24	6.99	10.94	15.17

Covid-19 analysis

The Company's focus on availability (rather than demand) based cash flows has served it well during the Covid-19 pandemic. At the time of writing there is uncertainty going into winter 2021/22 with cases rising and some restrictions having been renewed.

The Investment Adviser is confident that the portfolio remains defensive and its performance is non-correlated with any wider market impacts that may be associated with the reinstatement of restrictions. Where required, project operational

structures have been successfully adapted to work alongside government guidance relating to social distancing, isolation and other relevant responses to Covid-19.

The Investment Adviser and other service providers continue to effectively provide services to the Company having enabled business continuity plans during the pandemic across all areas of the Company's activities.

It is looking increasingly likely that the world will need to learn to live with Covid-19, certainly in the short to medium term. The shift from pandemic to endemic has practical implications such as days' work lost and supply chain issues. With the assistance of the Investment Adviser and other service providers, the Board continues to actively monitor the situation.

FINANCIAL REVIEW

The Company made investments of £94.8 million during the year. Dividends of 7.0 pence per share were paid and the Company's total shareholder return¹ for the year was -7.9%.

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Financial performance

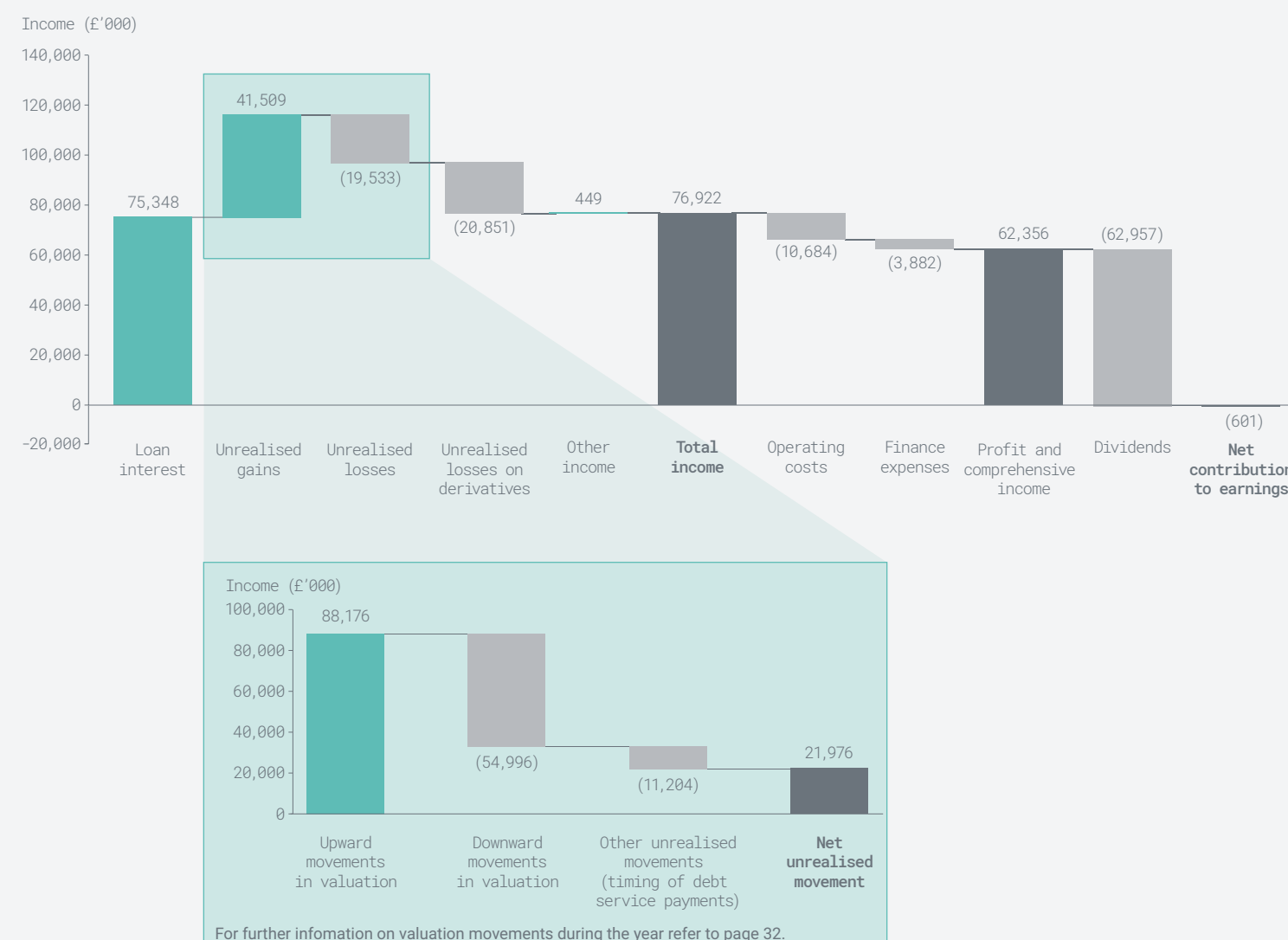
It has been a year of two halves for the Company. The first half was characterised by downward valuation movements driven by reductions to long-term electricity price forecasts, which largely unwound due to the high near-term electricity futures prices during the second half of the year. Overall, the Company achieved total comprehensive income of £62.4 million for the year (30 September 2020: total comprehensive loss of £0.7 million).

Total income generated by the Company was £76.9 million (30 September 2020: £16.0 million), comprising loan interest of £75.3 million (refer to note 3) and net unrealised valuation gains on investments of £22.0 million, predominantly attributable to revisions to electricity price forecasts. The Company entered into a hedge arrangement during the year to reduce its exposure to the volatility of electricity prices. Net unrealised losses on the derivative financial instruments at the year end were £20.9 million.

Total income is offset by operating costs for the year of £10.7 million (30 September 2020: £12.1 million) which include the Investment Adviser's fee and other third party service provider costs. These, and other, costs remain broadly in line with previous years.

The Company remains modestly geared at the year end, with £165 million drawn on its revolving credit facilities, representing a loan to value¹ (borrowings as a percentage of net assets) of 18%. The Company replaced its revolving credit arrangements in March 2021 on expiry of the previous facility. Finance costs have reduced year on year due to lower amounts drawn on the RCF, with £3.9 million incurred for the year (30 September 2020: £4.7 million).

INCOME ANALYSIS – YEAR ENDED 30 SEPTEMBER 2021



1. Alternative performance measure ("APM"); for definition and calculation methodology, refer to APMs section on pages 124 and 125.

FINANCIAL REVIEW CONTINUED

Financial performance continued

Total profit/(loss) and comprehensive income/(loss) has improved from a loss of £0.7 million in the prior year to a profit of £62.4 million, primarily as a result of valuation gains over the second half of the year, offsetting the impact of lower electricity price forecasts during the first half.

The Company's performance is summarised in the chart on previous page, with unrealised gains and losses disaggregated. For further information, refer to the investment portfolio section on page 32 and in note 3 to the financial statements.

Ongoing charges

The Company's ongoing charges ratio¹, calculated in accordance with the AIC methodology, was 1.1% for the year ended 30 September 2021 (30 September 2020: 1.1%).

Revolving credit facilities

The Company had credit arrangements of £165 million in place at year end across four lenders, RBSI, Lloyds Bank plc, Allied Irish Bank and Clydesdale Bank, of which £165 million was drawn. The terms in place at year end are summarised below:

Facility	Size	Margin	Expiry
Revolving tranche	£165m	200bps	March 2024

Further details are disclosed in note 15 to the financial statements.

Net assets

The net assets of the Company have increased from £914.8 million at 30 September 2020 to £916.8 million at 30 September 2021.

The Company's NAV per share has decreased from 103.99 pence at the prior year end to 103.92 pence at 30 September 2021, a fall of 0.07%.

Cash generation

The Company received debt service payments of £100.7 million (30 September 2020: £215.2 million) during the year, comprising £49.3 million of cash interest payments and £51.4 million of loan principal repayments (30 September 2020: £50.2 million and £165.0 million). The Company paid cash dividends of £60.3 million during the year (30 September 2020: £64.5 million). The Company aims to manage its cash position effectively by minimising cash balances, while maintaining the financial flexibility to pursue a pipeline of investment opportunities. This is achieved through active monitoring of cash held, income generated from the portfolio and efficient use of the Company's revolving credit facilities.

Hedging

The Company entered into arrangements to hedge its financial exposure to electricity prices during the period. The Investment Adviser recommended hedging c.75% of the Company's exposure to the UK electricity market for winter 2021/22 at a price of £89.60/MWh. The mark-to-market of the hedge at 30 September 2021 was a liability of £20.9 million (30 September 2020: £nil). Further detail on the Company's electricity price exposure and hedging strategy can be found on pages 34 and 35.

Share price performance

The Company's total shareholder return¹ was -7.9% (30 September 2020: -2.0%) for the year and 102.3% since IPO in 2010. The Company has generally continued to trade at a premium¹ to NAV, with an average of 2.8% for the year and a discount of 3.4% at the year end. The share price at 30 September 2021 was 100.40 pence per share, being the last trading day of the financial year.

Further details on share movements are disclosed in note 16 to the financial statements.

Dividends

The Company aims to provide shareholders with regular, sustained, long-term dividends. For the year ended 30 September 2021, the Company paid a dividend of 7.0 pence per share in respect of the year (30 September 2020: 7.6 pence per share). The 2020 fourth interim dividend and the 2021 first, second and third interim dividends were paid out of capital as a result of downward revaluation movements on investments, at the time the dividends were approved by the Board.

The Board and Investment Adviser do not believe there have been any material changes in the Company's ability to service sustained, long-term dividends since the assessment carried out in early 2020 that established a dividend target² of 7.0 pence per share for this financial year. As such, the Company has set a target² at the same level, 7.0 pence per ordinary share, for the forthcoming financial year. The Company maintains an attractive pipeline of investment opportunities that will generate returns in excess of the reinvestment rate assumed during the 2020 exercise, further supporting the sustainability of the target² in the medium term.

1. Alternative performance measure ("APM"); for definition and calculation methodology, refer to APMs section on pages 124 and 125.

2. The dividend target set out above is a target only and not a profit forecast or estimate and there can be no assurance that it will be met.

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Dividend cover

In determining the dividend target¹ of 7.0 pence per share for the forthcoming financial year, the Board and Investment Adviser reviewed the sustainability of the dividend level against a number of metrics, most notably the alternative performance measure based on interest income accruing to the benefit of the Company from the underlying investment portfolio; loan interest accrued².

The Board recognises there are a number of methods of assessing dividend coverage. The Board and the Investment Adviser consider this metric to be a key measure of dividend cover during the applicable year alongside earnings cover² calculated using IFRS metrics. The loan interest accrued² metric adjusts for the impact of pull-to-par, which is a feature of measuring dividend coverage through earnings as presented under IFRS.

EARNINGS COVER	NOTES	30 SEPTEMBER 2021		30 SEPTEMBER 2020	
		£'000	PPS	£'000	PPS
Total (loss)/profit and comprehensive (loss)/income		62,356	7.08	(726)	(0.08)
Dividends in respect of the year	9	62,957	7.15	66,755	7.60
EARNINGS COVER² (TIMES COVERED)			0.99		(0.01)

ADJUSTED EARNINGS COVER	NOTES	30 SEPTEMBER 2021		30 SEPTEMBER 2020	
		£'000	PPS	£'000	PPS
Loan interest accrued ²		83,623	9.50	83,950	9.56
Other income	3	449	0.05	9	0.00
Total expenses	5, 20	(10,684)	(1.21)	(12,070)	(1.37)
Finance costs	6	(3,882)	(0.44)	(4,652)	(0.53)
Adjusted net earnings		69,506	7.90	67,237	7.65
Dividends in respect of the year	9	62,957	7.15	66,755	7.60
ADJUSTED EARNINGS COVER² (TIMES COVERED)			1.11		1.01

CASH EARNINGS COVER	NOTES	30 SEPTEMBER 2021		30 SEPTEMBER 2020	
		£'000	PPS	£'000	PPS
Loan interest received	3	49,282	5.60	50,219	5.72
Repayment of financial assets	11	51,376	5.83	165,002	18.78
Total expenses paid ²		(10,806)	(1.23)	(11,791)	(1.34)
Finance costs paid		(3,568)	(0.41)	(4,280)	(0.49)
Total net cash received ²		86,284	9.79	199,150	22.67
Dividends in respect of the year	9	62,957	7.15	66,755	7.60
CASH EARNINGS COVER² (TIMES COVERED)			1.37		2.98

	NOTES	30 SEPTEMBER	30 SEPTEMBER
		2021	2020
		SHARES	SHARES
Weighted average number of shares	10	880,705,368	878,496,776

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

1. The dividend target set out above is a target only and not a profit forecast or estimate and there can be no assurance that it will be met.

2. Alternative performance measure ("APM"); for definition and calculation methodology, refer to the APMs section on pages 124 and 125.

SUSTAINABILITY

The Company's activities contribute to the green economy. Through its investments in renewable energy projects, the Company contributes to the avoidance of greenhouse gas emissions into the atmosphere.



Task Force on Climate-related Financial Disclosures ("TCFD")

The Board intends to adopt the recommendations of the TCFD when applicable and where appropriate, and has made additional disclosures this year in relation to the Company, as detailed below.



Governance

The regulatory and legislative landscape relating to ESG continues to evolve rapidly. The recent merger of the International Reporting Council and the Sustainability Accounting Standards Board to create the Value Reporting Foundation, which has in turn recently merged with the new International Sustainability Standards Board ("ISSB") under the IFRS Foundation, is a further step towards developing a coherent corporate reporting system, closely aligned to the IFRS standards. The EU has also implemented the Sustainable Finance Disclosure Regulation ("SFDR") and the UK is shortly to implement recommendations from the TCFD set out by the International Financial Stability Board. A climate-related financial disclosure standard could be published in June 2022 by the ISSB, built on the existing work of the above standard-setters and framework providers. The ultimate goal of this strong progress towards global ESG standard is to make it both easier for businesses to provide comprehensive and comparable data to investors

and other stakeholders and to act as a driver for the necessary progress required towards sustainability goals.

The Board and the Investment Adviser intend to use external consultants and purchase expertise, including recruiting where needed, whilst continually learning and developing and working with third party service providers and suppliers. The Board's goal is to make disclosures in line with TCFD when it applies to the Company; considered by way of materiality in a qualitative as well as quantitative manner. The Board considers best practice application of ESG principles as paramount in the Company's operations, the assets within its investment portfolio and the operations of its advisers. Whilst ownership remains a Board responsibility, one Director, Dawn Crichard, has been allocated specific responsibility for considerations of broader ESG themes and ensuring the Company continues to develop its strong commitment to sustainability.

Currently, one-third of the Board Directors are female and as the Board actively progresses its succession plan, it is mindful of Sir John Parker's report on the ethnic diversity of boards. The Board considers diversity in all its forms important and will seek to ensure that the candidate pool for the next new appointment is appropriately diverse. Following on from this, aware of its social responsibility towards increasing the pool of Board-ready candidates, the Board anticipates participating in a 'board apprentice' scheme in the near future.

The way in which the Company complies with its governance requirements and responsibilities is described on pages 64 to 89.

The Investment Adviser adopts the principles of the UK Stewardship Code 2020. Its annual Stewardship Code Report is publicly available on its website.



Strategy

The Company's investment objectives are to provide its shareholders with regular, sustained, long-term distributions and to preserve the capital value of its investment assets over the long term by generating exposure to infrastructure debt and related and/or similar assets. At the year end, the Company's diversified portfolio of loans was invested 62% in renewable energy (including wind, solar, anaerobic digestion, biomass, geothermal and hydro-electric) with the remainder invested 14% in supported living and 24% in PPP/PFI.

All investments are located within the UK. Infrastructure, by definition, has a core social purpose. With the Company's long-term investments in renewables, assets such as schools and hospitals in the PFI portfolio

and social housing focused on the provision of accommodation for vulnerable adults, the portfolio makes a significant positive impact, through contributing towards the reduction of greenhouse gas emissions into the atmosphere and in providing the financing of infrastructure that has clear benefits to end users within society.

ESG scoring

The Investment Adviser includes an assessment of ESG characteristics (using a RAG rating) in every investment proposal submitted to the Company's Investment Committee for approval. Prior to a new investment being approved, the Investment Adviser assesses how the investment rates against key relevant ESG criteria, laid out in an ESG checklist tailored for the Company.

The checklist typically covers the counterparty's commitment and capability to effectively identify, monitor and manage potential ESG-related risks and opportunities, and, to the extent applicable, the availability of relevant policies and procedures, alignment with industry or investment specific standards and ratings, and compliance with relevant ESG-related regulation and legislation.

The Investment Adviser is a signatory to the PRI. Its responsible investment policy can be found on its website. The policy sets out its commitment to responsible investment and investment processes within its organisation.



SUSTAINABILITY CONTINUED

Climate change has become an increasingly important issue in the UK and globally.



Strategy continued

Climate change impact

The Company has invested in projects which may be physically impacted as a direct result of climate change. The Board considers climate change risk, both physical and transitional as an emerging risk to the Company; see page 61 for further detail. A summary of the potential physical impact on the Company's portfolio is included below:

Portfolio sector

RENEWABLES



Potential climate impact

Hotter global temperatures. Higher incidence of extreme weather events. More frequent floods and more intense and frequent storms placing significant pressures on energy infrastructure.

SUPPORTED LIVING



Potential climate impact

Hotter global temperatures leading to overheating in homes and that particularly affects vulnerable people.

PPP/PFI



Potential climate impact

More frequent floods, fires and other extreme weather events impacting public service infrastructure.

Potential portfolio impact

Short term:

Temperature impacts the efficiency of solar panels. Wind turbines are shut down during high winds. Flooding has the potential to damage hydro assets.

Long term:

Increased solar irradiation would be broadly positive for solar; however, higher temperatures may negatively impact key components. More storms could be negative for hydro plants and wind energy production causing damage to parts, power lines, transmission grids and offshore infrastructure.

Short term:

Higher temperatures during the summer months are likely to make the inhabitants less comfortable.

Long term:

More frequent extreme events may cause damage to buildings and pose a risk to inhabitants.

Short term:

Floods increase the risk of contaminated water and related infectious diseases; fires and other extreme weather events cause potential damage to public buildings.

Long term:

Significant impacts on this sector by putting localised strain on public services and potentially leading to closure of services. Implications for mental health amongst the local population.

Climate opportunity

Through funding renewable energy projects, the Company contributes to the avoidance of CO₂ emissions into the atmosphere through the production of green energy.

Through the construction of energy efficient homes and the retrofitting of existing stock, the Company is helping to avoid CO₂ emissions into the atmosphere.

Through the funding of modern energy efficient facilities, the Company is helping to avoid CO₂ emissions into the atmosphere.



Risk management

The Board of Directors is directly or indirectly addressing climate-related risks and opportunities when evaluating and approving new investments, including an ESG risk and impact assessment completed for each new investment.

The portfolio is diversified across a number of asset classes and ESG processes are embedded in investment decision making. The importance of the Investment Adviser's engagement and influence in helping portfolio companies improve their ESG performance is crucial. The Investment Adviser has established a responsible investment policy and a responsible investment committee to monitor and implement ESG initiatives. The committee comprises senior personnel and reports to the Investment Adviser's executive committee. Any issues arising are reported to the Board as part of regular reporting processes.

As part of the Investment Adviser's due diligence process, environmental impact assessments are carried out on each asset. The Investment Adviser also carries out ongoing performance monitoring, including site visits (when possible) by experienced personnel. Fortnightly updates and quarterly detailed reports on asset performance are provided to the Board.

The way in which the Company manages risk and the principal risks and uncertainties are described on pages 54 to 63. The Board considers climate change as an emerging risk, which is detailed on page 61.



Metrics and targets

The Company funds renewable energy projects which seek to reduce the UK's greenhouse gas emissions. The combined output of the renewables portfolio was c.3,400 GWh for the year ended 30 September 2021, which is the equivalent of avoided emissions of nearly a million tonnes of CO₂ from the atmosphere every year.

In October 2020, the Company was recognised by the London Stock Exchange and awarded the Green Economy Mark. This classification was created to highlight companies that are driving the global green economy.

The decision by the FCA to exclude investment companies from the TCFD disclosure requirements at this time reflects that, as an investment company, the Company does not have a significant environmental impact in its own right. With no employees or property and an outsourced services model, there are no Scope 1 (direct) and Scope 2 (indirect through power demand) climate-related emissions to report, and as a debt fund specifically, Scope 3 (other indirect) emissions would be challenging to measure.

Any reportable greenhouse gas emissions arising from electricity usage in the operation and maintenance of renewable assets in the portfolio (where the Company holds shareholder interests), is not considered material for disclosure purposes. However, the UK target to reduce greenhouse gas emissions to net zero by 2050 means that it is important that Scope 3 emissions are quantified, and with the assistance of the Investment Adviser, the Company is exploring methods of measuring net generation and GHG emissions from the entire investment portfolio.

The Investment Adviser and the Company are currently working towards running their operations on a carbon-neutral basis by 2023. They believe this is the right thing to do as a business in order to help to meet the international target set out by the 2015 Paris Agreement to limit global warming to below 2°C.

The Company is making good progress towards achieving compliance with TCFD, including continuing to develop its approach in relation to metrics and targets.



SUSTAINABILITY CONTINUED

PORTFOLIO SUSTAINABILITY

The Company's philosophy remains, as it has always been, focused on the long-term sustainability of the portfolio. The Board and the Investment Adviser will continually seek to improve how ESG criteria are embedded, integrated, monitored and measured. The sections below explain the approach to each area from a portfolio perspective.

ENVIRONMENTAL

The Company has strong environmental credentials with 62% of its portfolio invested in renewable energy. Generation of electricity from the Company's renewables portfolio avoids the emission of nearly a million tonnes of CO₂ into the atmosphere annually. The Company's investments in renewable assets provide alternative energy sources to fossil fuels. Additionally, biomass and anaerobic digestion projects within the portfolio use many types of waste to produce sustainable fertilisers, avoiding GHG emissions. The Company is therefore contributing to the Government's legally binding targets of reducing CO₂ and equivalent emissions under the Climate Change Act. Each renewable energy project is a small step towards transitioning to a lower carbon economy.

The Company has 14% of its portfolio invested in supported living and 24% in PPP/PFI. The carbon impact of infrastructure contributes a significant proportion of the UK's national emissions from a construction, operation and maintenance perspective. It is expected that the UK's requirement for infrastructure will continue to grow and evolve in the coming years. In meeting these demands, decisions need to be made as to whether to maintain or upgrade existing infrastructure or develop new infrastructure.

The environmental impacts of such activities will be core to the selection of approach. The reality is, however, that much of the UK's existing infrastructure was not designed and constructed with global warming in mind. For example, the well documented increase in extreme weather conditions leads to such issues as over-heating in social housing.

The Company, alongside the Investment Adviser, encourages and, in some cases, directs investments in, the decarbonisation of existing buildings including energy efficient retrofit programmes. The Company is focused on building resilience into the portfolio around the physical risks from extreme weather and the Investment Adviser is developing new and additional ways of monitoring the portfolio in this respect. A new area of concern and consideration that has moved into the screening and monitoring process is that of biodiversity loss, which is increasing at an alarming rate. In 2021, the UK Government published 'The Economics of Biodiversity: The Dasgupta Review'. This report highlighted the continued decline in biodiversity. The Investment Adviser intends to integrate and track this risk within its investment process, including requiring or providing the financing for habitat creation.

The day-to-day provision of investment advice and management of the portfolio is provided by the Investment Adviser. It is critical therefore that sustainability is embedded in all its practices. It applies the following ESG principles during the investment process:



ESG screening

The Investment Adviser has implemented processes to positively screen for investments that promote sustainability or benefit society, including, but not limited to, the areas of climate change mitigation and adaptation, energy transition, critical infrastructure, affordable living, social housing, education and healthcare. The Investment Adviser excludes investments which focus on animal testing, armaments, alcohol production, pornography, tobacco, coal production and power.



ESG scoring

The Investment Adviser includes an assessment of ESG characteristics (using a RAG rating) in every investment proposal submitted to the Company's Investment Committee for approval; refer to page 41 for further detail.

Further information on the Investment Adviser's approach to ESG and responsible investment can be found on its website.



SOCIAL

The Company and its Investment Adviser's approach to corporate social responsibility is integrated within its investment decisions and ongoing portfolio management. Investing in renewables creates job opportunities in supply chains to the benefit of local communities across the UK. Renewables projects require contractors and specialist staff during the labour-intensive construction and installation phase, as well as in operations, maintenance and decommissioning. Every project supports jobs in local communities.

Renewables projects not only have a positive impact on the environment but also have wider benefits to society, improving local communities through 'Community Benefit Funds', where these are implemented. These funds can be used to finance any initiative a community deems appropriate and necessary for their local area, including community-owned renewable energy projects, recreational facilities or equipment for local schools.

Benefits under the protocol are negotiated directly with host communities and tailored to their needs to ensure a positive lasting legacy is achieved.

The Company's investments in supported living have helped fund many properties across the UK. The properties are a mixture of specially adapted residential stock and new purpose-built properties offering high-quality accommodation for people with disabilities. This is an excellent example of effective partnerships with service providers to create quality supported living services. The Investment Adviser pays particular focus on operating to the highest ethical standards in this area due to the vulnerability of some stakeholders.

The Board maintains and monitors a positive dialogue with its key service providers in social and environmental areas. All key service providers including the Investment Adviser and the Administrator regularly report on their efforts and progress in such areas as diversity, environmental and social impact.

Service provider initiatives include policies such as promoting paid rather than unpaid internships, charitable donations and encouraging low carbon office environments as well as business travel. It is envisaged that these initiatives will, in due course, encompass a review of sustainability in supply chains at each organisation.

The Board seeks to understand and address the needs and priorities of the Company's stakeholders in accordance with section 172 of the UK Companies Act 2006, which the Company complies with voluntarily. The way in which the Company engages with shareholders, borrowers, lenders, the public sector, suppliers and local communities is described on pages 48 to 53.



SUSTAINABILITY CONTINUED

PORTFOLIO SUSTAINABILITY CONTINUED

GOVERNANCE

Good governance is essential in achieving the investment strategy, managing risks and producing a positive environmental and societal impact. At portfolio level, good governance is encouraged wherever possible and where practical. The investment documentation issued by the Company includes standard provisions to ensure effective governance within investee companies and the compliance of those companies with applicable environmental, health and safety, anti-money laundering, know your customer and employment requirements.

The Investment Adviser is closely engaged with borrowers on an ongoing basis. Engagement is in the form of regular interaction with the borrowers by the portfolio management teams. Ordinarily, this would include periodic site visits to the underlying assets and their managers. Given the Covid-19 restrictions, there have been fewer opportunities for visits this year; however, in 2021 to date, a number of site visits have been conducted, including visits to the Eden geothermal project (refer to page 17), Birmingham bio power gasification plant (refer to page 21), renewables assets in various UK locations and a secondary school in Scotland.

Site visits are an important aspect of the portfolio management role and can facilitate both technical and commercial benefits. They allow the Investment Adviser to assess the performance of both asset and contractor, and investigate any important project issues. Further, site visits give the Investment Adviser an opportunity to understand the operations and relationships important to each project and its long-term success.

The Board and the Investment Adviser value relationships with borrowers, ensuring time is spent building and maintaining these relationships. By engaging with borrowers and understanding their needs, the Company builds long-lasting relationships beneficial to all parties.

In particular, where the Company is exposed to Registered Providers (“RPs”) that have been graded as non-compliant in respect of governance, the Investment Adviser and the Company’s borrowers continue to work with these RPs to encourage and assist with the improvements required, with good progress having been made this year.



LOOKING FORWARD

Integration of ESG

The Company is making good progress with developing its approach in relation to ESG, including achieving compliance with recommendations of the TCFD.

The Board is committed to upholding best reporting practices on ESG matters, including promoting transparency on the Company's ESG performance.

As the applicable requirements of the SFDR and TCFD become clearer for investment companies, the Board and Investment Adviser will ensure compliance.

LAST YEAR'S ACHIEVEMENTS

Enhanced ESG disclosure in corporate reporting including case studies and disclosure on climate impacts

The Investment Adviser becomes signatory to the PRI in February 2019 and commences work to integrate responsible investment criteria

Awarded the Green Economy Mark by the LSE, in recognition of its contribution to positive environmental outcomes

Appoint consultant and commence project to quantify portfolio net generation and emissions, to establish a baseline and future emission reduction targets

Director allocated specific responsibility for ESG and driving focus on and commitment to sustainability

The Investment Adviser publishes responsible investment policy outlining its commitments as a business

Disclosures on TCFD included in the 2020 annual report for the first time

The Investment Adviser's GHG emissions data collated and CO₂ outputs quantified

THIS YEAR'S ACHIEVEMENTS

Publication of first Company ESG update encompassing current approach and future aspirations

The Investment Adviser publishes its first responsible investment report for the financial year

Engages external consultant to undertake a perception study, to obtain stakeholder opinions from a strategic and ESG perspective

Initial discussions held with independent specialists and project scope further developed

Director appointed formally as ESG representative on the Board

ESG considerations formally integrated into investment processes in accordance with the PRI

Disclosures on TCFD further expanded for the 2021 annual report

The Investment Adviser's carbon offsetting scheme launched to offset the impact of its business activities

NEXT YEAR'S AIMS AND AMBITIONS

Development of corporate communications and enhance data capture at portfolio level

Promoting transparency on ESG-related data by obtaining third party assurance

Continued focus on engagement with all key stakeholders from an ESG perspective

Appoint external consultant and commence project to quantify portfolio emissions and net generation to establish a baseline and future emission reduction targets

Management Engagement Committee to be expanded to develop and oversee the implementation of the Company's ESG policies

Further development by the Investment Adviser of ESG indicators to monitor and report ESG impacts and progress

Developing TCFD disclosures further for the 2022 annual report

The Investment Adviser and the Company to continue to work towards achieving carbon neutrality by 2023

STAKEHOLDERS

Stakeholders are integral to the long-term sustainable success of the Company. They include shareholders, borrowers, lenders, the public sector, suppliers and local communities.



Stakeholders

As a member of the AIC, the Company reports against the AIC Code on a comply or explain basis. Whilst the Company is not domiciled in the UK, by reporting against the AIC Code, the Company voluntarily meets any obligations in relation to the 2018 UK Corporate Governance Code and specifically section 172 of the UK Companies Act 2006.

The Directors seek to understand the needs and priorities of the Company's stakeholders in accordance with section 172 of the UK Companies Act 2006. All Board discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders.

The Board believes that the Company's key stakeholders comprise of shareholders, borrowers, lenders, the public sector, suppliers and local communities. This section sets out why and how the Company engages with these stakeholders and the actions taken by it to ensure that their interests are considered in the Board's decision making.

The Board always aims to be fair and balanced in its approach. The needs of different stakeholders are considered as well as the consequences of any decision in the long term.

The stakeholder model on page 50 demonstrates how the Company interacts with its stakeholders. These relationships provide the foundation for the Company's sustainability, which in return provides benefits to all parties. The Board values the importance of maintaining a high standard of business conduct and stakeholder engagement and ensuring a positive impact on the environment in which the Company operates.

The Directors recognise that, both individually and collectively, their overarching duty is to act in good faith and in a way that is most likely to promote the success of the Company as set out in section 172 of the UK Companies Act 2006 for the benefit of shareholders and in the interests of stakeholders as a whole, having regard, amongst other matters, to the likely consequences of any decision in the long term to the adjacent considerations.

Section 172:

PROMOTING THE SUCCESS OF THE COMPANY

The Board of Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in section 172 of the Companies Act 2006) in the decisions taken during the year as set out below.



The interests of the Company's employees

The Company has no employees but has close working relationships with the employees of the Investment Adviser and the Administrator to which it outsources its main functions.

Refer to stakeholder engagement section on pages 50 to 53 and to the governance section on pages 64 to 89.



The need to foster the Company's business relationships with suppliers, customers and others

The Board has a close working relationship with all its advisers and regularly engages with all parties.

Refer to stakeholder engagement section on pages 50 to 53.



The impact of the Company's operations on the community and the environment

The Company's activities are beneficial to the environment as they comprise, in part, renewable energy investments that positively impact the environment and climate change, regulatory and UK Government targets.

Refer to sustainability section on pages 40 to 47.



The desirability of the Company maintaining a reputation for high standards of business conduct

Under the leadership of the Chairman, the Board operates with core values of integrity and impartiality with an aim of maintaining a reputation for high standards in all areas of the business it conducts.

Refer to Board values and culture on page 73 of the corporate governance statement.



The need to act fairly between shareholders of the Company

The Board actively engages with shareholders and considers their interests when setting the Company's strategy.

Refer to stakeholder engagement section on pages 50 to 53.

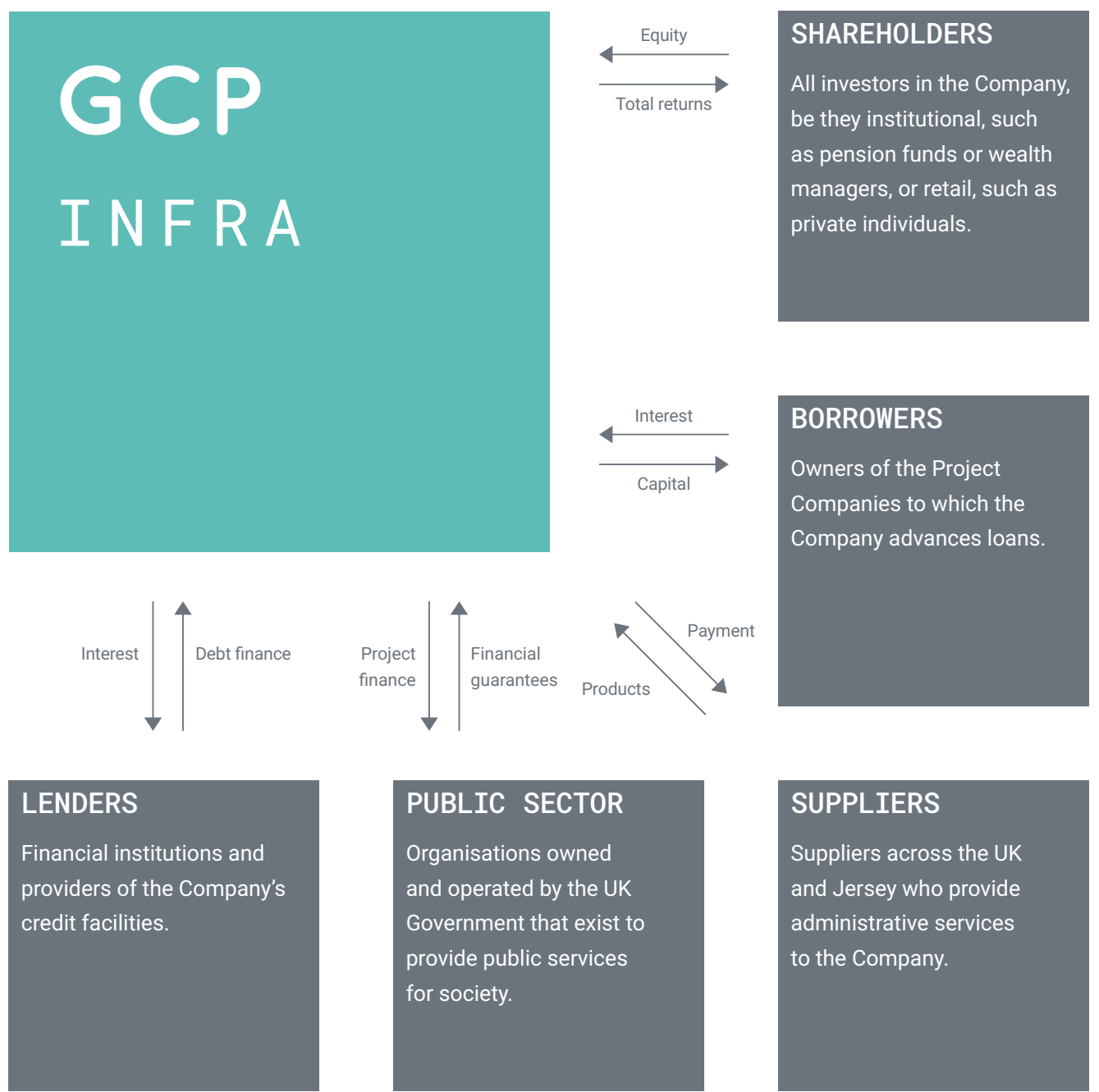
STAKEHOLDERS CONTINUED

STAKEHOLDER ENGAGEMENT

This section sets out why and how the Company engages with stakeholders and the actions taken to ensure that their interests are taken into account in the Board’s decision making.

SOCIETY

The Company makes a positive impact through its investments in renewables and assets such as schools and hospitals which are integral to society.



SHAREHOLDERS

All investors in the Company, be they institutional, such as pension funds or wealth managers, or retail, such as private individuals.

Why engage

The Company creates earnings that benefit shareholders through dividend income. The Board and the Investment Adviser recognise the importance of engaging with shareholders on a regular basis in order to maintain a high level of transparency and accountability, acting fairly and to inform the Company's decision making and future strategy.

How the Company engages

The Company, primarily through its Investment Adviser and Corporate Broker, engage in ongoing communication with its shareholders via market interactions, analyst and marketing presentations and they regularly provide feedback to the Board. The feedback received from shareholders during the course of these interactions is taken into consideration when setting the future strategy of the Company and any Board decisions which may impact shareholders. The Board invites shareholders to attend and vote at general meetings of the Company so that they may discuss governance and strategy with them and to understand their issues and concerns. The Chairman of the Board and the Chair of each committee attend general meetings of the Company to answer any questions posed by shareholders. Further communication with shareholders is achieved through the annual and half-yearly reports, news releases via the LSE and the Company's website. This information is supplemented by the quarterly calculation and publication of the NAV per share on the

LSE and the publication of a quarterly factsheet by the Investment Adviser. The Company's annual and half-yearly reports are dispatched to shareholders by post (where requested) and are also available to download from the Company's website. In the annual report, the Directors seek to provide shareholders with information in sufficient detail to allow them to obtain a reasonable understanding of recent developments affecting the business and the prospects for the Company in the year ahead. The strategic report on pages 8 to 63 provides further information. Communication of up-to-date information is provided through the Company's website.

During the year the Board engaged Rothschild & Co's investor advisory team to conduct a perception study into the current attitudes and opinions of a cross-section of the Company's shareholders and sell-side analysts, both from a strategic planning and a corporate governance and ESG perspective. In the Board's view, being aware of the opinions and views of the Company's shareholders and analysts helps to continually improve communication with

the market and to ensure that the investment proposition is understood. A telephone perception study was carried out in July 2021. The Board met in October 2021 to discuss the findings of the study. Following the discussion, the Board agreed to continue to consider and address the comments arising from the study, with the help of the Investment Adviser, in the coming year. Information about the significant shareholders of the Company is set out on page 89.

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 a general meeting, the Company will consider what, if any, actions it intends to take going forward. For these purposes, the UK Code, the AIC Code and The Investment Association consider 20% or more of votes cast against a board recommendation for a resolution as being 'significant', as opposed to Pensions and Investment Research Consultants Limited ("PIRC"), who consider 10% or more votes cast against a resolution as being significant.

KEY BOARD DECISION: ELECTRICITY PRICE HEDGING

On 15 June 2021, the Company entered into a commodity swap agreement with Axpo Solutions AG on electricity prices. The commodity swap is a derivative financial instrument utilised for the purpose of hedging price volatility in the market.

Process:

In recent years, the Company has increased its exposure to investments where the value of such investments was linked to long-term electricity price forecasts. Recent changes to these forecasts led to a NAV and subsequent share price reduction, as reported in the half-yearly report and financial statements.

Following a Board meeting in February 2021 to discuss power price forecasts used in the investment valuation process, the Investment Adviser offered to review potential hedging arrangements to establish whether this would be a viable option to mitigate the risk posed by volatility in electricity power prices to the investment valuations.

The Board met to discuss the Investment Adviser's proposed electricity hedging arrangement in May 2021, to decide whether it would be in the best interests of shareholders, which included the consideration of a paper prepared by the Investment Adviser. The paper included a current market overview, which included modelling of the current forward curve, alongside the curve used in valuations as part of the March 2021 net asset value; summary of volumes proposed; valuation impact; and impact on sensitivity. The Investment Adviser highlighted that the proposed hedge serves to reduce, not eliminate, the exposure to electricity price movements. The paper also outlined the potential risks including cash requirements and credit arrangements.

The Board discussed the paper in detail with the Investment Adviser and requested additional information in relation to cash flow forecast impacts based on a downside price scenario.

Subsequent to the Board meeting detailed cash flow forecasts were circulated by the Investment Adviser to the Board for review and consideration.

Outcomes:

Following discussion and review of the proposal, including cash flow forecasts, the Board concluded that the proposed hedging arrangement was in the interest of shareholders as it would help to reduce the volatility in the valuation of investments impacted by electricity power price fluctuations. This would in turn help to support the share price and total returns for investors going forward.

The Board therefore approved the Investment Adviser's proposal and the Company entered into a commodity swap agreement with Axpo Solutions AG as part of the hedging arrangement.

Further information can be found in note 18 to the financial statements.

STAKEHOLDERS CONTINUED

STAKEHOLDER ENGAGEMENT CONTINUED

BORROWERS

Owners of the Project Companies to which the Company advances loans.

Why engage

The Company values its relationships with borrowers, ensuring time is spent building and maintaining these relationships. By engaging with borrowers and understanding their needs, the Company can build long-lasting relationships beneficial to both parties. Borrower contact enables direct feedback and informs strategic decision making at Board level.

How the Company engages

The Company has been able to advance a further £63.4 million to current borrowers in the financial year under review, or by way of extensions to existing facilities.

The Investment Adviser is closely engaged with borrowers on an ongoing basis. Engagement is in the form of regular interaction with the borrowers by its dedicated portfolio management team.

The Board takes advantage of all available opportunities to engage with borrowers. In previous years, this has included site visits led by the Investment Adviser. Due to the ongoing Covid-19 pandemic, such visits by the Board have not been possible this year.

SUPPLIERS

Suppliers across the UK and Jersey who provide administrative services to the Company.

Why engage

The Company's suppliers include third party service providers engaged to provide corporate or administration services, in addition to the investment advisory services provided by the Investment Adviser. These services are critical to the ongoing operational performance of the Company. It relies on the performance of third party service providers to perform its main functions.

How the Company engages

The Board has a close working relationship with all its advisers and regularly engages with all parties. The Management Engagement Committee regularly monitors the performance and reviews the terms of each service contract.

This informs decision making at Board level in regard to the continuing appointment of service providers. Further information on the activities of the Management Engagement Committee can be found on page 75.

The Audit and Risk Committee also conducts an annual review of the internal controls of the Investment Adviser and the Administrator; this includes a visit to the offices of the Administrator, refer to page 83 for further detail.

PUBLIC SECTOR

Organisations owned and operated by the UK Government that exist to provide public services for society.

Why engage

Governments and regulators play a central role in shaping the renewable energy, PFI and social housing sector policy. Changes in Government policy may adversely affect the ability of the Company to successfully pursue its investment policy and meet its investment objective or provide favourable returns to shareholders.

How the Company engages

The Company engages with local government and regulatory bodies at regular intervals and participates in focus groups and research projects about the infrastructure sector. UK infrastructure policy informs strategic decision making at Board level with consideration given to the impact the Company has on the sector.

The Company has historically benefited from co-investment alongside public bodies seeking to 'crowd-in' private sector capital and will continue to seek and evaluate such opportunities. In addition, the Company is helping in effort to mobilise private capital to support decarbonisation efforts.

The Company's focus remains on investing in UK infrastructure debt in project companies that own and operate assets that benefit from public sector backed revenues.

The recently published 'UK Net Zero Strategy' sets out a pathway to the UK achieving net zero, as part of which additional capital investment of £50-£60 billion per annum through the late 2020s and 2030s will be required. The Investment Adviser's extensive track record in certain sectors and proven ability to target emerging sectors means the Company is well placed to benefit from investment opportunities associated with the transition to net zero.

SOCIETY

The Company makes a positive impact through its investments in renewables and assets such as schools and hospitals which are integral to society.

Why engage

Through its investments in renewable energy projects and assets such as schools and hospitals, the Company's activities impact the lives of many thousands of people across the UK. The Company is committed to being socially responsible and the Directors consider community involvement to be an important part of that responsibility.

How the Company engages

The Company provides benefits to society through its investing activities, generating green energy and avoiding greenhouse gas emissions into the atmosphere. Further information on green energy generation can be found on page 42.

It also provides funding to numerous areas in the public sector, such as schools, hospitals and fire services.

In addition, the Company has provided financing to operators of social housing, helping to reduce the pressure on local housing stock in the UK.

As part of the investment process, ESG risk and impact assessments are completed, which are reviewed by the Investment Committee to ensure that the impact on local communities is considered in Board decision making.

LENDERS

Financial institutions and providers of the Company's credit facilities.

Why engage

The Company's facilities are used in the making of investments in accordance with the investment policy. These arrangements provide the Company with access to flexible debt finance, enabling it to take advantage of investment opportunities as they arise as opposed to holding cash awaiting investment. Access to these facilities is important in the efficient capital management of the Company.

How the Company engages

Lenders are financial institutions that provide debt finance in the form of revolving credit facilities. The Company, through its Investment Adviser, engages with its lenders on an ongoing

basis. The Company successfully replaced its revolving credit facilities during the year. Further details on the Company's credit facilities can be found in note 15 to the financial statements. These arrangements are anticipated to provide

the Company with continued access to flexible debt finance, enabling it to take advantage of investment opportunities as they arise, and may also be used to manage the Company's working capital requirements from time to time.

KEY BOARD DECISION: REVOLVING CREDIT FACILITY ARRANGEMENT

The Company successfully completed a refinancing process of its pre-existing revolving credit facility during the year with a new facility arrangement entered into in March 2021 and further amended in June 2021.

Process:

At the request of the Investment Committee, the Investment Adviser commenced a project in August 2020 to review possible credit arrangements with existing and potential new lenders in advance of the pre-existing credit facility expiring in March 2021. It was noted that the Investment Adviser would follow an extensive organisational process by:

- (i) reaching out to a subset of lenders;
- (ii) having initial conversations which would identify which parties were interested;
- (iii) monitoring contact and responses via a tracking document; and
- (iv) collating the various indicative terms which would be provided to the Investment Committee for their consideration.

The Investment Adviser updated the Investment Committee in November 2020, which included a summary of lenders that had been approached and their responses. It was noted at the time that interacting with many different institutions had been beneficial for the Company in terms of establishing future relationships. It was reported that out of the 50 banks and institutions that were approached, the Investment Adviser had received positive expressions of interest from 15 lenders, both from traditional bank lenders as well as other institutions, and that a number of the lenders who had responded with interest had subsequently provided indicative terms.

The Investment Adviser outlined why certain lenders had been selected to continue to the next phase of the process, with bank lenders ultimately being the focus over other institutions, similar in structure to the revolving credit facility currently in place. It was agreed by the Board that a consortium arrangement with a number of different banks would be in the best interest of shareholders.

Further updates were provided to the Board in February 2021 and March 2021 on the status of the process. Following detailed discussions between the Investment Adviser and the Board, including a review of cash flow forecasts and consideration of the Company's leverage position, entering into a new facility was approved.

Outcomes:

In March 2021, the Company entered into new secured revolving credit facilities comprising £140 million with RBSI, Allied Irish Bank and Lloyds. The revolving credit facilities are secured against a portfolio of certain underlying assets held by the Company. Furthermore, in June 2021, the Company entered into an amended facility agreement, resulting in a total revolving credit facility amount available to the Company of £165 million provided by RBSI, Allied Irish Bank, Lloyds and Clydesdale Bank. The facility is repayable in March 2024.

Further information on the revolving credit facility can be found in note 15 to the financial statements.

RISK MANAGEMENT

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

GCP INFRASTRUCTURE INVESTMENTS LIMITED

Annual report and financial statements 2021

Approach to risk management

The Board has ultimate responsibility for risk management and internal controls 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. During the year the Board adopted a new risk management framework to govern how it identifies existing and emerging risks; determines risk appetite; identifies mitigation and controls; assesses, monitors and measures risk; and reports on risks.

Risk review process

The Board, with the assistance of the Audit and Risk Committee, undertakes a formal risk review twice a year to assess the effectiveness of the Company's risk management process and internal control systems. In its most recent assessment, the Board simplified its risk register from over 70 identified risks to 29. Of these, the 17 most material risks ('A' risks) were plotted on a risk matrix showing relative probability and impact. This allowed the Board to further identify the nine principal risks facing the Company as described below. The twelve least material risks ('B' risks) are monitored by the Board on a watchlist.

In addition to the Audit and Risk Committee, the Company's Investment Committee and Management Engagement Committee have a key role and contribute to the overall risk management and governance structure. Consideration is given to the materiality of risks in designing systems of internal control; however, no system of control can provide absolute assurance against the incidence of risk, misstatement or loss.

The following are the key components which the Company has in place to provide effective internal control:

Execution risk

- The Board and the Investment Committee have agreed clearly defined investment criteria, which specify investment characteristics, authority and exposure limits.
- The Board and the Audit and Risk Committee receive and review assurance reports on the controls of the Investment Adviser undertaken by a professional service provider.
- The contractual agreements with the Investment Adviser and other third party service providers, and their adherence to them and their ongoing performance, are regularly reviewed by the Board and at least annually by the Management Engagement Committee.

Financial risk

- The Investment Adviser and the Administrator prepare financial projections and financial information which allow the Board to assess the Company's activities and review its financial performance.
- The Company has policies and procedures in place to ensure compliance with legal and regulatory requirements which are monitored by the Board.

Portfolio risk

- The Investment Adviser prepares quarterly reports which allow the Board to assess the performance of the Company's portfolio and more general market conditions.

Other risks

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

Emerging risks

- Emerging risks are a standard item on the Board agenda with continual focus and scanning of the regulatory horizon to ensure early awareness and engagement.
- Climate risk is now a key consideration for the stability of future risk-adjusted financial returns, with both physical and transition risks.
- The Board of Directors is directly or indirectly addressing climate-related risks and opportunities when evaluating and approving new investments, including an ESG risk and impact assessment completed for each new investment.
- More detail on how the Board of Directors identify, assess and manage emerging risks, including climate change, is provided on pages 61 and 62.

Risk appetite

As an investment company, the Company seeks to take investment risk. The Company's investment policy on page 11 sets out the key components of its risk appetite. The Company and the Board seek to manage investment risk within set risk/return parameters. Information on the Investment Adviser's view on current asset risk characteristics for each risk sector is included in the Investment Adviser's report on pages 17 and 18.

Role of the AIFM

The Investment Adviser is the appointed AIFM to the Company and is required to operate an effective and suitable risk management framework to allow the identification, monitoring and management of the risks to which the Investment Adviser and the AIFs under its management are exposed.



The Investment Adviser's permanent risk management function has a primary role alongside the Board in shaping the risk policy of the Company, in addition to responsibility for risk monitoring and risk measuring in order to ensure that the risk level complies on an ongoing basis with the Company's risk profile.

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks faced by the Company detailed below are categorised under the headings of execution risk, portfolio risk, financial risk¹ and other risks.

CATEGORY 1: EXECUTION RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<p>1 Investment due diligence Investment due diligence may not reveal all the facts relevant in connection with an investment and may not highlight issues that could affect that investment's performance. This risk is likely to be greater in new investment sectors such as geothermal, hydrogen storage and forestry.</p> <p>Link to strategy: 1 3</p>	<p>If an investment underperforms relative to expectations, the interest and principal received on the investment may be lower than envisaged, negatively impacting the performance of the Company.</p>	<p>In addition to due diligence carried out by the Investment Committee of the Board and the Investment Adviser, various third party financial, technical, insurance and legal experts are engaged to advise on specific project risks.</p>	<p> Stable There have been no new issues identified during the year, with the investment portfolio materially performing in line with the Investment Adviser's expectations.</p>
<p>2 Availability of suitable investments and reinvestment risk There is no guarantee that the Company will be able to identify suitable investments with risk and return characteristics that fit within the investment strategy of the Company. Where suitable investments can be identified, the Company may face competition in closing any deal. This is a risk when raising capital and when reinvesting capital repaid to the Company under existing loan agreements.</p> <p>Link to strategy: 1 2 3</p>	<p>If the Company cannot invest capital in suitable assets in a timely and appropriate manner, the uninvested cash balance will have a negative impact on the Company's returns. If the only available investments with an appropriate risk profile yield lower rates of return than have historically been achievable, the Company's overall returns may be adversely affected. Furthermore, if loans are prepaid earlier than expected the repayment of capital is accelerated, leading to potential cash drag. Ultimately, this risks the sustainability of the dividend.</p>	<p>The Investment Adviser is constantly in touch with the market seeking new deals and builds a specifically identified investment pipeline before the Company seeks to raise additional finance in order to ensure that capital is deployed in a timely fashion. Consideration is also given to any scheduled capital repayments.</p>	<p> Stable The Company made investments in the year totalling £94.8 million, of which c.£31.4 million was in new investments and c.£63.4 million was invested in the existing portfolio. The Company has an active pipeline of c.£260 million of investment opportunities under consideration. The investment pipeline comprises investment opportunities with an appropriate risk profile that will deliver the required returns.</p>

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

Key to strategy references

1 Dividend income

2 Diversification

3 Capital preservation

CATEGORY 1: EXECUTION RISK CONTINUED

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<p>3 Reliance on the Investment Adviser</p> <p>The Company is heavily reliant on third party service providers to carry out its main functions. In particular, the Company depends on the Investment Adviser and the expertise of its key personnel and staff to implement the Company's strategy and investment policy, to deliver its objectives and to maintain sufficient day-to-day oversight of the investments. Should any key personnel leave the employment of the Investment Adviser (and it is unable to recruit other individuals of similar experience and credibility), this may impact negatively on the performance of both the Investment Adviser and the Company.</p> <p>The Company is also reliant on the effectiveness of the Investment Adviser's control environment. The Investment Adviser may also be adversely affected by issues arising from Covid-19.</p> <p>Link to strategy: 1 3</p>	<p>Failure by the Investment Adviser to carry out its obligations in accordance with the terms of its appointment, or to exercise due skill and care, could have a material effect on the Company's performance. Any poor performance, misconduct or misrepresentation by the Investment Adviser may manifest itself in direct financial losses or result in damage to reputation, causing longer-term financial consequences to the performance of the Company.</p>	<p>The performance of the Investment Adviser is monitored closely by the Board. In addition, at least once a year the Management Engagement Committee performs a formal review process to consider ongoing performance of the Investment Adviser and the Audit and Risk Committee conducts an annual internal control review.</p> <p>The Investment Adviser has industry and asset knowledge of specific use and importance to the Company. The Company has entered into a contractual agreement with the Investment Adviser on terms that it considers to be mutually fair and reasonable. The Investment Adviser monitors its key personnel to ensure that their experience fits to the role and proper training is provided for continuing professional development.</p>	<p>Stable</p> <p>The Investment Adviser continues to provide adequate resource and act with due skill, care and diligence in its responsibilities as Investment Adviser and AIFM to the Company.</p> <p>The Directors view the recent strategic investment in the Investment Adviser by ORIX Corporation in February 2020 as a net positive development and a vote of confidence in the Investment Adviser and its capabilities.</p>

CATEGORY 2: PORTFOLIO RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<p>4 Changes in laws, regulations and/or Government policy impacting on investments</p> <p>Changes in laws, regulations and/or Government policy, in particular those relating to the PPP/PFI and renewable energy markets, may have an adverse effect on the Company. The issue of Scottish independence and the possibility of another referendum may also be revisited in the next few years.</p> <p>Link to strategy: 1 2 3</p>	<p>Potential adverse effect on the performance of the Company's investment portfolio and the returns achieved by the Company.</p> <p>Reduced support for private sector finance of infrastructure and/or a material change in the approach to infrastructure delivery (such as nationalisation) represent risks to the Company's ability to reinvest capital.</p>	<p>Any changes in laws, regulations and/or policy, or the application thereof, are monitored by the Board on an ongoing basis. Given the UK Government's reliance on private capital for, inter alia, the funding of new social and economic infrastructure and renewable energy projects, it is the view of the Investment Adviser and the Board that the risk of any future significant changes in policy is low and is more likely to have a prospective impact rather than a retrospective effect.</p>	<p>Stable</p> <p>There remains some uncertainty over the long-term impact of Brexit on the UK's economy and changes in regulatory law.</p> <p>Although the UK Government has advanced its wider climate change agenda to respond to its environmental commitments, it remains to be seen how this will be reflected in detailed policy, legislation and financial support for the areas of interest to the Company.</p>

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

CATEGORY 2: PORTFOLIO RISK CONTINUED

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<p>5 Performance of, and reliance on, subcontractors</p> <p>The performance of the Company's investments is typically, to a considerable degree, dependent on the performance of subcontractors, most notably facilities managers and operations and maintenance subcontractors. The Company is heavily reliant on subcontractors to carry out their obligations in accordance with the terms of their appointment and to exercise due skill and care. Covid-19 may continue to impact subcontractors' staffing levels and supply chains.</p> <p>Link to strategy: 1 3</p>	<p>If a key subcontractor was to be replaced due to the insolvency of that subcontractor or for any other reason, the replacement subcontractor may charge a higher price for the relevant services than previously paid. The resulting increase in costs may result in the Company receiving lower interest and principal payments than envisaged.</p>	<p>The competence and financial strength of subcontractors, as well as the terms and feasibility of their engagements, are a key focus of investment due diligence. The Board and the Investment Adviser monitor the Company's exposure to any given subcontractor and ensure that the risk of underperformance is mitigated by diversification.</p>	<p> Stable</p> <p>The Company has not observed a material change in the ability of subcontractors to perform the services for which they are contracted during the period under review.</p> <p>However, the Investment Adviser has taken the opportunity to replace, or lobby equity holders to replace, some subcontractors on specific projects where performance could be improved.</p>
<p>6 Technological, operational or construction issues</p> <p>The Company's investments are exposed to construction and/or operational risks or utilise relatively new or developing technologies and may not perform as expected. Over the life of a project, components of a project may need to be replaced or undergo a major refurbishment; these costs may be higher than projected.</p> <p>The investments may continue to be adversely affected by issues arising from the Covid-19 pandemic. Operational risks also include cyber risks.</p> <p>In addition, climate change, in the form of changes to weather patterns, can also have an impact on assets in relation to their operation and/or construction, especially in relation to wind and solar assets.</p> <p>Link to strategy: 1 3</p>	<p>In the event of material operational or construction issues, the interest and principal payments received by the Company may be lower than expected or forecast and/or additional costs may be incurred.</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 Board ensures that the Company has security over the assets against which it is lending, so in an instance of borrower default it can enforce security over the assets and implement performance improvement plans.</p> <p>The Investment Adviser's designated portfolio management team monitors the performance of investments on an ongoing basis. Monitoring is in the form of regular interaction with borrowers, including periodic site visits to the underlying assets. The Investment Adviser reports to the Board on asset performance on a quarterly basis.</p>	<p> Stable</p> <p>There have been notable performance improvements at the biomass project and three gas-to-grid anaerobic digestion projects that the Company has enforced against in the past 18 months, with no notable issues arising in the period.</p> <p>Construction exposure was 1% at the end of the year under review.</p>


Key to strategy references

1 Dividend income

2 Diversification

3 Capital preservation

CATEGORY 3: FINANCIAL RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<p>7 Valuation</p> <p>The value of the investments made by the Company will change from time to time according to a variety of factors, including actual and anticipated movements in energy prices, interest rates, inflation and/or discount rates and general market pricing of similar investments.</p> <p>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 prices, interest rates, feedstock costs, asset productivity, taxation, lifecycle and insurance costs. There is a risk these assumptions may be incorrect.</p> <p>Investments may also be adversely affected by Covid-19 related issues.</p> <p>Link to strategy: 3</p>	<p>Such changes to valuations may negatively impact the value of the Company's investment portfolio.</p> <p>There can be no assurance that assumptions will turn out to be accurate, and actual data could have an adverse impact on the performance of the Company's investments.</p> <p>Errors may occur in the calculation of an investment valuation with a potential corresponding impact upon the Company's published financial statements.</p>	<p>The Company's infrastructure investments are generally low volatility investments with stable, pre-determined, very long-term, public sector backed revenues. Almost half of the Company's investment portfolio is exposed to some form of inflation protection mechanism. The Company's investments are valued with reference to duration-matched interest rates, typically between 15 and 25 year rates. The discount rates currently used to value the Company's investments include a material premium to the risk-free rate that offers protection in the event of rate rises.</p> <p>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.</p>	<p> Increase</p> <p>The Valuation Agent has decreased the discount rates on certain of the Company's assets during the year due to increased market pricing in those sectors. Further, the Company is exposed to a number of shareholder interests, c.5% of the portfolio by value, either as a result of the specific targeting of these positions or through enforcing its security as a result of the occurrence of defaults. Such exposures are more sensitive to changes in market factors, such as electricity prices, and the operational performance of projects, and are therefore likely to result in increased volatility in the valuation of the portfolio.</p> <p>Valuations this year have been impacted in particular by volatility in electricity prices and low wind speeds. Electricity prices initially fell in the first half of the year, then largely unwound due to high near-term electricity futures prices during the second half. Wind speeds and consequent power generation were disappointing in the second and third quarters of the calendar year 2021. Given fluctuating electricity prices during the year, the Investment Adviser has commenced a hedging programme to reduce volatility in the portfolio.</p>

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

CATEGORY 3: FINANCIAL RISK CONTINUED

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<p>8 Company liquidity and balance sheet risk</p> <p>The Company requires cash flows from investment income and loan repayments to fund its investment activities.</p> <p>The Company utilises borrowing facilities to finance and/or part-finance further acquisitions in accordance with the Company's investment policy. However, there can be no guarantee that any such facilities will be available to the Company on commercially acceptable terms or at all.</p> <p>Link to strategy: 1</p>	<p>If the Company was unable to secure borrowing facilities this may adversely affect the Company's investment returns and may have a material adverse effect on the Company's financial position and results of operations.</p>	<p>The facilities are in place to fund potential investments in the near term and to avoid holding material amounts of uninvested cash awaiting investment. Consideration may also be given to other forms of credit as part of the Company's future funding strategy. Through the use of forecasting and modelling techniques, the Investment Adviser has the capabilities to plan in advance the sale of assets if required for liquidity purposes.</p>	<p>Stable</p> <p>As outlined in note 15 to the financial statements, the Company's credit facility was renewed during the year and it remains fully drawn. The Board and the Investment Adviser continue to pay close attention to cash flow modelling and cash cover to finance acquisitions and to pay dividends.</p>

CATEGORY 4: OTHER RISKS

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<p>9 Litigation or legal risk</p> <p>Litigation or legal action either by the Company or against it or its assets, which involves legal costs, management time and resources with potential asset impairment consequences, notwithstanding possible mitigation through insurance schemes.</p> <p>The Company is required to disclose material litigation to shareholders and/or the Company's regulators.</p> <p>Link to strategy: 1 3</p>	<p>Any material legal claims or regulatory action against the Company or its underlying assets may adversely damage the Company's reputation and affect the Company's ability to successfully pursue its investment policy, meet its investment objective and/or provide favourable returns to shareholders.</p>	<p>The Board is kept informed by the Investment Adviser regarding any litigation or regulatory action relating to the portfolio. If necessary, a sub-committee of the Board is constituted to oversee a specific matter.</p> <p>Insurance regarding representations and warranties is considered on its merits by the Investment Adviser for each transaction.</p>	<p>Stable</p> <p>Previously disclosed litigation and regulatory proceedings regarding a number of assets have continued to progress during the year. Further details are set out on page 31.</p>

Changes to the principal risks as a result of the risk review

As part of the risk review noted on page 55, one of the principal risks disclosed last year, 'assumptions', has been merged into 'valuation' risk. A further risk, 'technology risk', has been combined with 'operational or construction issues' and is now described as 'technological, operational or construction issues'.

In addition, 'reliance on the Investment Adviser' has been classed as a principal risk and 'borrowings' per the 2020 annual report is now described as 'Company liquidity and balance sheet risk'. Litigation or legal risk is also an addition to the principal risks for the year ended 30 September 2021.

The additions to principal risks do not necessarily reflect the view of Directors that there has been an increase in risk in those areas this year; this is a result of the new methodology used in the assessment of risk.

Two risks identified last year are no longer considered by the Board to be principal risks: 'Insurance', which is still categorised as an 'A' risk, and 'Covid-19'. The Covid-19 risk has been replaced by a general category 'B' risk regarding pandemics, whilst the ongoing impact of the current pandemic is now dealt with by considering each risk through the lens of Covid-19 where relevant, as demonstrated in the table above.

GCP INFRASTRUCTURE INVESTMENTS LIMITED



Annual report and financial statements 2021

Emerging risks

During the year under review, the Audit and Risk Committee, as part of its formal risk review, particularly focused on emerging risks.

Emerging risks need to be managed differently than 'business as usual' risks. Emerging risks are, by their nature, more challenging to identify, assess and manage. There is little data to assess and base the risk response on. The relevant emerging risks for the Company are described below. Other emerging risks considered were demographic challenges of an ageing UK population and the consequences of the new ways of working. Emerging risks is an area that the Board will continue to focus on strongly.

EMERGING RISKS

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<p>1 Climate change a) Physical</p> <p>Higher frequency and severity of extreme weather conditions, for example intense heat waves, storm surges and higher water levels on coasts.</p>	<p>If renewable assets are damaged by extreme weather events, with subsequent inability to connect to the grid, or suffer reduced availability, this would impact revenue.</p>	<p>The portfolio is diversified across a number of asset classes and physical locations and ESG processes are embedded in investment decision making. The Investment Adviser has a responsible investment policy and a responsible investment committee to monitor and implement ESG initiatives. Environmental impact assessments are carried out as part of the due diligence process. The Investment Adviser also carries out ongoing performance monitoring, including site visits (when possible) by experienced personnel. Regular fortnightly updates, ad hoc and quarterly detailed reports on asset performance are provided to the Board.</p>	<p> Stable</p> <p>The Board considers this to be a long-term issue; the impact of climate change on the Company's portfolio will continue to be closely monitored by the Board and the Investment Adviser.</p>
<p>1 Climate change b) Transition</p> <p>Risks associated with the long-term trends arising from climate change and the energy transition required. This includes increasing regulation, insurance availability and price, governmental inertia or over-reaction, failure of business models and, changing consumer and business preferences.</p>	<p>Increased focus on sustainability and ESG factors amongst governments, regulators, shareholders and the wider community. Any associated consequences arising from this risk such as regulatory or legal sanction including financial and reputational damage. Governmental availability, sufficiency and consistency of support mechanisms to enable the transition to a low carbon economy. Potential increase in costs to the Company.</p>	<p>The Board is very focused on this area. Compliance with both new and existing reporting requirements and best practice is managed by the Investment Adviser and monitored by the Audit and Risk Committee.</p>	<p> Stable</p> <p>Although there has been increased activity and a number of new transitional policies issued during the year, the policies relate more to governmental planning than regulation. The Audit and Risk Committee and the Investment Adviser will continue to monitor and assess the impact of these policies on the investment portfolio and the Company as whole.</p>

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

EMERGING RISKS CONTINUED

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<p>2 Geopolitical</p> <p>Risk of a sustained shift in the geopolitical environment. For instance, a winding back of globalisation, trade wars and the desire to be more self sufficient in energy, and increased migrant flows.</p>	<p>Impacts on inflation, interest rates, adverse exchange rate movements. Potential volatility on long-term power prices affecting the Company's exposure to shareholder interests. Increase in the volume of capital flowing into infrastructure and renewable projects creating downward pressure on yields and difficulty in sourcing investments within the required risk return parameters of the Company's investment strategy. Potential for increased uncertainty around investment valuations if government subsidy or support is unpredictable.</p>	<p>Regular engagement with the public sector through the Investment Adviser. The Investment Adviser conducts quarterly reviews on important and/or emerging topics for the Board's consideration. Monitoring of key emerging issues is undertaken by the Directors on an ongoing basis.</p>	<p> Increased</p> <p>There has been recent geopolitical activity in the gas market which has seen gas prices increase and a number of UK energy providers going out of business. In addition, there has been a noted impact in the year on the global supply chain as a result of Covid-19 and other factors. The Board, along with the Investment Adviser, continues to monitor closely the impact of these issues on the portfolio.</p>

GOING CONCERN ASSESSMENT AND VIABILITY STATEMENT

Going concern

The Directors have considered 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' assessment included consideration of the availability of the Company's credit facilities (refer to note 15), hedging arrangements, cash flow forecasts and stress scenarios, including the potential impacts of Covid-19. The Directors are satisfied that the Company has the resources to continue in business for the foreseeable future and furthermore are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Viability statement

At least twice a year, the Board carries out a robust assessment of the principal and emerging 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 56 to 60 that could materially affect the cash flows of the underlying projects that support the Company's investments. The potential ongoing impacts from Covid-19 have been considered in the context of each project in the portfolio and other principal risks. The Directors also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks.

The Directors have assessed the prospects of the Company over a longer period than the twelve months from the date of signing the report required by the going concern provision. The Board has conducted this review for a period covering the next five years as, over this period, it believes the risk of changes in Government policy that would result in retrospective adjustments to public sector backed cash flows is low.

This assessment involved an evaluation of the potential impact on the Company of these risks occurring. Where appropriate, the Company's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Company's net cash flows and other key financial ratios. The assumptions used to model these scenarios included an increase in the cost of debt or operating expenses, and the impact of a significant proportion of the portfolio not yielding, which is a plausible consequence of a number of the principal risks materialising, either in isolation or in parallel. The Board also considered the potential impact of an increase in electricity prices and, in particular, the consequent cash requirements of the Company's hedging programme. Alongside this analysis, reverse stress testing was carried out in order to further assess the Company's viability.

The sensitivity analysis was based on a number of assumptions, including that the Company's revolving credit facilities remain in place to provide short-term finance for further investments and that there will be sufficient liquidity in the market to raise new capital as and when required.

Given the projects that the Company's investments are secured against are all UK infrastructure projects that generate long-dated, public sector backed cash flows, the Board thus considers the revenue of the Company over that period to be dependable. This is supported by a diversified portfolio of investments, reducing exposure to risks affecting a single sector.

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

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

Approval

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

Ian Reeves CBE

Chairman

13 December 2021

GOVERNANCE

WHAT'S IN THIS SECTION

BOARD OF DIRECTORS

Pages 66 and 67

THE INVESTMENT ADVISER

Pages 68 to 71

BOARD LEADERSHIP AND PURPOSE

Pages 72 to 73

DIVISION OF RESPONSIBILITIES

Pages 74 to 76

COMPOSITION, SUCCESSION AND EVALUATION

Pages 77 to 79

AUDIT, RISK AND INTERNAL CONTROL

See the Audit and Risk Committee report on pages 80 to 83,
risk management disclosures on pages 54 to 63 and the
financial statements on pages 90 to 123

REMUNERATION

See the Directors' remuneration report on pages 84 to 87

DIRECTORS' REPORT

Pages 88 and 89



BOARD OF DIRECTORS

The Board of Directors is responsible for the effective stewardship of the Company's activities in order to ensure the long-term success of the Company in the interest of shareholders and other stakeholders.



Ian Reeves CBE
CCMI, FCInstCES, FINSTD

Chairman and Chair of the Nomination Committee

Ian Reeves CBE, a Jersey resident, is the CEO and co-founder of Synaps International Limited, the Senior Independent Director of Triple Point Social Housing REIT plc, a Main Market listed company, and a director of several other private companies. He is also visiting professor of Infrastructure Investment and Construction at The Alliance Manchester Business School. Ian was founder and Chairman of High-Point Rendel Group plc, president and CEO of Cleveland Bridge, Chairman of McGee Group, and Chairman of the London regional council of the CBI. He was made a Commander of the Most Excellent Order of the British Empire (CBE) in 2003 for his services to business and charity.

Skills and experience:

Chartered civil engineering surveyor and Companion of the Chartered Management Institute with a wealth of experience in infrastructure, construction, corporate development and governance.

Date of appointment:

15 June 2010



Julia Chapman

Senior Independent Director

Julia Chapman, a Jersey resident, is a solicitor qualified in England & Wales and in Jersey with over 30 years' experience in the investment fund and capital markets sectors. Having trained with Simmons & Simmons in London, Julia moved to Jersey to work for Mourant du Feu & Jeune (now known as Mourant) and became a partner in 1999. Following the acquisition of Mourant's fund administration business by State Street in April 2010, Julia was appointed Senior Counsel at State Street, heading up a team supporting State Street's European alternative investment services division. In July 2012, Julia left State Street to focus on the independent provision of directorship and governance services to a small number of alternative investment fund vehicles. Julia serves on the boards of three other Main Market listed companies, Henderson Far East Income Limited, BH Macro Limited and Sanne Group PLC.

Skills and experience:

Qualified solicitor with extensive legal, governance and regulatory risk expertise in the funds and capital market sectors.

Date of appointment:

1 October 2015



Michael Gray

FCIBS, AMCT, DIP IoD

Chair of the Investment Committee

Michael Gray, a Jersey resident, is a qualified corporate banker and corporate treasurer. Michael was most recently the Regional Managing Director, Corporate Banking for RBS International, based in Jersey, but with responsibility for The Royal Bank of Scotland's Corporate Banking Business in the Crown Dependencies and British Overseas Territories.

In a career spanning 31 years with The Royal Bank of Scotland Group plc, Michael has undertaken a variety of roles, including that of an auditor, and has extensive general management and lending experience across a number of industries. He is also a non-executive director of Jersey Finance Limited, the promotional body for the finance sector in Jersey, LSE listed company JTC Plc and other listed and private companies.

Skills and experience:

Qualified corporate banker and corporate treasurer, with significant experience in banking, finance and corporate governance in both the private and public sectors.

Date of appointment:

1 October 2015



Steven Wilderspin

FCA, IMC

Chair of the Audit and Risk Committee

Steven Wilderspin, a Jersey resident, is a Fellow of the Institute of Chartered Accountants of England and Wales. He has acted as an independent director of a number of public and private investment funds and commercial companies since 2007. In 2017 he retired as Chairman of the Audit and Risk Committee of 3i Infrastructure plc after ten years of service. He is currently a non-executive director and Chair of the Risk Committee of Blackstone Loan Financing Limited and a non-executive director and Chair of the Audit and Risk Committee of HarbourVest Global Private Equity Limited, both listed on the LSE. Prior to 2007, Steven was a director at Maples Finance Jersey, with responsibility for their fund administration and fiduciary businesses. Steven began his career at PwC in London in 1990.

Skills and experience:

Chartered Accountant with extensive audit and accounting experience with a deep knowledge of financial matters within the financial services sector.

Date of appointment:

10 February 2021



Dawn Crichard

FCA

Non-executive Director

Dawn Crichard, a Jersey resident, is a Fellow of the Institute of Chartered Accountants of England and Wales with over 20 years' experience in senior Chief Financial Officer and Financial Director positions. Having qualified with Deloitte, Dawn moved into the commercial sector and was Chief Financial Officer of a large private construction group for twelve years. Dawn worked with both private and listed clients in the Hedge Fund division of State Street; following this, she was appointed as Chief Financial Officer for Bathroom Brands plc. In her current role as Head of Finance at a family office, she has been involved in establishing and overseeing high value private expert funds. Her broad accounting and commercial experience includes establishing new group head offices, mergers, acquisitions, refinancing and restructuring.

Skills and experience:

Chartered Accountant with extensive experience, operational and financial, within the commercial and funds sectors.

Date of appointment:

16 September 2019



Paul De Gruchy

Chair of the Management Engagement Committee

Paul De Gruchy, a UK resident, is a qualified Jersey Advocate with 20 years' experience in financial services law. Paul was previously the Head of Legal for BNP Paribas Jersey within the UK offshore area. He has extensive experience in the financial services sector, in particular in the area of offshore funds. He has held senior positions at the Jersey Economic Development Department, where he was the director responsible for finance industry development, and the Jersey Financial Services Commission.

Skills and experience:

Qualified advocate, with significant experience in financial law in relation to investment funds, banking and corporate governance.

Date of appointment:

7 February 2014

THE INVESTMENT ADVISER

Gravis

We seek to provide investors with steady returns, driven by a strong focus on delivering dependable, predictable income.

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

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

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

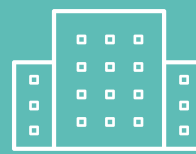
Gravis is the Investment Adviser to the Company, Investment Manager of GCP Student and GCP Asset Backed and also advises VT Gravis Clean Energy Income Fund, VT Gravis UK Listed Property Fund, VT Gravis UK Infrastructure Income Fund and VT Gravis Digital Infrastructure Income Fund.



Formed in
2008



Experts in
long term



Managing assets of
c.£3bn

Our senior management team have extensive specialist expertise and a demonstrable track record of originating, structuring and managing infrastructure debt investments.

INVESTMENT TEAM



Philip Kent
Director

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

Background:

Philip joined Gravis from Foresight Group, where he was responsible for investments in the waste and renewable sectors, including large waste wood combustion projects and a pipeline of anaerobic digestion projects across the UK. Philip has been involved in the energy sector for over eleven years, working initially as a consultant within PA Consulting's energy practice, focusing on energy markets and energy asset valuations. In 2008, he moved to Gazprom Marketing and Trading, working in risk management across a number of commodities before moving into the clean energy team.

Skills and experience:

Extensive experience in the infrastructure sector, including energy markets, asset valuations and renewables transactions.



Rollo Wright
Director, founder

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

Background:

Rollo was in the audit and advisory division of Arthur Andersen and Deloitte, working with a broad range of financial markets clients. He worked in the capital markets division of Commerzbank Securities before moving to DTZ Corporate Finance, where he specialised in structuring tax and accounting driven infrastructure and property debt transactions.

Skills and experience:

Qualified Chartered Accountant with extensive experience in the infrastructure sector and infrastructure debt transactions.



Stephen Ellis
Director, founder

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

Background:

After a short service commission in the British Army, Stephen spent 16 years in investment banking in the City, focused on securitisation and tax-based financing. On leaving the City, he became head of structured finance at DTZ Corporate Finance, where he was primarily involved in the UK infrastructure and student accommodation sectors.

Skills and experience:

Significant experience in investment banking, UK infrastructure and student accommodation sectors.

THE INVESTMENT ADVISER CONTINUED

PORTFOLIO MANAGEMENT AND CORPORATE AND FINANCIAL ADVISORY



Matteo Quatraro
Commercial Director



Ben Perkins
Associate Director



Beth Watkins
Associate Director



Max Gilbert
Associate Director



Benjamin Rider
Technical Asset
Manager



Saira Johnston
Chief Financial
Officer



Dion Di Miceli
Fund Corporate
Adviser



Chloe Marlow
Head of Corporate
Reporting



**William
Parry-Jones**
Fund Financial
Controller



Robyn Olsen
Associate

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

Investment Adviser

Gravis Capital Management Limited (“Gravis”) is the appointed Investment Adviser and AIFM to the Company. The Investment Adviser was appointed upon the Company’s launch in 2010 (at which time the Investment Advisory Agreement was held with Gravis Capital Partners LLP, a partnership under substantially the same ownership). The Investment Adviser was incorporated in England and Wales on 9 November 2016 (registered number 10471852) and is authorised and regulated by the FCA (registration number 770680).

The Directors and employees of the Investment Adviser have a long track record of working within the UK infrastructure market, particularly with regard to debt advisory work, and have established close relationships with many of the key participants in the UK infrastructure market, including equity investors and lenders.

On 4 December 2020, the Company announced that the Investment Adviser had entered into a strategic partnership with ORIX Corporation, to acquire a 70% equity stake in the Gravis business. The acquisition was completed on 1 February 2021. No changes have been made to the Investment Advisory Agreement or to the team currently providing services to the Company and service levels have been uninterrupted by the transaction.

Investment Advisory Agreement

The Company is party to an Investment Advisory Agreement dated 28 June 2010, as amended and restated most recently on 13 December 2017, under which the Investment Adviser provides advisory services relating to the Company’s assets on a day-to-day basis in accordance with the investment objectives and policies agreed by the Company and under the overall supervision and direction of the Board of Directors.

Under the terms of the Investment Advisory Agreement, the Investment Adviser receives an investment advisory fee from the Company equal to 0.9% per annum of the NAV of the Company (net of cash holdings).

This fee is calculated and payable quarterly in arrears. The Investment Adviser is also entitled to an arrangement fee of up to 1% (at the discretion of the Investment Adviser) of the initial cost of each asset acquired by the Company.

The Investment Adviser will generally seek to charge the arrangement fee to borrowers rather than the Company where possible but, in any event, any such fee payable to the Investment Adviser will not exceed 1%. To the extent any arrangement fee negotiated by the Investment Adviser with a borrower exceeds this percentage, the benefit of any such excess shall be paid to the Company. No performance fee is charged.

The Investment Adviser receives a fee of £70,000 (subject to RPI adjustments) per annum for acting as AIFM.

The Investment Advisory Agreement may be terminated by the Company or the Investment Adviser by giving 24 months’ written notice.

Provision of advice

The Investment Adviser provides advice which enables the Directors of the Company to identify potential investments, monitor the performance of existing assets and the financial and infrastructure markets generally. The scope of services provided by the Investment Adviser includes, inter alia:

- making investment recommendations to the Investment Committee of the Board in line with the Company’s investment policy and strategy;
- identifying potential investments and making recommendations to the Company in respect of the acquisition, sourcing of financing, asset management and disposal of assets;
- performing due diligence, including, but not limited to, legal, financial, technical and market projections;
- monitoring and reporting to the Board the performance of the Company’s investments;

- regularly reviewing the Company’s investment policy and strategy and providing recommendations to the Board;
- overseeing and arranging borrowings for the Company within such limits set out in the prospectus;
- advising the Company in relation to dividends to shareholders; and
- co-operating and co-ordinating with third party service providers such as administrators, valuers, tax/legal advisers etc. and statutory auditor.

The approval of asset origination and investment decisions are made by the Investment Committee of the Board based on the advice of the Investment Adviser.

Potential conflicts of interest

Under the Investment Advisory Agreement, the Company’s prior consent is required for the Investment Adviser to act as the adviser, manager or sponsor of any fund or entity that may invest in assets within the scope of the Company’s investments or engage in any activity which may compete in the same or a substantially similar investment area as the Company.

The Company has given its consent for the Investment Adviser to act as the Investment Manager to GCP Asset Backed, a closed-ended investment company listed on the London Stock Exchange’s Main Market for listed securities. GCP Asset Backed is focused predominantly on debt investments secured against physical assets and/or contracted cash flows. The Company has given its consent on the basis that where the Investment Adviser identifies an investment which, in its opinion acting reasonably and in good faith, falls within the Company’s remit, the Company will have a right of first refusal.

The Directors believe that the Company’s investment objectives, and the pipeline of opportunities available to it, will not be adversely affected, and that the right of first refusal agreement protects the Company’s interests in the event of any conflict.

BOARD LEADERSHIP AND PURPOSE

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



Ian Reeves CBE
Chairman

INTRODUCTION FROM THE CHAIRMAN

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

The Board encourages a culture of robust governance, and the Company reviews its standards of governance against the principles of the AIC Code, as published in February 2019. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), the provisions of the AIC Code, as well as setting out additional provisions that are relevant to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code provides better information to shareholders as it addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies and is endorsed by the FRC and supported by the JFSC.

A copy of the AIC Code can be found on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies. A copy of the UK Code can be obtained on the FRC website (www.frc.org.uk).

Statement of compliance with the AIC Code

During the year the Company has complied with the principles and provisions of the AIC Code, except as set out below:

The Chairman of the Company (AIC Code provision 6.2.13)

The Board notes that the Chairman, Ian Reeves CBE, has served as a Director of the Company for more than eleven years, having been appointed at the Company's inception in 2010. In addition, he is Chair of the Nomination Committee and a member of the Investment Committee. The Board believes it is appropriate for Ian Reeves CBE to be a member of these committees as he was independent on appointment and there are no conflicts of interest.

As previously announced on 1 December 2021, it is intended that Ian Reeves CBE, will step down as Chairman in June 2022, following the appointment of Andrew Didham as his successor to the Board. Further information regarding the tenure of the Chairman and current succession plan is set out on pages 77 and 78.

Remuneration Committee (AIC Code provision 9.2)

The Company does not have a Remuneration Committee; the Board fulfils the role of the Remuneration Committee as it was agreed that the size and nature of the Board does not warrant the establishment of a separate committee. The Directors' remuneration report is included on pages 84 to 87.

Purpose of the Board

The Board is responsible for the long-term success and sustainability of the Company. The Board provides overall leadership, sets the strategic aims of the Company and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls.

Board of Directors

Under the leadership of the Chairman, the Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy.

The Board consists of six Directors, all of whom are non-executive and are considered to be independent. Biographical details of the Directors are shown on pages 66 and 67.

It is the Board's policy that Directors do not have service contracts. Each of the Directors has signed a letter which sets out the terms and conditions of their appointment, copies of which are available at the registered office of the Company. Further details as to the terms of appointment of the Directors are set out in the Directors' remuneration report on pages 84 and 85.

Appointments to the Board continue to be based on merit, regardless of gender, ethnic group or background. The Board comprises four male Directors and two female Directors. The Company has no employees. The Company's policy on diversity is set out on page 77.

Board operation

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

At the 2021 AGM, the shareholders renewed the Board's authority to allot ordinary shares and to repurchase ordinary shares on behalf of the Company subject to certain limits. Details of the authorities which the Board will be seeking at the forthcoming 2022 AGM are set out in the 2022 notice of the AGM.

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

The Board is also active in ensuring any regulatory developments which may affect the operations of the Company are considered. The Board regularly considers the Company's investment objectives and strategy, with discussions focused on general market conditions and future investment opportunities for the Company, with a focus on protecting and enhancing the value of the current portfolio.

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

The Board holds formal meetings on a quarterly basis and additional ad-hoc meetings are held when necessary. Attendance at the quarterly Board and main committee meetings is displayed in the table on page 76 under the heading 'Meetings'.

Matters reserved for the Board

The Board has approved a formal schedule of matters reserved for the Board. The schedule is available on the Company's website.

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

- Board succession planning;
- cash management;
- the Company's revolving credit facility;
- the Company's dividend strategy;
- electricity prices strategy and associated hedging strategy;
- Covid-19 impact and assessment;
- environmental, social and governance matters;
- new potential investment sectors; and
- scrip share allotments.

Board values and culture

Under the leadership of the Chairman, the Board operates with core values of integrity and impartiality with an aim of maintaining a reputation for high standards in all areas of the business it conducts. The Board recognises the value and importance of ESG to the Company's shareholders and indeed all of the Company's stakeholders; refer to pages 48 to 53 for additional information.

Mindful of increased awareness and focus on consideration of ESG factors, and in line with the Company's historic record and purpose of delivering long-term sustained dividends, the Board has allocated specific responsibility in this area at Board level to Dawn Crichard. The Company has set out its approach to ESG matters, encompassing the current approach and future aspirations in the sustainability section on pages 40 to 47 and in a separate report which can be found on the Company's website.

In aligning its values with operations, the Board aims to create a culture of open dialogue, collaboration and exchange of views as evidenced by the high-quality debate and the contributions made by all Directors during Board meetings and as endorsed by the feedback received from the Board's most recent third-party evaluation. In addition, the Board encourages a culture of robust governance and also seeks to ensure the alignment of its purpose, values and strategy with this culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers.

DIVISION OF RESPONSIBILITIES

The Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy.


THE BOARD

PURPOSE:

Responsible for the long-term success and sustainability of the Company.

The Board provides overall leadership, sets the strategic aims of the Company and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders and other stakeholders within a framework of high standards of corporate governance and effective internal controls.

COMPOSITION:



Chairman: Ian Reeves CBE

Julia Chapman

Michael Gray

Steven Wilderspin

Dawn Crichard

Paul De Gruchy

BOARD COMMITTEES

Audit and Risk Committee

PURPOSE:

Ensures that the Company's financial performance is properly monitored, controlled and reported, including engagement with the Company's external Auditor, and reviews and monitors the Company's risks and internal controls.

Investment Committee

PURPOSE:

Approves the acquisition, monitoring and disposal of investments.

Management Engagement Committee

PURPOSE:

Reviews the performance and continuing appointments of the Investment Adviser and other service providers.

Nomination Committee

PURPOSE:

Considers appointments to the Board and its individual committees and makes recommendations in regard to changes to maintain a balanced and effective Board.

COMPOSITION AT 30 SEPTEMBER 2021

Chair: Steven Wilderspin
Dawn Crichard
Paul De Gruchy

See Audit and Risk Committee report on pages 80 to 83.

Chair: Michael Gray
Ian Reeves CBE
Julia Chapman

Chair: Paul De Gruchy
Ian Reeves CBE
Julia Chapman
Michael Gray
Steven Wilderspin
Dawn Crichard

Chair: Ian Reeves CBE
Julia Chapman
Michael Gray

See Nomination Committee report on page 79.

GCP INFRASTRUCTURE INVESTMENTS LIMITED

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Committees

The structure includes an Audit and Risk Committee, an Investment Committee, a Management Engagement Committee and a Nomination Committee. The terms of reference for each of the committees are available on the Company's website or upon request from the Company Secretary.

Audit and Risk Committee

The membership and activities of the Audit and Risk Committee are described in its report on pages 80 to 83.

Investment Committee

At 30 September 2021, the Investment Committee, currently chaired by Michael Gray, comprised three Directors, as set out on page 74. The Board has agreed terms of reference for the committee which include meeting to consider each new investment proposal received from the Investment Adviser and reviewing advisory reports and recommendations provided. The committee met 14 times during the year. The committee is also responsible for ensuring that investment proposals have been properly prepared and include stakeholder and ESG considerations, comply with the Company's investment policy and strategy and that key conditions precedent are complied with for each transaction. The committee also approves on the release of capital advances.

Management Engagement Committee

The Management Engagement Committee comprises all the Directors of the Company in view of the wide remit of the committee and is currently chaired by Paul De Gruchy until his planned retirement from the Board on 17 December 2021. Dawn Crichard will assume the chair at this date.

The Board has agreed terms of reference for the committee, which reports to the Board quarterly to consider the performance of the Investment Adviser and other third party service providers, the terms of their engagement, remuneration and their continued appointment. In addition, the committee formally met once during the last financial year for a workshop with a number of key service providers to the Company.

Following the committee's assessment of the Investment Adviser, and based on its performance, the continued appointment of the Investment Adviser is considered to be in the interests of shareholders as a whole, and it was recommended that Gravis be retained as Investment Adviser. In addition, the committee maintains a watching brief over all third party service providers whom the committee independently evaluates.

Post year end, it has been determined that the terms of reference of the Management Engagement Committee will be expanded to embrace the monitoring, measurement and management of the implementation of the Company's ESG policies, to ensure it is reflected in the Company's investment policies and the activities of the Company's supply chain.

Nomination Committee

The membership and activities of the Nomination Committee are described in its report on page 79.

Committee changes during the year

As part of the Board's medium-term succession plan, a number of changes have been made to the Board committees. Steven Wilderspin succeeded David Pirouet as Chair of the Audit and Risk Committee when Mr Pirouet retired from the Board at the conclusion of the Company's AGM held on 10 February 2021. In addition to his current Investment Committee responsibilities, Michael Gray joined the Nomination Committee upon David Pirouet's retirement from the Board, also with effect from 10 February 2021.

The Chairman of the Board

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

Senior Independent Director

Julia Chapman is the Senior Independent Director, who works closely with the Chairman, acting as a sounding board when necessary. Ms Chapman also meets with the other Board members annually to assess the Chairman's performance.

Directors

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

The Company Secretary

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

The Company Secretary is also responsible for ensuring the timely delivery of reports and information required by the Directors and for ensuring that all statutory obligations of the Company are met.

Committee changes post year end

With effect from 17 December 2021, a number of changes will be made to the Board committees as part of the Board's medium-term succession plan.

As announced on 1 December 2021, Paul De Gruchy will retire from the Board on 17 December 2021.

Andrew Didham will become a member of the Management Engagement Committee and will also join the Investment Committee effective 17 December 2021.

Dawn Crichard will assume the chair of the Management Engagement Committee effective 17 December 2021.

Julia Chapman will step down from the Investment Committee and join the Audit and Risk Committee effective 17 December 2021.

DIVISION OF RESPONSIBILITIES CONTINUED

Meetings

The full Board meets at least four times a year, and in addition, regular additional contact is kept between the Board, the Investment Adviser, the Administrator and Company Secretary. The number of meetings of the Board and committees held during the year and the attendance of individual Directors are shown below.

	Quarterly Board meetings		Audit and Risk Committee		Investment Committee		Management Engagement Committee		Nomination Committee	
	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended
Ian Reeves CBE ¹	4	4	—	—	14	12	1	1	5	5
Julia Chapman ¹	4	4	—	—	14	13	1	1	5	5
Michael Gray	4	4	—	—	14	14	1	1	2	2
Steven Wilderspin ²	2	2	3	3	—	—	1	1	—	—
Dawn Crichard	4	4	5	5	—	—	1	1	—	—
Paul De Gruchy	4	4	5	5	—	—	1	1	—	—
David Pirouet ³	2	2	2	2	—	—	—	—	3	3

1. Not able to attend certain meetings due to illness or unavoidable circumstances.

2. Steven Wilderspin joined as a Director of the Company and as Chair of the Audit and Risk Committee on 10 February 2021.

3. David Pirouet retired as a Director of the Company and as Chair of the Audit and Risk Committee on 10 February 2021.

A total of 18 additional Board meetings and one additional ad-hoc Board sub-committee meetings were held during the year. These meetings were predominantly in respect of Board succession planning, cash management, the Company's revolving credit facility, dividend strategy, electricity prices strategy, Covid-19 impact and assessment, environmental, social and governance matters, new potential investment sectors and scrip share allotments.

The Company Secretary, the Administrator and Investment Adviser regularly provide the Board with financial information, including an annual expense budget, together with briefing notes and papers in relation to changes in the Company's economic environment, statutory and regulatory changes and corporate governance best practice. A description of the Company's risk management and internal control systems are set out in the risk management section on pages 54 to 63.

Market Abuse Regulation

The EU Market Abuse Regulation came into effect on 3 July 2016 and was onshored into UK law on 31 December 2020 by the European Union (Withdrawal) Act 2018 (UK Market Abuse Regulation). The Board is responsible for taking all proper steps to meet its obligations under the UK Market Abuse Regulation and the FCA Listing Rules and Disclosure Guidance and Transparency Rules.

AIFMD

The Company is classed as an externally managed AIF under the AIFMD. The Board appointed the Investment Adviser as the authorised AIFM to the Company and Apex Financial Services (Corporate) Limited as the Company's Depository on 22 July 2014.

AIFM remuneration

With effect from 20 April 2017, the Company's Investment Adviser was authorised as an AIFM by the FCA under the AIFMD regulations. The Company has provided disclosures on its website, incorporating the requirements of the AIFMD regulations.

The total annual fee paid to the Investment Adviser by the Company is disclosed in note 20 to the financial statements and further detail is provided on page 71.

Markets in Financial Instruments Directive ("MiFID")

The ordinary shares of the Company are considered as 'non-complex' in accordance with MiFID II.

Non-mainstream pooled investments

The Board notes the rules of the FCA on the promotion of non-mainstream pooled investments.

The Board confirms that it conducts the Company's affairs, and intends to continue to do so, in order that the Company's shares will be 'excluded securities' under the FCA's rules. This is on the basis that the Company, which is resident outside the EEA, would qualify for approval as an investment trust by the Commissioners for HM Revenue and Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010 if resident and listed in the United Kingdom.

Therefore, the Company's shares will not amount to non-mainstream pooled investments. Accordingly, promotion of the Company's shares will not be subject to the FCA's restriction on the promotion of non-mainstream pooled investments.

Significant voting rights

Details of shareholders with notifiable interests in the voting rights of the Company can be found in the Directors' report on page 89.

Share repurchases

No shares have been bought back in the year. Subject to the provisions of Jersey Company Law and the Company's Articles of Association, the Company may purchase all or any of its shares of any class, including any redeemable shares, and may hold such shares as treasury shares or cancel them. Further information can be found in the Directors' report on page 89.

COMPOSITION, SUCCESSION AND EVALUATION

Board composition

The Board consists of six non-executive Directors. The Board believes the Directors provide, individually and collectively, the breadth of skills and experience required to manage the Company. Biographical details of the Directors are shown on pages 66 and 67.

The Board, via its Nomination Committee, regularly reviews the Board's composition and effectiveness with the objective of ensuring that it has an appropriate balance of skills and experience required to meet the future opportunities and challenges facing the Company. As part of this review, it considers diversity of the Board, including, but not limited to, gender, social background and ethnicity alongside intellectual and personal capabilities. Board appointments are made based on merit and calibre, with the most appropriate candidate, who is the best fit for the Company, being appointed. The Company is proud to continue to meet the requirements of the Hampton-Alexander Review.

Induction of new Directors

The Company has an established process in place for the induction of new Directors. An induction pack is provided to new Directors by the Company Secretary, containing relevant information about the Company, its constitutional documents and its processes and procedures. New appointees meet with relevant persons at the Investment Adviser and service providers. A programme of induction training is agreed with each new Director.

Diversity

Diversity, including, but not limited to, gender, social background, ethnicity, professional and industry specific knowledge, is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring an effective Board and a successful Company. The Board will continue to consider the Parker Review when selecting candidates for future succession planning.

Following the appointment of Steven Wilderspin on 10 February 2021 and the retirement of David Pirouet from the Board on 10 February 2021, the Company still maintains its gender diversity targets set by the Hampton-Alexander review.

Succession planning, Board independence and tenure of service

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

Board tenure

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

Directors' interests

The Board has discussed the interests in the Company held by Mr De Gruchy, Ms Crichard and Mr Wilderspin and is satisfied that it does not materially impact their ability to exercise independent judgement on the Board.

Directors, who held office at 30 September 2021, had the following interests in the shares of the Company:

	30 September 21 Number of ordinary shares held	30 September 20 Number of ordinary shares held
Paul De Gruchy (indirect holding) ¹	610,570	570,647
Dawn Crichard (direct holding)	44,962	—
Steven Wilderspin (direct holding)	15,000	—

1. Increase in shares due to electing to take the scrip dividend alternative.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Chairman tenure

An update on the Company's succession plan was provided in the Company's half-yearly report for the period ended 31 March 2021.

The process for implementation of the plan was endorsed by the Board and managed by the Nomination Committee (chaired for these purposes by the Senior Independent Director). In consultation with the Nomination Committee, in February 2021, the Board engaged Nurole Limited ("Nurole"), an independent and reputable external consultant based in the UK, with no connection to the Company or its Directors, to undertake a search process to identify potential candidates as a successor to the Chairman. The Directors considered the desired background, personal attributes and expertise of the candidates in order to complement the skills already on the Board and a shortlist of potential candidates was then provided by Nurole. The Nomination Committee reviewed the shortlist and interviews were held with key candidates.

Nurole presented a list of twelve diverse potential candidates, which was short-listed by the Nomination Committee to five. Those five were interviewed by video conference by the Nomination Committee in May 2021. Of those, three were invited to a face-to-face meeting with both the Nomination Committee and the Investment Adviser. Following these interviews, the Senior Independent Director provided feedback to the rest of the Board and a successor candidate was selected subject to regulatory approval and appropriate notice period being served.

As announced on 1 December 2021, a successful candidate has now been identified and Andrew Didham will be appointed on 17 December 2021 as a non-executive Director of the Company and will act as successor Chairman until Ian Reeves CBE steps down in June 2022. It is proposed that Andrew Didham will replace Paul De Gruchy, who will retire on 17 December 2021. Mr De Gruchy has served on the Board for seven years and prior to that was on the Board of GCP Infrastructure Fund Limited, the original 'master fund', when the Company was part of a 'master/feeder' structure. The Board considered it important for Paul De Gruchy to stay on the Board until the publication of this annual report.

It has been agreed by the Board that Ian Reeves CBE will remain as Chairman until June 2022 in order to ensure an orderly handover is achieved, subject to shareholder approval.

The Board has also agreed, subject to shareholder approval, that after stepping down as Chairman in June 2022, it is intended that Ian Reeves CBE will remain on the Board as a non-executive Director, until a further replacement non-executive Director has been recruited with suitable knowledge, experience and skills, but in any case, until no later than the calendar year-end of 2022.

Performance evaluation

The Board has decided that external reviews will be carried out every three years, with the next external review to take place in 2023. Internal evaluations, via questionnaires, will be carried out in the intervening years.

As the last external evaluation of the Board was carried out in 2020, the Directors undertook an internal performance evaluation in 2021 which was led by the Chairman and designed to assess the strengths and independence of the Board and the performance of its committees, the Chairman and individual Directors.

The Board evaluation questionnaires were also intended to analyse the focus and appropriateness of Board meetings. The evaluation of the Chairman was carried out by the other Directors of the Company and led by the Senior Independent Director. The results of the 2021 Board evaluation process were reviewed and discussed by both the Nomination Committee and the Board. Further details of the results of the Board evaluation process can be found in the Nomination Committee report on page 79.

Appointment and re-election of Directors

Under the provisions of the Company's Articles, the Directors retire by rotation, with one-third of the Directors submitting themselves for election at each AGM. However, the Board recognises that, as a FTSE 250 company, and in accordance with corporate governance best practice as set out in the AIC Code, all Directors should put themselves forward for re-election every year. As such, each Director is subject to annual re-election by the shareholders at the AGM.

Each of the Directors will be offering themselves for re-election at the forthcoming AGM in February 2022 except for Paul De Gruchy, who will retire from the Board on 17 December 2021. In addition, Steven Wilderspin and Andrew Didham will be offering themselves for election.

The Board undertakes regular anti-money laundering training and Directors undertake the required hours of continuing professional development in accordance with their profession and Jersey regulations, including training on areas relating to the Company's activities such as specialist renewable energy sectors.

Conflicts of interest

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

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

Key service providers other than the Investment Adviser

Details of the key service providers other than the Investment Adviser can be found in note 5 to the financial statements.

Insurance and indemnity provisions

The Company has Directors' and Officers' liability insurance, professional indemnity insurance, and crime and property loss cover for financial institutions to cover legal defence costs. Under the Company's Articles of Association, the Directors are provided, subject to the provisions of Jersey legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment.

Relations with shareholders

Further information regarding the Company's relations with shareholders is set out on page 51. Further information about the significant shareholders in the Company is set out on page 89.

Internal control review and risk management process

Details of the Company's internal control review and the risk management process are outlined in the strategic report on pages 54 to 63.

NOMINATION COMMITTEE REPORT

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

The Nomination Committee comprises Ian Reeves CBE (Chairman), Michael Gray and Julia Chapman.

Function of the Nomination Committee

The Nomination Committee is formally charged by the Board to regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes to the Board and its individual committees. It operates within clearly defined terms of reference which are considered and are then referred to the Board for approval. The Nomination Committee is further charged by the Board to give full consideration to succession planning for Directors, based on merit and objective criteria (which includes knowledge and experience, skills, and promoting diversity of gender, social and ethnic backgrounds). During the year, the Nomination Committee held five meetings. Attendance of members at those meetings is shown in the table on page 76. The other Directors and relevant third parties may be invited by the Nomination Committee to attend meetings as and when appropriate.

The Nomination Committee met five times during the year, with Julia Chapman chairing as Senior Independent Director and David Pirouet, who retired in February 2021, chairing three of these committee meetings where the succession of the Chairman was discussed.

Matters reviewed in the year**Performance evaluation**

In accordance with the AIC Code, the Company undertakes an annual evaluation of the Board, its committees, the Chairman and its Directors. In addition, an external evaluation is undertaken every three years with the next external evaluation due in 2023. The Nomination Committee reviewed the results of the internal evaluation of the performance of the Board, its committees, the Chairman and the Directors during 2021. The evaluation covered a range of areas including processes and effectiveness, overall strategy, corporate governance, investment management, communications with shareholders, training requirements, independence and personal development.

The Senior Independent Director also met with the Chairman to discuss the Directors' comments on the Chairman's performance evaluation. The results of the evaluation process were reported to and discussed by the committee and subsequently by the Board, including plans for succession over time.

The following recommendation was made in the review this year: to continue to address the future composition of the Board through a medium-term succession plan.

Board and committee composition evaluation

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

- Michael Gray joined the Nomination Committee when David Pirouet retired from the Board at the Company's 2021 AGM;
- Steven Wilderspin assumed the role of Chair of the Audit and Risk Committee following his appointment after the conclusion of the AGM in February 2021; and
- as announced on 1 December 2021, Andrew Didham will be appointed on 17 December 2021 as a non-executive Director of the Company and will act as successor Chairman until Ian Reeves CBE steps down during 2022. Andrew Didham, a UK resident, is a Fellow of the Institute of Chartered Accountants in England and Wales. Andrew is a senior executive director with extensive board level experience in the Rothschild banking group. He was Group Finance Director for 16 years and a member of the group management of the worldwide Rothschild business, comprising investment banking, wealth management, asset management and merchant banking activities.

He has broad non-executive director experience, being on the boards of IG Group Holdings plc (a FTSE 250 derivative trading platform), Shawbrook Group PLC (a regulated bank), Charles Stanley Group PLC (a listed wealth manager) and, formerly, Jardin Lloyd Thompson Group plc (a FTSE 250 insurance broker). Within Rothschild, he remains an Executive Vice Chairman since 2012 and a non-executive member of NM Rothschild and Sons Ltd. Formerly, he was a partner in the London office of KPMG with responsibility for the audit of a number of global financial institutions and assignments for various government and regulatory authorities.

The Committee continues to take into consideration the Parker Review when selecting candidates for future succession planning. The Company is proud to continue to meet the requirements of the Hampton-Alexander Review.

Terms of reference

The committee reviewed its terms of reference in October 2021 to ensure that it is still operating effectively, and no amendments were recommended to the Board.

Ian Reeves CBE

Chair of the Nomination Committee

Julia Chapman

Senior Independent Director

13 December 2021

AUDIT, RISK AND INTERNAL CONTROL

AUDIT AND RISK COMMITTEE REPORT

I am pleased to present the Company's Audit and Risk Committee report for the year ended 30 September 2021.



Steven Wilderspin FCA, IMC
Chair of the Audit and Risk Committee

Summary

The committee operates within clearly defined terms of reference, a copy of which is available from the Company's website or on request from the Company Secretary. The terms of reference require the committee to monitor the Company's financial reporting, internal controls, risk management and external audit process.

The committee is responsible for making recommendations to the Board in respect of the appointment, re-appointment and remuneration of the Auditor and the Auditor's plan for the year.

Composition

At 30 September 2021, the committee comprised three of the Company's Directors: Steven Wilderspin, who is a Chartered Accountant, Dawn Crichard, who is also a Chartered Accountant, and Paul De Gruchy. As part of the Board's medium-term succession plan, Steven Wilderspin was appointed to the Board and as Chair of the Audit and Risk Committee at the conclusion of the Company's AGM held on 10 February 2021, on which date David Pirouet retired from the Board.

The Board considers that the independence, experience and knowledge of each of the committee members is sufficient for discharging its responsibilities. The committee formally met five times during the year ended 30 September 2021.

The committee has reviewed and evaluated its own performance as part of the Board's annual evaluation process, as explained in the Nomination Committee report on page 79.

Financial reporting

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

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

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

- reviewing the effectiveness of the internal control environment of the Company;
- reviewing and recommending to the Board significant accounting matters and accounting disclosures in the half-yearly and annual financial statements of the Company including matters of judgement in relation to the valuation of financial assets at fair value through profit or loss. The committee discussed these matters with the Valuation Agent, the Investment Adviser and the Auditor, including the Auditor's valuation specialist;
- overseeing the Company's relations with its Auditor, including assessing the conduct and effectiveness of the audit process and the Auditor's independence and objectivity, recommending the Auditor's re-appointment and approving the Auditor's fees;
- reviewing the Company's compliance with its regulatory obligations in Jersey and listing requirements under its Premium Listing;
- reviewing the committee's own terms of reference; and
- reviewing the Company's hedging policy and accounting treatment.

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

External audit

The committee met with the Auditor in August 2021 to review, challenge and agree their audit plan for the audit of the financial statements, in particular their approach to the valuation of investments. The committee also met with the Auditor in December 2021 to discuss their report, after the conclusion of their audit.

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

Audit fees for the year amounted to £120,000 (30 September 2020: £89,000). Non-audit fees amounted to £40,000 (30 September 2020: £24,000) and were incurred solely in relation to the Auditor's review of the Company's half-yearly report.

KPMG has been the Auditor of the Company since their appointment at the AGM in February 2016, following an external audit tender process in October 2015. Andrew Quinn is the current audit partner for the financial year ended 30 September 2021. As stated in last year's annual report, Mr Quinn replaced Steven Stormonth, who rotated off the audit of the Company following the conclusion of the 2020 audit. There are no contractual obligations restricting the choice of Auditor and the Company will consider putting the audit services contract out to tender at least every ten years. The committee reviewed the effectiveness of the audit process during the year, considering the performance, objectivity, independence and relevant experience of the Auditor. Following this review, the committee has concluded the audit was effective and will be recommending the re-appointment of KPMG as the Company's Auditor at the 2022 AGM.

As with previous years, it has been decided that the Auditor would review the Company's half-year accounts, but the Auditor would not be requested to perform any other non-audit services. The Audit and Risk Committee considers KPMG to be independent of the Company and the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit. KPMG confirmed their compliance with their standard independence and objectivity procedures to the Audit and Risk Committee.

FRC review of 2020 annual report

The FRC undertook an audit quality review of the audit of the 2020 annual report and financial statements carried out by KPMG, the final result being that limited improvements were required. In the Audit and Risk Committee's view, this result was positive and an indication that the level of audit work being undertaken and the approach being followed was appropriate. The committee has reviewed the recommendations from the FRC audit quality review and is satisfied that the measures taken by the external Auditor during the year are appropriate and sufficient to implement the required limited improvements in 2021.

The FRC noted that its review provides no assurance that the annual report and financial statements are correct in all material respects, and that the FRC's role is not to verify the information provided, but to consider compliance with audit and reporting requirements. The FRC's review is based on a review of the annual report and financial statements and the external Auditor's audit work and does not benefit from detailed knowledge of the business, or an understanding of the underlying transactions entered into.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Significant issues considered

The significant issues relating to the financial statements, and how these issues were addressed, are noted below. After discussions with both the Investment Adviser and the Auditor, the committee determined that the key risks of material misstatement of the Company's financial statements related to the valuation of the investments.

Valuation of investments

As outlined in notes 11 and 19 to the financial statements, the total carrying value of financial assets at fair value at 30 September 2021 was £1.1 billion (30 September 2020: £1 billion). Market quotations are not available for these financial assets, instead their valuation is undertaken using a discounted cash flow methodology where applicable. This requires a series of material judgements to be made, as further explained in note 19 to the financial statements.

The committee discussed the valuation process and methodology with the Investment Adviser as part of the quarterly Board meetings and the review of the half-yearly and annual reports. The Valuation Agent provides a detailed valuation report to the Company quarterly. The committee, together with the rest of the Board, discusses with the Valuation Agent and Investment Adviser their views of the market and relevant discount rates of individual investments in the portfolio as part of the quarterly valuation process.

The discount rates adopted to determine the valuation are selected and recommended by the Valuation Agent. The discount rates applied to the expected future cash flows for each investment's financial forecasts are derived by adopting the assumptions explained in note 19 to the financial statements. The resulting valuation is sensitive to the discount rate selected as well as other key assumptions which affect forecast future cash flows such as future inflation rates and forecast electricity prices. The Valuation Agent is experienced and active in the area of valuing these investments and adopts discount rates they believe are appropriate using their extensive experience.

In particular, the committee considered the ongoing impact of Covid-19 on the portfolio, and the effect of electricity prices on the valuation of investments. Additional disclosures in relation to the impact of both can be seen in the Investment Adviser's report on pages 34 and 35. The committee reviewed in detail the electricity price sensitivity analysis prepared by the Investment Adviser and its potential impact on the NAV of the Company.

The committee discussed the Company's material estimates and judgements with the Investment Adviser; this also included discussions regarding the valuation of the shareholder interest exposure of the investments within the portfolio, c.5% of the portfolio by value. The committee was satisfied that the range of discount rates was appropriate for the valuation carried out by the Valuation Agent.

As explained in the investment portfolio section on page 32, there have been certain investments subject to upward and downward revaluations equivalent to 10.0 and 6.23 pence per share respectively during the year. These revaluations were discussed and agreed with the Valuation Agent and Investment Adviser. The majority of the upward revaluation is a direct result of high near-term electricity futures prices. The committee, along with the Investment Adviser, continues to monitor the impact of changes to electricity price forecasts on the valuation of investments closely. Given fluctuating electricity prices during the year, the Investment Adviser has commenced a hedging programme to reduce volatility in the portfolio. Further information is presented in note 18 to the financial statements.

GCP INFRASTRUCTURE INVESTMENTS LIMITED

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Other matters considered

Other matters reviewed by the committee during the year are noted below.

Risk management

During the year, the committee adopted a new over-arching risk management framework and consequently began to review the Company's risk management procedures. A full business risk assessment was conducted by the committee in August 2021, and considered by the Board in early October 2021. The committee also considered the presentation of risk-related matters in the annual report and financial statements, as disclosed on pages 54 to 63.

Going concern and viability statement

The financial statements have been prepared on a going concern basis, with the viability period of five years unchanged in the viability statement; see page 63 for further information. The committee reviewed the Company's viability statement and accompanying commentary, as well as projections, stress testing and sensitivities, including the risks associated with Covid-19 and volatile electricity prices, prepared by the Investment Adviser.

The committee prepared a going concern assessment, for the Board, which included consideration of the availability of the Company's credit facilities, hedging arrangements, cash flow forecasts and stress scenarios, including the potential downside impacts from Covid-19. In preparing their assessment, the committee considered the viability statement prepared by the Investment Adviser. The Auditor was provided with the assessments and relevant supporting papers as part of their audit of the annual report. The Audit and Risk Committee concluded that the going concern basis of preparation for the annual financial statements and the Company's viability statement was appropriate.

Internal controls

The committee monitored and reviewed the internal controls of the Company during the year, which included:

- review of reports on the control systems and their operation within the Investment Adviser and the Administrator to determine the effectiveness of their internal controls respectively; and
- conducting an onsite visit of the Administrator in September 2021 to discuss their control systems and their operations, including a review of relevant policies and procedures.

Details of the Company's internal control review and the risk management process are outlined on pages 54 to 63.

Regulatory

The committee considered reports from the Company's Compliance Officer, Money Laundering Compliance Officer and Money Laundering Reporting Officer; and considered the Company's compliance with its regulatory requirements and obligations.

Steven Wilderspin FCA

Chair of the Audit and Risk Committee

13 December 2021

REMUNERATION

DIRECTORS' REMUNERATION REPORT

The Directors are pleased to present their report on remuneration for the year ended 30 September 2021.

The report is made up of two sections: the Directors' remuneration policy report and the annual report on remuneration.

The annual report on remuneration provides details on remuneration in the year. An ordinary resolution will be put to shareholders at the 2022 AGM to receive and approve the Directors' remuneration report. Although it is not a requirement under Jersey Company Law to have the remuneration report approved by shareholders, the Board believes that as a company whose shares are traded on the London Stock Exchange, it is good practice for it to do so.

This report is not subject to audit.

Directors' remuneration policy report

The Company follows the recommendation of the AIC Code that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be determined with reference to comparable organisations and appointments.

The fees of the non-executive Directors are determined within the limits set out in the Company's Articles of Association, and the Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

There are no performance conditions attached to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors.

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

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

The Company is committed to ongoing shareholder dialogue and any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' remuneration policy and in the review of Directors' fees.

Directors' fee levels

The Board has historically set a base Director fee of £45,000 with additional fees for the role of Chairman of the Board, Chair of the Audit and Risk Committee and Chair of the Investment Committee. The Board believes that the additional fees reflect the increased workload and responsibilities involved in each of these roles and in particular that of the role of the Chairman. An annual fee is also paid to the members of the Audit and Risk and Investment Committees to recognise the time commitment required of these roles.

The base and additional fees payable to Directors in respect of the year ended 30 September 2021 are set out on page 85.

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

Element	Purpose	Operation
Fees	To compensate the Directors for their time commitment and level of responsibility borne.	Reviewed every three years and set to be broadly comparable to similar companies, subject to an annual cap in accordance with the Articles of Association.

The Directors' remuneration policy is put to a shareholder vote at least once every three years and in any year if there is to be a change in the Directors' remuneration policy. A resolution to approve this remuneration policy was proposed and passed at the 2018 AGM. The remuneration policy provisions set out below will apply until they are put to shareholders for renewal of that approval.

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The current cumulative cap on Directors' base fees is £500,000, as approved at the 2018 AGM. Directors' annual fees for certain roles are as follows:

- Chairman: £67,500;
- Chair of Audit and Risk Committee: £55,000;
- Chair of Investment Committee: £55,000;
- member of the Audit and Risk Committee: £5,000; with an increased fee of £10,000 for the Chair;
- member of Investment Committee: £10,000; and
- Director base fee: £45,000.

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

Voting at Annual General Meeting

The Directors' remuneration report for the year ended 30 September 2020 was approved by shareholders at the 2021 AGM and the votes cast by proxy were as follows:

	Directors' remuneration report	
	Number of votes cast	% of votes cast
For	466,865,587	99.98
Against	110,737	0.02
Total votes cast	466,976,324	100
Number of votes withheld	30,212	—

In 2020, the Company engaged BoardAlpha, a specialist consultancy firm which is independent of the Company, its Directors and the Investment Adviser, to conduct a review of the Directors' remuneration.

The recommendations, which took into account the increased time commitment, responsibility and risk, together with other market comparables, forms the basis of the Directors' revised remuneration policy noted below. In particular, the proposal for the Chairman acknowledges his significant time contribution (in addition to his responsibility as Chairman) in building relationships with shareholders and sharing his knowledge and experience with the Investment Adviser. The Board deferred the revised remuneration policy in 2021 and agreed for it to be put forward for shareholder approval at the 2022 AGM.

The current cumulative cap on Directors' base fees of £500,000, as approved at the 2018 AGM, remains unchanged.

Proposed increases to Directors' fees commencing 1 October 2021 are as follows:

	Ian Reeves CBE	Julia Chapman	Michael Gray	Steven Wilderspin	Dawn Crichard	Paul De Gruchy	Total
	Chairman	Senior Independent Director	Chair of Investment Committee	Chair of Audit and Risk Committee	ESG Representative ¹	Chair of Management Engagement Committee	
Base fee	£45,000	£45,000	£45,000	£45,000	£45,000	£45,000	£270,000
Chairman's fee	£30,000						£30,000
Fee for Chair of committee			£12,000	£12,000		£3,000	£27,000
Member of Audit and Risk Committee fee				£10,000	£7,000	£7,000	£24,000
Member of Investment Committee fee	£12,000	£12,000	£12,000				£36,000
Senior Independent Director fee		£3,000					£3,000
ESG representative independent Director fee					£5,000		£5,000
Total	£87,000	£60,000	£69,000	£67,000	£57,000	£55,000	£395,000

1. The Board approved an ESG Representative fee of £5,000 per annum to reflect the level of commitment and time required for ESG matters.

Accordingly, an ordinary resolution will be put to shareholders at the forthcoming Annual General Meeting to be held in February 2022, to receive and approve the amendments to the Directors' remuneration policy noted in the table above.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION

Directors' remuneration

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

30 September 2021	Directors' fees (base fee) £'000	Audit and Risk Committee fees £'000	Investment Committee fees £'000	Other £'000	Total £'000
Ian Reeves CBE	68	n/a	10	n/a	78
Julia Chapman	45	n/a	10	n/a	55
Michael Gray	55	n/a	10	n/a	65
Steven Wilderspin ¹	35	6	n/a	7	48
Dawn Crichard	45	5	n/a	n/a	50
Paul De Gruchy	45	5	n/a	n/a	50
David Pirouet ²	20	3	n/a	n/a	23
Total	313	19	30	7	369

1. Steven Wilderspin became a Director of the Company and assumed the Chair of the Audit and Risk Committee on 10 February 2021.

2. David Pirouet retired as a Director of the Company on 10 February 2021.

30 September 2020	Directors' fees (base fee) £'000	Audit and Risk Committee fees £'000	Investment Committee fees £'000	Total £'000
Ian Reeves CBE	68	n/a	10	78
Julia Chapman	45	n/a	10	55
Michael Gray ¹	51	n/a	10	61
Dawn Crichard	45	5	n/a	50
Paul De Gruchy	45	5	n/a	50
Clive Spears ²	19	n/a	4	23
David Pirouet	55	10	n/a	65
Total	328	20	34	382

1. Michael Gray assumed the Chair of the Investment Committee when Clive Spears retired from the Board on 13 February 2020.

2. Clive Spears retired as a Director of the Company on 13 February 2020.

Directors' expenses for the year totalled £1,000 (30 September 2020: £10,000). In addition, Steven Wilderspin was paid a consultancy fee in January 2021 and April 2021 totalling £7,000, in relation to consultancy services he provided prior to his appointment as a Director of the Company on 10 February 2021. Andrew Didham was paid a consultancy fee totalling £11,000 in relation to his consultancy services provided prior to his proposed appointment as announced on 1 December 2021. No other remuneration or compensation was paid or payable by the Company during the year to any of the Directors. There are no long-term incentive schemes provided by the Company and no performance fees or bonuses paid to Directors. Any changes to Directors' aggregate remuneration are considered at the AGM of the Company.

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Company performance

In setting the Directors' remuneration, consideration is given to the size and long-term performance of the Company. The tables below set out total shareholder return¹ and total NAV return¹ to ordinary shareholders since launch compared with the Sterling Corporate Bond Index over the same period. The Sterling Corporate Bond Index is used as a benchmark as the constituents are comparable in asset type with the Company's investments portfolio (being a portfolio of debt instruments). For the year ended 30 September 2021, total shareholder return¹ was -7.9%, compared with the Sterling Corporate Bond Index which was 0.1%.

Cumulative performance to 30 September 2021

Period	Three months	Six months	One year	Three years	Five years	Since launch
GCP Infra (share price)	0.8%	1.0%	(7.9)%	(2.4)%	4.2%	102.3%
GCP Infra (net asset value)	3.5%	6.8%	7.2%	13.8%	34.0%	124.6%
Sterling Corporate Bond Index	(1.0)%	0.9%	0.1%	16.3%	16.6%	94.1%

Annual performance to 30 September 2021

Period	Year ended 30 September 2021	Year ended 30 September 2020	Year ended 30 September 2019	Year ended 30 September 2018	Year ended 30 September 2017
GCP Infra (share price)	(7.9)%	(2.0)%	8.0%	4.8%	1.9%
GCP Infra (net asset value)	7.2%	(0.1)%	6.3%	9.0%	8.1%
Sterling Corporate Bond Index	0.1%	4.6%	11.1%	0.0%	0.2%

Source: Bloomberg. Basis: percentage growth, total return with dividends reinvested. Past performance is not a guide to future performance.

Relative importance of the spend on pay

The table below sets out, in respect of the financial years ended 30 September 2021 and 30 September 2020, Directors' fees for the Company as a relative proportion of the Company's total expenses for the year:

	30 September 2021	30 September 2020
Percentage of expenses	3.46%	3.16%

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

Directors' interests (audited)

At 30 September 2021, the interests of the Directors are set out below:

	30 September 2021 Number of shares	30 September 2020 Number of shares
Paul De Gruchy ²	610,570	570,647
Dawn Crichard	44,962	—
Steven Wilderspin	15,000	—

Approval

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

Ian Reeves CBE

Chairman

13 December 2021

1. Alternative performance measure ("APM"); for definition and calculation methodology refer to the APMs section on pages 124 and 125.

2. Increase in shares due to electing to take the scrip dividend alternative.

DIRECTORS' REPORT

The Directors are pleased to present their report for the year ended 30 September 2021.

Principal activity and business review

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

Corporate governance

The corporate governance statement on pages 72 to 78 forms part of this Directors' report.

Directors

The Directors in office at the date of this report and their biographical details are shown on pages 66 and 67.

David Pirouet retired as a Director with effect from 10 February 2021 and was replaced by Steven Wilderspin, who was appointed on 10 February 2021.

Details of the Directors' terms of appointment can be found in the corporate governance statement and the Directors' remuneration report.

Share capital

During the year, the Company issued 2,544,179 ordinary shares of £0.01 under the scrip dividend alternative. Details of the movements in share capital during the year are set out in the statement of changes in equity and in note 16 to the financial statements.

At 30 September 2021, the Company's issued share capital comprised 882,210,228 ordinary shares of £0.01, none of which were held in treasury. At general meetings of the Company, every holder shall have one vote in respect of every ordinary share. Since July 2017, issuers, including the Company, have been permitted to issue up to 20% (previously 10%) of the same class of share without being obliged to publish a prospectus document, subject to certain restrictions regarding public offerings.

On 10 February 2021, the Company obtained shareholder approval permitting it to issue up to 88,045,799 ordinary shares for cash on a non-pre-emptive basis, representing 10% of the ordinary shares then in issue. This shareholder authority will expire at the 2022 AGM.

Historically, the Company has benefited from such authorities as the ability to raise additional equity capital promptly has enabled it to take advantage of investment opportunities as they arise.

The Company will seek a renewal of shareholder approval at the Company's AGM in February 2022 in respect of the disapplication of pre-emption rights over 10% of its ordinary shares in issue which it may then be able to issue by way of placings in the ordinary manner. This will provide the Company with the ability to take advantage of investment opportunities as they arise and further broaden its investor base over time. Further details will be set out in the AGM notice due to be posted to shareholders on or around 10 January 2022 in which shareholders will be asked to approve the disapplication of pre-emption rights for these purposes.

Dividends

During the year, the Company paid four interim dividends; including the 2020 fourth interim dividend, and the 2021 first, second and third interim dividends as detailed in note 9. These dividends were paid out of capital, as a result of downward revaluation movements on investments, at the time the dividends were approved by the Board. On 28 October 2021, the Company announced a fourth interim dividend of 1.75 pence per ordinary share. The fourth interim dividend was paid on 9 December 2021, to ordinary shareholders on the register on 5 November 2021. This dividend was paid out of retained earnings.

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 ex-dividend date and the four subsequent dealing days.

The Company publishes a single shareholder circular on an annual basis in respect of its scrip dividend facility and this is made available for viewing on the Company's website.

The annual circular contains all relevant information for shareholders, including an expected timetable for the quarterly scrip dividends in respect of the upcoming financial year. The Company currently expects to publish the scrip dividend circular in respect of the financial year ending 30 September 2022 on or around 21 January 2022.

Greenhouse gas emissions reporting

The Company has no employees or property, and it does not purchase electricity, heat, steam or cooling for its own use and is therefore exempt from the new streamlined energy and carbon reporting disclosure requirements (Scope 1 and Scope 2 emissions). The Company outsources all services on a fee basis and, as such, it is currently not measuring or quantifying emissions in respect of any outsourced energy use (Scope 3 emissions).

The Company funds renewable energy projects which seek to reduce the UK's greenhouse gas emissions. The combined output of the renewables portfolio was c.3,400 GWh for the year ended 30 September 2021, which is the equivalent of nearly a million tonnes of CO₂ emissions being avoided from the atmosphere every year. Any reportable greenhouse gas emissions arising from electricity usage in the operation and maintenance of assets in the portfolio in respect of the Company's exposure to shareholder interests (Scope 3 emissions) is not considered material for disclosure purposes.

Therefore, the Directors believe the Company has no reportable emissions for the year ended 30 September 2021.

GCP INFRASTRUCTURE INVESTMENTS LIMITED

Annual report and financial statements 2021

Significant voting rights

At 30 September 2021, the Company had been informed of the following holdings representing more than 3% of the voting rights of the Company:

Name	Shares held	% of total voting rights
Rathbone Investment Management	64,563,018	7.32
Fidelity International	61,435,952	6.96
Investec Wealth & Investment	45,089,872	5.11
Valu-Trac Investment Management Limited	42,507,604	4.82
Insight Investment Management	39,944,277	4.53
West Yorkshire Pension Fund	38,344,860	4.35
Quilter Cheviot Investment Management	35,268,885	4.00
Transact	34,721,596	3.94
Close Brothers Asset Management	32,164,157	3.65
Rowan Dartington	29,551,884	3.35
BMO Global Asset Management (UK)	27,856,625	3.16

The table of significant shareholders disclosed above forms part of note 2.2 ('segmental information') in the financial statements.

The Company has not been informed of any changes to the interests between 30 September 2021 and the date of this report.

Share repurchases

No shares have been bought back in the year.

The latest authority to purchase ordinary shares for cancellation was granted to the Directors on 10 February 2021 and expires on the date of the 2022 AGM.

The Directors are proposing that their authority to buy back shares be renewed at the forthcoming 2022 AGM.

Treasury shares

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

Political donations

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

Auditor

The Directors holding office at the date of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

KPMG has expressed its willingness to continue in office as Auditor of the Company and resolutions for its re-appointment and to authorise the Board to determine its remuneration will be proposed at the forthcoming 2022 AGM.

Financial risk management

Information about the Company's financial risk management objectives and policies is set out in note 19 to the financial statements.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. Interest income capitalised during the year is disclosed in note 3 to the financial statements. The Directors confirm that there are no other disclosures required in relation to Listing Rule 9.8.4.

Approved by the Board

This Directors' report was approved by the Board and signed on its behalf by:

Ian Reeves CBE

Chairman

13 December 2021

FINANCIAL STATEMENTS

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under Jersey Company Law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and applicable law.

Under Jersey Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Jersey Company Law. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Directors' responsibility statement

In accordance with the FCA's Disclosure Guidance and Transparency Rules, each of the Directors, whose names are set out on pages 66 and 67, confirms that to the best of his or her knowledge:

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

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

On behalf of the Board

Ian Reeves CBE
Chairman

13 December 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GCP INFRASTRUCTURE INVESTMENTS LIMITED

Our opinion is unmodified

We have audited the financial statements of GCP Infrastructure Investments Limited (the "Company"), which comprise the statement of financial position as at 30 September 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 30 September 2021, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"); and
- have been properly prepared in accordance with the Companies (Jersey) Law, 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards, as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2020):

	THE RISK	OUR RESPONSE
<p>Valuation of financial assets at fair value through profit and loss £1,096,555,000 or 99.3% of total assets; (2020: £1,031,106,000 or 97.7% of total assets)</p> <p>Refer to the Audit and Risk Committee report (pages 80 to 83), note 2.2 – significant accounting judgements and estimates, note 11 – financial assets at fair value through profit or loss and note 19 – financial instruments.</p>	<p>Basis: 99.3% of the Company's total assets is represented by the fair value of a portfolio of unquoted infrastructure investments domiciled in the United Kingdom (the 'Investments'). The Company's estimation of the fair value of the Investments primarily involves using a discounted cash flow methodology, where the inputs and assumptions, such as the amounts and timings of cash flows, the use of appropriate discount rates and the selection of appropriate assumptions surrounding uncertain future events are subjective.</p> <p>Risk: There is a risk of error associated with:</p> <ul style="list-style-type: none"> – estimating the timing and amounts of long-term forecasted cash flows; and – the selection and application of appropriate assumptions, such as discount rates and other inputs. <p>Changes to long-term forecasted cash flows and/or the selection and application of different assumptions and inputs may result in a materially different fair value being attributed to the Investments.</p>	<p>Our audit procedures included:</p> <p>Internal controls: We tested the design, implementation and operating effectiveness of the controls adopted by the Company over the valuation of the Investments.</p> <p>Evaluating experts engaged by management: We performed enquiries of the Investment Adviser and Valuation Agent to update our knowledge of the valuation process and methodology and reassessed its appropriateness against industry practice and IFRS.</p> <p>We evaluated the competency of the Company's third party Valuation Agent in the context of their ability to appropriately challenge and review the fair value of the Investments prepared by the Company, by assessing their professional qualifications, experience and independence from the Company.</p> <p>Use of KPMG Specialists: We challenged, with the support of our KPMG valuation specialist, the reasonableness of discount rates applied in the valuation by benchmarking these to independent market data including discount rates used by peers, recent market transactions and our KPMG valuation specialist's experience in valuing similar investments.</p> <p>Challenging management's assumptions and inputs: We performed substantive procedures in relation to the Company's determination of fair value on a risk-based selection of Investments, which included:</p> <ul style="list-style-type: none"> – for new Investments during the year, compared the long-term forecasted cash flows included in the discounted cash flow model to the terms of the original loan agreements, such as the repayment profile, prepayment premium, loan term and the coupon; – assessed the recoverability of outstanding cash flows by considering financial performance of underlying assets, the general economic environment and reviewing the repayment history; – assessed the reasonableness of key general and project-specific inputs and assumptions into the cash flow projections for equity linked loan notes, to corroborate key revenues and costs with reference to relevant market data, underlying contracts, agreements and management information; and – assessed the reliability of the Company's cash flow forecasts included in the valuation models by appraising the completeness and accuracy of the retrospective review analysis performed by the Investment Adviser. <p>Assessing disclosures: We considered the adequacy of the Company's disclosures in note 19.3 in respect of the fair value of Investments for compliance with IFRS, specifically the estimates and judgements made by the Company in arriving at that fair value and the disclosure of the degree of sensitivity of the fair value to a reasonably possible change in the discount rate.</p>

INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF GCP INFRASTRUCTURE INVESTMENTS LIMITED

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £11,040,000, determined with reference to a benchmark of total assets of £1,104,141,000, of which it represents approximately 1.0% (30 September 2020: 1.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% (30 September 2020: 75%) of materiality for the financial statements as a whole, which equates to £8,280,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £550,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Going concern

The Directors have prepared the financial statements on a going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Company's financial resources or ability to continue operations over this period were:

- availability of capital to meet operating costs and other financial commitments;
- the availability of credit facilities and ability of the Company to comply with debt covenants; and
- the recoverability of financial assets subject to credit risk especially considering the potential impact of Covid-19.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2.1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the Directors' statement in the notes to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and that statement is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company’s policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company’s revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company’s regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company’s ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Company’s activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF GCP INFRASTRUCTURE INVESTMENTS LIMITED

Disclosures of emerging and principal risks and longer term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge. We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement (page 63) that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the emerging and principal risks disclosures describing these risks and explaining how they are being managed or mitigated; and
- the Directors' explanation in the viability statement (page 63) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 63 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit and Risk Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 92, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

GCP INFRASTRUCTURE INVESTMENTS LIMITED

Annual report and financial statements 2021

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Quinn

For and on behalf of KPMG Channel
Islands Limited
Chartered Accountants and Recognized Auditors
Jersey

13 December 2021

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Income			
Net income/gains on financial assets at fair value through profit or loss	3	97,324	15,987
Unrealised losses on derivative financial instruments at fair value through profit or loss	3	(20,851)	—
Other income	3	449	9
Total income		76,922	15,996
Expenses			
Investment advisory fees	20	(7,951)	(8,420)
Operating expenses	5	(2,733)	(3,650)
Total expenses		(10,684)	(12,070)
Total operating profit before finance costs		66,238	3,926
Finance costs	6	(3,882)	(4,652)
Total profit/(loss) and comprehensive income/(loss) for the year		62,356	(726)
Basic and diluted earnings/(loss) per share (pence)	10	7.08	(0.08)

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

The accompanying notes on pages 102 to 123 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Notes	As at 30 September 2021 £'000	As at 30 September 2020 £'000
Assets			
Cash and cash equivalents	14	7,470	24,354
Other receivables and prepayments	12	116	134
Financial assets at fair value through profit or loss	11 & 19	1,096,555	1,031,106
Total assets		1,104,141	1,055,594
Liabilities			
Other payables and accrued expenses	13	(3,079)	(3,114)
Interest bearing loans and borrowings	15	(163,412)	(137,702)
Derivative financial instruments at fair value through profit or loss	18	(20,851)	–
Total liabilities		(187,342)	(140,816)
Net assets		916,799	914,778
Equity			
Share capital	16	8,822	8,796
Share premium	16	868,867	929,228
Capital redemption reserve	17	101	101
Retained earnings		39,009	(23,347)
Total equity		916,799	914,778
Ordinary shares in issue	16	882,210,228	879,666,049
NAV per ordinary share (pence per share)		103.92	103.99

The financial statements were approved and authorised for issue by the Board of Directors on 13 December 2021 and signed on its behalf by:

Ian Reeves CBE
Chairman

Steven Wilderspin FCA
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	Share capital £'000	Share premium ¹ £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2019		8,777	943,789	101	27,429	980,096
Total loss and comprehensive loss for the year		—	—	—	(726)	(726)
Equity shares issued	16	19	2,201	—	—	2,220
Share issue costs	16	—	(57)	—	—	(57)
Dividends	9	—	(16,705)	—	(50,050)	(66,755)
At 30 September 2020		8,796	929,228	101	(23,347)	914,778
Total profit and comprehensive income for the year		—	—	—	62,356	62,356
Equity shares issued	16	26	2,648	—	—	2,674
Share issue costs	16	—	(52)	—	—	(52)
Dividends	9	—	(62,957)	—	—	(62,957)
At 30 September 2021		8,822	868,867	101	39,009	916,799

1. The share premium reserve is a distributable reserve in accordance with Jersey Company Law. Refer to note 9 for further information.

The accompanying notes on pages 102 to 123 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Cash flows from operating activities			
Total operating profit before finance costs		66,238	3,926
Purchase of financial assets	11	(94,849)	(116,536)
Repayment of financial assets	11	51,376	165,002
Net unrealised (gains)/losses on investments at fair value through profit or loss	3	(21,976)	65,078
Unrealised losses on derivative financial instruments at fair value through profit or loss	3	20,851	–
Increase in other payables and accrued expenses		1	278
Decrease in other receivables and prepayments		18	1
Net cash flow generated from operating activities		21,659	117,749
Cash flows from financing activities			
Scrip share issue costs	16	(52)	(57)
Proceeds from interest bearing loans and borrowings	15	49,100	–
Repayment of interest bearing loans and borrowings	15	(23,740)	(27,000)
Dividends paid	9	(60,283)	(64,535)
Finance costs paid		(3,568)	(4,280)
Net cash flow used in financing activities		(38,543)	(95,872)
(Decrease)/increase in cash and cash equivalents		(16,884)	21,877
Cash and cash equivalents at beginning of the year		24,354	2,477
Cash and cash equivalents at end of the year	14	7,470	24,354
Net cash flow used in operating activities includes:			
Loan interest received	3	49,282	50,219
Loan fee income	3	446	–
Deposit interest received	3	3	9
Non-cash items			
Purchase of financial assets (capitalised loan interest and principal indexation)	3	(26,066)	(30,846)

The accompanying notes on pages 102 to 123 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

1. General information

GCP Infrastructure Investments Limited (the "Company") is a public company incorporated and domiciled in Jersey on 21 May 2010 with registration number 105775. The Company is governed by the provisions of Jersey Company Law and the CIF Law.

The Company is a closed-ended investment company and its ordinary shares are traded on the Main Market of the London Stock Exchange.

The Company makes infrastructure investments, typically by acquiring interests in predominantly debt instruments issued by infrastructure Project Companies, their owners or their lenders and related and/or similar assets which provide regular and predictable long-term cash flows.

2. Significant accounting policies

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

2.1 Basis of preparation

These financial statements are prepared in accordance with IFRS as adopted by the EU. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities held at fair value through profit or loss.

New standards, amendments and interpretations adopted in the year

In the current period, there have been a number of amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments and changes in disclosure and presentation requirements. None of these amendments have had any material impact on these or prior years' financial statements. Further to the above, there are no new IFRS or IFRIC interpretations that are issued but not effective that would be expected to have a material impact on the Company's financial statements.

Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future and for a period of twelve months from the date of approval of these financial statements. The Directors' assessment included consideration of the availability of the Company's credit facilities (refer to note 15), hedging arrangements (refer to note 18), cash flow forecasts and stress scenarios, including the potential downside impacts from Covid-19.

Furthermore, the Directors are not aware of any material uncertainties that may cast doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis. In addition to a going concern statement, the Directors have undertaken a longer-term assessment of the Company, the result of which can be found in the viability statement on page 63, which includes further detail on the impact of Covid-19, the Company's revolving credit facilities and hedging arrangements.

2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

(a) Critical accounting estimates and assumptions

Fair value of instruments not quoted in an active market

The valuation process is dependent on assumptions and estimates which are significant to the reported amounts recognised in the financial statements taking into account the structure of the Company and the extent of its investment activities (refer to note 19 for further information).

(b) Critical judgements

Assessment as an investment entity

The Directors have determined that the SPVs through which the Company invests fall under the control of the Company in accordance with the control criteria prescribed by IFRS 10 and therefore meet the definition of subsidiaries. In addition, the Directors continue to hold the view that the Company meets the definition of an investment entity and therefore can measure and present the SPVs at fair value through profit or loss. This process requires a significant degree of judgement taking into account the complexity of the structure of the Company and extent of investment activities (refer to note 11 for further information).

Functional and presentation currency

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates.

The primary objective of the Company is to generate returns in Pound Sterling, its capital-raising currency. The Company's performance is evaluated in Pound Sterling. Therefore, the Directors consider Pound Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have adopted it as the Company's presentation currency. All values have been rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

GCP INFRASTRUCTURE INVESTMENTS LIMITED

Annual report and financial statements 2021

Segmental information

For management purposes, the Company is organised into one main operating segment. All of the Company's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions by the Board (as the chief operating decision maker) are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole. The following table analyses the Company's underlying operating income per geographical location. The basis for attributing the operating income is the place of incorporation of the underlying counterparty.

	30 September 2021 £'000	30 September 2020 £'000
Channel Islands	4	9
United Kingdom	76,918	15,987
Total	76,922	15,996

Significant shareholders are disclosed in the Directors' report on pages 88 and 89.

3. Operating income

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

	30 September 2021 £'000	30 September 2020 £'000
Interest on cash and cash equivalents	3	9
Other operating income ¹	446	—
Other income	449	9
Net changes in fair value of financial instruments at fair value through profit or loss	76,473	15,987
Total	76,922	15,996

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

The table below analyses the Company's net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:

	30 September 2021 £'000	30 September 2020 £'000
Loan interest received	49,282	50,219
Loan interest capitalised	26,066	30,846
Total loan interest	75,348	81,065
Unrealised gains on financial assets at fair value through profit or loss	41,509	7,082
Unrealised losses on financial assets at fair value through profit or loss	(19,533)	(72,160)
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	21,976	(65,078)
Net income/gains on financial assets at fair value through profit or loss	97,324	15,987
Unrealised losses on derivative financial instruments at fair value through profit or loss	(20,851)	—
Net changes in fair value of financial instruments at fair value through profit or loss	76,473	15,987

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3. Operating income continued

Accounting policy

Interest income and interest expense, other than interest income received on financial assets at fair value through profit or loss, are recognised on an accruals basis in the statement of comprehensive income. Interest income on financial assets is included in net income/gains on financial assets at fair value through profit or loss in the statement of comprehensive income.

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

The Company holds derivative financial instruments comprising a commodity swap to hedge its exposure to the volatility of the electricity prices in the market. It is not the Company's policy to trade in derivative financial instruments. Commodity swaps are held at fair value through profit or loss, being the net of the valuation of the fixed legs with a fixed price and floating legs that are indexed. The Company does not apply hedge accounting and consequently all gains or losses in fair value of the derivative financial instruments are recognised in the statement of comprehensive income, refer to note 18.

4. Auditor's remuneration

	30 September 2021 £'000	30 September 2020 £'000
Audit fees	120	89
Non-audit fees – review of half-yearly report and financial statements	40	24
Total	160	113

5. Operating expenses

	30 September 2021 £'000	30 September 2020 £'000
Corporate administration and Depositary fees	962	1,015
Legal and professional fees	471	1,426
Valuation Agent fees	281	220
Directors' remuneration and expenses ¹	370	392
Advisory fees	64	60
Registrar fees	60	84
Other expenses	525	453
Total	2,733	3,650

1. Refer to note 7 for further information.

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Key service providers other than the Investment Adviser (refer to note 20 for disclosures in respect of the Investment Adviser)

Administrator and Company Secretary

The Company has appointed Apex Financial Services (Alternative Funds) Limited as Administrator and Company Secretary. Fund accounting, administration services and company secretarial services are provided to the Company pursuant to an agreement dated 31 January 2014. All Directors have access to the advice and services of the Company Secretary, who provides guidance to the Board, through the Chairman, on governance matters. The fee for the provision of administration and company secretarial services during the year was £689,000 (30 September 2020: £726,000) of which £174,000 remains payable at year end (30 September 2020: £57,000).

Depositary

Depositary services are provided to the Company by Apex Financial Services (Corporate) Limited pursuant to an agreement dated 21 July 2014. The fee for the provision of these services during the year was £273,000 (30 September 2020: £289,000) of which £68,000 remains payable at year end (30 September 2020: £23,000).

Accounting policy

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

6. Finance costs

	30 September 2021 £'000	30 September 2020 £'000
Finance expenses	3,882	4,652

Accounting policy

Finance expenses in the statement of comprehensive income comprise loan arrangement fees, loan commitment fees, loan interest expense and agency fees which are accounted for on an accruals basis along with interest accrued on the facility incurred in connection with the borrowing of funds. Arrangement fees are amortised over the life of the facility.

7. Directors' remuneration

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

	30 September 2021 £'000	30 September 2020 £'000
Ian Reeves CBE	78	78
Julia Chapman	55	55
Michael Gray	65	61
Steven Wilderspin ¹	48	—
Dawn Crichard	50	50
Paul De Gruchy	50	50
Clive Spears ²	—	23
David Pirouet ³	23	65
	369	382
Directors' expenses	1	10
Total	370	392

1. Steven Wilderspin was appointed as a Director of the Company on 10 February 2021. He was paid a consultancy fee totalling £7,000 during the year in relation to consultancy services he provided prior to his appointment as a Director of the Company.

2. Clive Spears retired as a Director of the Company on 13 February 2020.

3. David Pirouet retired as a Director of the Company on 10 February 2021.

Full details of the Directors' remuneration policy can be found in the Directors' remuneration policy report on pages 84 and 85.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2021

8. Taxation

Profits arising in the Company for the year ended 30 September 2021 are subject to tax at the standard rate of 0% (30 September 2020: 0%) in accordance with the Income Tax (Jersey) Law 1961, as amended.

9. Dividends

Dividends for the year ended 30 September 2021 were 7.0 pence per share (30 September 2020: 7.6 pence per share) as follows:

Quarter ended	Dividend	Pence	30 September 2021 £'000	30 September 2020 £'000
Current year dividends				
30 September 2021	2021 fourth interim dividend	1.75	—	—
30 June 2021	2021 third interim dividend	1.75	15,423	—
31 March 2021	2021 second interim dividend	1.75	15,412	—
31 December 2020	2021 first interim dividend	1.75	15,408	—
Total		7.0	46,243	—
Prior year dividends				
30 September 2020	2020 fourth interim dividend	1.9	16,714	—
30 June 2020	2020 third interim dividend	1.9	—	16,705
31 March 2020	2020 second interim dividend	1.9	—	16,689
31 December 2019	2020 first interim dividend	1.9	—	16,683
Total		7.6	16,714	50,077
30 September 2019	2019 fourth interim dividend	1.9	—	16,678
Dividends in statement of changes in equity			62,957	66,755
Dividends settled in shares ¹			(2,674)	(2,220)
Dividends in cash flow statement			60,283	64,535

On 28 October 2021, the Company declared a fourth interim dividend of 1.75 pence per share amounting to £15.4 million, which was paid on 9 December 2021 to ordinary shareholders on the register at 5 November 2021. The 2020 fourth interim dividend and the 2021 first, second and third interim dividends were paid out of capital, as a result of downward revaluation movements on investments, at the time the dividends were approved by the Board. The 2021 fourth interim dividend was paid out of retained earnings.

For the forthcoming financial year, the Directors have concluded the Company will target² a dividend of 7.0 pence per share.

Accounting policy

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

In declaring a dividend, the Directors consider the payment based on a number of factors, including accounting profit, fair value treatment of investments held, future investments, reserves, cash balances and liquidity. The payment of a dividend is considered by the Board and is declared on a quarterly basis. Dividends are a form of distribution and, under Jersey Company Law, a distribution may be paid out of capital. Therefore, the Directors consider the share premium reserve to be a distributable reserve. Dividends due to the Company's shareholders are recognised when they become payable.

Dividends payable on new shares issued for cash in the respective quarterly period are funded partly from share premium, to reflect the premium received on the issue of those shares, and partly from retained earnings to reflect the time over which those proceeds have been fully invested. The funding of dividends out of share premium shall not exceed the share premium to NAV of the relevant share issue.

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

2. The dividend target set out above is a target only and not a profit forecast or estimate and there can be no assurance that it will be met.

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10. Earnings per share

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

	Total profit/(loss) £'000	Weighted average number of ordinary shares	Pence per share
Year ended 30 September 2021			
Basic and diluted earnings per ordinary share	62,356	880,705,368	7.08
Year ended 30 September 2020			
Basic and diluted loss per ordinary share	(726)	878,496,776	(0.08)

11. Financial assets at fair value through profit or loss

The table below analyses the movements in financial assets at fair value through profit or loss during the year by the type of movement:

	30 September 2021 £'000	30 September 2020 £'000
Opening balance	1,031,106	1,144,650
Purchases of financial assets	94,849	116,536
Repayments of financial assets	(51,376)	(165,002)
Unrealised gains on financial assets at fair value through profit or loss	41,509	7,082
Unrealised losses on financial assets at fair value through profit or loss	(19,533)	(72,160)
Closing balance	1,096,555	1,031,106

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

Accounting for subsidiaries

The Company's investments are made through a number of SPVs (refer to note 25) which are domiciled in the UK. The Company owns 100% of the loan notes issued by the SPVs with the exception of GCP Rooftop Solar 6 plc (42.3%), GCP Rooftop Solar Finance plc (30.7%) and FHW Dalmore (Salford Pendleton Housing) plc (13.5%).

The Directors have made an assessment in regard to whether the Company as an investor controls or has significant influence in the SPVs under the criteria within IFRS 10 and IAS 28, and whether the SPVs meet the definition of subsidiary or associate companies in accordance with IFRS 10 and IAS 28.

The Directors are of the opinion that the Company demonstrates all three of the criteria for all SPVs to be considered subsidiary companies within the definition of IFRS 10, with the exception of GCP Rooftop Solar 6 plc, GCP Rooftop Solar Finance plc, and FHW Dalmore (Salford Pendleton Housing) plc, which are considered to be associates within the definition of IAS 28 as the Company has significant influence over the relevant activities of the SPVs through similar arrangements. Associates are measured at fair value through profit or loss, as permitted by IAS 28.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2021

11. Financial assets at fair value through profit or loss continued

Assessment as an investment entity

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

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

The Directors have concluded that the Company continues to meet the characteristics of an investment entity, in that it has more than one investor and its investors are not related parties; it holds a portfolio of investments, predominantly in the form of loan securities which generate returns through interest income and capital appreciation; and the Company reports to its investors via quarterly investor information and to its management, via internal management reports, on a fair value basis.

Accounting policy

The loan notes held by the Company are shown as financial assets at fair value through profit or loss in the statement of financial position, which in the opinion of the Directors represents the fair value of the SPVs as any other net assets held in the SPVs at year end are immaterial.

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

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

When the Company transfers a portion of its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

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

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

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

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

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12. Other receivables and prepayments

	30 September 2021 £'000	30 September 2020 £'000
Other receivables and prepayments	116	134

Accounting policy

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The Company recognises a loss allowance for expected credit losses on other receivables where necessary.

13. Other payables and accrued expenses

	30 September 2021 £'000	30 September 2020 £'000
Investment advisory fees	2,016	2,057
Other payables and accrued expenses	1,063	1,057
Total	3,079	3,114

Accounting policy

Payables are recognised initially at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method.

14. Cash and cash equivalents

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

	30 September 2021 £'000	30 September 2020 £'000
Barclays account	–	–
BNYM account	508	507
Lloyds Money Market Call account	3,084	1,525
RBSI Capital and Interest account	378	7,407 ¹
RBSI Cash Management account	3,500	1,487
Santander account	–	13,428
Total	7,470	24,354

1. The balance on the RBSI account was substantially transferred to the Lloyds account on 2 October 2020 in compliance with the working capital limit set out below.

Cash is held at a number of financial institutions in order to spread credit risk. Cash awaiting investment is held on behalf of the Company at banks carrying a minimum rating of A-1, P-1 or F1 from Standard & Poor's, Moody's or Fitch respectively, or in one or more similarly rated money market or short-dated gilt funds. Cash is generally held on a short-term basis, pending subsequent investment. The amount of working capital that may be held at RBSI is limited to £3.5 million, with any excess uninvested/surplus cash to be transferred within five business days to other financial institutions with the minimum credit ratings described above. It is also recognised that with the advent of the ring-fenced bank concept, it has become more difficult to interact with sufficiently well-rated counterparty banks.

Accounting policy

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2021

15. Interest bearing loans and borrowings

	30 September 2021 £'000	30 September 2020 £'000
Revolving credit facilities	165,000	138,000
Unamortised arrangement fees	(1,588)	(298)
Total	163,412	137,702

The table below analyses the movement for the year:

	30 September 2021 £'000	30 September 2020 £'000
Balance at the start of the year	137,702	164,088
Changes from cash flows		
Proceeds from revolving credit facilities	49,100	—
Repayment of revolving credit facilities	(23,740)	(27,000)
Loan arrangement fees	(341)	—
Non-cash changes		
Proceeds from revolving credit facilities	163,309	—
Repayment of revolving credit facilities	(161,669)	—
Commitment and other fees capitalised	(1,603)	—
Amortisation of loan arrangement fees	654	614
Balance at the end of the year	163,412	137,702

Expired facility

Previously, the Company had secured revolving credit facilities comprising £115 million with RBSI, ING and NIBC ("Facility A") and £50 million with RBSI and ING ("Facility B"). The revolving credit facilities were secured against certain underlying assets held by the Company. Interest on amounts drawn under Facility A and Facility B was charged at Sterling LIBOR plus 1.9% per annum. A commitment fee was payable on undrawn amounts of 0.67% on Facility A. No commitment fee was payable on Facility B as this was fixed to be fully drawn for the life of the loan.

At the beginning of the year, Facility A had £88 million drawn and Facility B was fully drawn down. In December 2020, the Company drew down a further £22.6 million on Facility A, giving a total amount drawn on Facility A of £110.6 million. On 29 March 2021, both facilities were repaid upon expiry, in line with the terms of the respective facility agreements.

New facility

On 29 March 2021, the Company entered into new secured revolving credit facilities comprising £140 million with RBSI, Allied Irish Bank and Lloyds ("Facility A") and £25 million with RBSI and Lloyds ("Facility B"). The revolving credit facilities are secured against all portfolio assets and cash held by the Company. Facility A is repayable in March 2024 and Facility B was repayable in June 2021. Interest on amounts drawn under Facility A and Facility B is charged at SONIA plus 2.00% per annum. A commitment fee was payable on undrawn amounts of 0.70% on Facility A and Facility B. As this is a new facility with reference to SONIA, no transition from Sterling LIBOR to SONIA has to be addressed. Therefore, no transitional financial risk is applicable.

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Amendment to new facility

On 29 June 2021, Facility B was repaid and the Company entered into an amended facility agreement which was amended and restated to remove reference to Facility B and included an additional amount of £25 million provided by Clydesdale Bank to the pre-existing Facility A (now defined hereafter as “the Facility”). This resulted in a total revolving credit facility amount available to the Company of £165 million provided by RBSI, Allied Irish Bank, Lloyds and Clydesdale Bank. The Facility remains repayable in March 2024. Other terms remain unchanged, including interest on amounts drawn charged at SONIA plus 2.00% per annum and a commitment fee payable on undrawn amounts of 0.70% on the Facility. At 30 September 2021, the total amount drawn on the Facility is £165 million.

All amounts drawn under the revolving credit facilities are to be used in or towards the making of investments in accordance with the Company’s investment policy. The revolving credit facilities include loan to value¹ and interest cover¹ covenants that are measured at Company level. The Company has maintained sufficient headroom against all measures throughout the financial period and is in full compliance with all loan covenants at 30 September 2021.

Leverage

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD at 30 September 2021; the figures are as follows:

	Maximum limit	Actual exposure
Leverage exposure		
Gross method	1.20	1.16
Commitment method	1.20	1.17

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

	Gross £'000	Commitment £'000
Financial assets at fair value through profit or loss	1,096,555	1,096,555
Cash and cash equivalents	–	7,470
Derivative financial instruments at fair value through profit or loss ²	(34,158)	(34,158)
Total exposure under the AIFMD	1,062,397	1,069,867
Total shareholders’ funds	916,799	916,799
Leverage (ratio)	1.16	1.17

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

Accounting policy

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

1. Alternative performance measure (“APM”); for definition and calculation methodology, refer to the APMs section on pages 124 to 125.

2. Refer to note 18 for further information on derivative financial instruments at fair value through profit or loss.

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16. Authorised and issued share capital

	30 September 2021		30 September 2020	
	Number of shares	£'000	Number of shares	£'000
Share capital				
Ordinary shares issued and fully paid				
Opening balance	879,666,049	8,796	877,767,139	8,777
Equity shares issued through:				
Dividends settled in shares ¹	2,544,179	26	1,898,910	19
Total	882,210,228	8,822	879,666,049	8,796

Share capital represents the nominal amount of the Company's ordinary shares in issue.

The Company is authorised in accordance with its Memorandum of Association to issue 1.5 billion ordinary shares, 300 million C shares and 300 million deferred shares, each having a par value of one pence per share.

	30 September 2021	30 September 2020
	£'000	£'000
Share premium		
Premium on ordinary shares issued and fully paid		
Opening balance	929,228	943,789
Premium on equity shares issued through:		
Dividends settled in shares ¹	2,648	2,201
Share issue costs charged to premium	(52)	(57)
Dividends paid	(62,957)	(16,705)
Total	868,867	929,228

Share premium represents amounts subscribed for share capital in excess of the nominal value less associated costs of the issue.

The Company's share capital is represented by one class of ordinary shares. Quantitative information about the Company's share capital is provided in the statement of changes in equity.

The scrip reference price is calculated as the average of the Company's closing middle market price, as derived from the Daily Official List of the LSE, for the five consecutive business days commencing on the ex-dividend date.

Date	Number of shares issued	Issued share price	Description	Period
7 December 2020	791,944	107.80p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 July 2020 to 30 September 2020
9 March 2021	233,109	105.68p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 October 2020 to 31 December 2020
8 June 2021	665,709	98.84p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 January 2021 to 31 March 2021
9 September 2021	853,417	107.28p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 April 2021 to 30 June 2021
Total	2,544,179			

At 30 September 2021, the Company's issued share capital comprised 882,210,228 ordinary shares, none of which were held in treasury, and there were no C shares or deferred shares in issue.

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

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

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Accounting policy

The Directors of the Company continually assess the classification of the ordinary shares. If the ordinary shares cease to have all the features or meet all the conditions set out to be classified as equity, they will be reclassified as financial liabilities and measured at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. Transaction costs incurred by the Company in issuing, acquiring or reselling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

17. Capital redemption reserve

	30 September 2021 £'000	30 September 2020 £'000
Capital redemption reserve	101	101

The Company is required by Jersey Company Law to establish and maintain this reserve on the redemption or repurchase of its own shares.

18. Derivative financial instruments at fair value through profit or loss

On 15 June 2021, the Company entered into a commodity swap agreement with Axpo Solutions AG under the International Swaps and Derivatives Association's ("ISDA") master agreement for risk management purposes, which includes full right of set off. The derivative financial instrument comprises a commodity swap on electricity/baseload for the purpose of hedging electricity price market movements. The Company has been granted a credit line of £50 million by Axpo Solutions AG in order to mitigate the need for regular cash flows associated with the hedge.

The table below sets out the valuation of the swap held by the Company at year end provided by Axpo Solutions AG:

Derivative	Maturity	Total notional quantity
Commodity swap – electricity/baseload	31 March 2022	148,512 MWh
		30 September 2021 £'000
Fixed		
Fixed price:	£89.6/MWh	13,307
Floating		
Commodity Reference Price Index:	Electricity N2EX UK Power Index Day Ahead	(34,158)
Fair value		(20,851)

There were no derivative financial instruments held by the Company at 30 September 2020.

Accounting policy

Recognition of derivative financial assets and liabilities takes place when the derivative contracts are entered into. They are initially recognised and subsequently measured at fair value; transactions costs, where applicable, are included directly in finance costs. The Company does not apply hedge accounting and consequently all gains or losses are recognised in the statement of comprehensive income in net unrealised gains/(losses) on derivative financial instruments at fair value through profit or loss.

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FOR THE YEAR ENDED 30 SEPTEMBER 2021

19. Financial instruments

The table below sets out the classifications of the carrying amounts of the Company's financial assets and financial liabilities into categories of financial instruments under IFRS 9. The carrying amount of the financial assets and financial liabilities at amortised cost approximates their fair value.

	30 September 2021 £'000	30 September 2020 £'000
Financial assets		
Cash and cash equivalents	7,470	24,354
Other receivables and prepayments	116	134
Financial assets at amortised cost	7,586	24,488
Financial assets at fair value through profit or loss	1,096,555	1,031,106
Total	1,104,141	1,055,594
Financial liabilities		
Other payables and accrued expenses	(3,079)	(3,114)
Interest bearing loans and borrowings	(163,412)	(137,702)
Financial liabilities measured at amortised cost	(166,491)	(140,816)
Derivative financial instruments at fair value through profit or loss	(20,851)	—
Total	(187,342)	(140,816)

Refer to notes 11, 12, 13, 14, 15 and 18 for accounting policies in respect of the above financial instruments.

19.1 Capital management

The Company is funded from equity balances, comprising issued ordinary share capital (as detailed in note 16) and retained earnings, as well as credit facilities, as detailed in note 15.

The Company may seek to raise additional capital from time to time to the extent that the Directors and the Investment Adviser believe the Company will be able to make suitable investments, with consideration given to any quantum of loan repayments due.

The Company raises capital on a highly conservative basis only when it has a clear view of a robust pipeline of highly advanced investment opportunities. The Company may borrow up to 20% of its NAV at the time any such borrowings are drawn down. At the year end, borrowings amounted to 18% of NAV (30 September 2020: 15%).

19.2 Financial risk management objectives

The Company has an investment policy and strategy, as summarised on page 11, that sets out its overall investment strategy and its general risk management philosophy and has established processes to monitor and control these in a timely and accurate manner. These guidelines are the subject of regular operational reviews undertaken by the Investment Adviser to ensure that the Company's policies are adhered to as it is the Investment Adviser's duty to identify and assist in the control of risk. The Investment Adviser reports regularly to the Directors, who have ultimate responsibility for the overall risk management approach.

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

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The impacts of the Covid-19 pandemic have continued during the year. Notwithstanding this, the impacts on the Company felt during the initial March 2020 lockdown, namely lower electricity prices and reduced waste wood availability, have not persisted. Rather, electricity prices have recently hit all-time highs and waste wood availability is strong. Electricity prices in particular have had a positive valuation impact of 5.7 pence per share over the second half of the year, offsetting the impact of lower electricity forecast prices during the first half. Given fluctuating power prices during the year, the Investment Adviser commenced a hedging programme to reduce volatility in the portfolio. Further information can be found in note 18.

The business continuity plans of all key suppliers have enabled ongoing service provision across all areas of the Company's activities. The Directors and the Investment Adviser continue to assess the potential impact of Covid-19 across the business in order to instigate appropriate mitigation plans.

19.3 Market risk

There is a risk that market movements in interest rates, credit markets and observable yields may decrease or increase the fair value of the Company's financial assets without regard to the assets' underlying performance. The fair value of the Company's financial assets is measured and monitored on a quarterly basis by the Investment Adviser with the assistance of the Valuation Agent. The Valuation Agent carries out quarterly valuations of the financial assets of the Company. These valuations are reviewed by the Investment Adviser and the Directors. The NAV is also reviewed and approved by the Directors on a quarterly basis.

The valuation principles used are based on a discounted cash flow methodology, where applicable. A fair value for each asset acquired by the Company is calculated by applying a relevant market discount rate to the contractual cash flows expected to arise from each asset. At the year end all investments were classified as Level 3; refer to note 19.7 for additional information.

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

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

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

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

The Valuation Agent exercises its judgement in assessing the expected future cash flows from each investment. Given that the investments of the Company are generally fixed-income debt instruments (in some cases with elements of inflation protection) or other investments with a similar economic effect, the focus of the Valuation Agent is on assessing the likelihood of any interruptions to the debt service payments, in light of the operational performance of the underlying asset as confirmed by the Investment Adviser. Where appropriate, the Valuation Agent will also consider long-term assumptions that have a direct impact on valuation, such as power prices, inflation and availability. Given fluctuating power prices during the year, the Investment Adviser commenced a hedging programme to reduce volatility in the portfolio, as noted above.

At the time of writing, there is uncertainty going into winter 2021/22 with Covid-19 cases rising and some restrictions having been renewed. The Investment Adviser is confident that the portfolio remains defensive and its performance is non-correlated with any wider market impacts that may be associated with the reinstatement of restrictions. Where required, project operational structures have been successfully adapted to work alongside government guidance relating to social distancing, isolation and other relevant responses to Covid-19.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2021

19. Financial instruments continued

19.3 Market risk continued

The table below shows how changes in discount rates affect the changes in the valuation of financial assets at fair value through profit or loss. 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 2021

Change in discount rates	0.50%	0.25%	0%	(0.25%)	(0.50%)
Value of financial assets at fair value (£'000)	1,061,309	1,078,635	1,096,555	1,115,097	1,134,292
Change in valuation of financial assets at fair value through profit or loss (£'000)	(35,246)	(17,920)	–	18,542	37,737

At 30 September 2021, the discount rates used in the valuation of financial assets ranged from 4.58% to 10.38%.

30 September 2020

Change in discount rates	0.50%	0.25%	0%	(0.25%)	(0.50%)
Value of financial assets at fair value (£'000)	997,602	1,014,063	1,031,106	1,048,759	1,067,051
Change in valuation of financial assets at fair value through profit or loss (£'000)	(33,504)	(17,043)	–	17,653	35,945

At 30 September 2020, the discount rates used in the valuation of financial assets ranged from 5.00% to 10.38%.

19.4 Interest rate risk

Interest rate risk has the following effect:

Fair value of financial assets

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

Future cash flows

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

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

Where the debt instrument is subordinated, the Company is indirectly exposed to the gearing of the infrastructure Project Companies. The Investment Adviser ensures as part of its due diligence that the Project Company debt ranking senior to the Company's investment has been, where appropriate, hedged against movement in interest rates, through the use of interest rate swaps. At 30 September 2021, the Company has not entered into any interest rate swap contracts (30 September 2020: none).

Exposure

The Fund has exposure to Sterling LIBOR on certain investments in the portfolio. The alternative reference rate for Sterling LIBOR is SONIA. Although Sterling LIBOR was planned to be discontinued by the end of 2021, the FCA has confirmed it will allow the temporary use of 'synthetic' Sterling LIBOR rates in all legacy Sterling LIBOR contracts that have not been transitioned at or ahead of 31 December 2021. Sterling LIBOR rates on a 'synthetic' basis will be published until the end of 2022. The Investment Adviser has reviewed the exposure to Sterling LIBOR in the portfolio and is progressing with the transition to SONIA for these underlying loan arrangements. At 30 September 2021, 16.4% of the investment portfolio was exposed to Sterling LIBOR, none of which has been transitioned to SONIA at that date.

Borrowings

During the year, the Company made use of its revolving credit facilities to finance investments made by the Company. Details of the facilities are given in note 15. Any potential financial impact of movements in interest rates on the cost of borrowings to the Company is mitigated by the short-term nature of such borrowings.

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19.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The assets classified at fair value through profit or loss do not have a published credit rating; however, the Investment Adviser monitors the financial position and performance of the Project Companies on a regular basis to ensure that credit risk is appropriately managed.

The Company is exposed to differing levels of credit risk on all its assets. Per the statement of financial position, the Company's total exposure to credit risk is £1,104 million (30 September 2020: £1,055 million) being the balance of total assets less prepayments. As a matter of general policy, cash is held at a number of financial institutions to spread credit risk, with cash awaiting investment being held on behalf of the Company at banks which carry a minimum rating of A-1, P-1 or F1 from Standard & Poor's, Moody's or Fitch respectively or in one or more similarly rated money market or short-dated gilt funds. Cash is generally held on a short-term basis, pending subsequent investment. The amount of working capital that may be held at RBSI is limited to £3.5 million, with any excess uninvested/surplus cash transferred within five business days to other financial institutions with the minimum credit ratings described above. It is also recognised that the arrival of ring-fenced banking had an impact on the availability of A-rated banks.

Before an investment decision is made, the Investment Adviser performs extensive due diligence complemented by professional third party advisers, including technical advisers, financial and legal advisers, and valuation and insurance experts. After an investment is made the Investment Adviser primarily uses detailed cash flow forecasts to assess the continued creditworthiness of Project Companies and their ability to pay all costs as they fall due. The forecasts are regularly updated with information provided by the Project Companies in order to monitor ongoing financial performance.

The Project Companies receive a significant proportion of revenue from government departments and public sector or local authority clients.

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

The concentration of credit risk to any individual project did not exceed 10% of the Company's portfolio at the year end, which is the maximum amount permissible per the Company's investment policy. The Investment Adviser regularly monitors the concentration of risk based upon the nature of each underlying project to ensure appropriate diversification and risk remains within acceptable parameters.

The concentration of credit risk associated with counterparties is deemed to be low due to asset and sector diversification. The underlying counterparties are typically public sector entities which pay pre-determined, long-term, public sector backed revenues in the form of subsidy payments for renewables transactions (i.e. FiT and ROCs payments), unitary charge payments for PFI transactions and lease payments for social housing projects. In the view of the Investment Adviser and the Board, the public sector generally has both the ability and willingness to support the obligations to these entities.

As noted on page 18, there has been an increase in the volatility of electricity market prices during the period. Alongside this, unprecedented high wholesale electricity prices have been experienced. These dynamics have resulted in many energy suppliers collapsing since the beginning of August 2021. The Company has exposure to certain electricity suppliers through offtake arrangements with renewables project borrowers. To date, the Company has not been impacted by any suppliers that have collapsed. Through its usual systems and processes, the Investment Adviser monitors the credit standing of all customers and suppliers and believes that where offtakers have supply businesses they remain in a strong position to continue such arrangements. In any case, the Investment Adviser considers the offtake market for renewable projects to be a liquid and competitive sector, meaning any arrangements that are terminated as part of an offtaker collapse could be easily replaced by a continuing third party.

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

Changes in credit risk affect the discount rates. The sensitivity of the fair value of the financial assets at fair value through profit or loss is disclosed in note 19.3. The Directors have assessed the credit quality of the portfolio at the year end and based on the parameters set out above are satisfied that the credit quality remains within an acceptable range for long-dated debt.

On 15 June 2021, the Company entered into a commodity swap agreement with Axpo Solutions AG under the ISDA's master agreement for risk management purposes. The ISDA master agreement is an internationally agreed document which is used to provide certain legal and credit protection for parties who enter into financial derivatives transactions. It includes standard terms which detail what happens if a default occurs to one of the parties and how derivative transactions are terminated following a default, including the grounds under which one of the parties can force close-out due to the occurrence of a default event by the other party. The agreement also includes full right of set off.

The Company has not been required to post collateral in respect of the commodity swap agreement. There is potential for credit risk in relation to the arrangement depending on whether the arrangement is an asset or a liability at any point in time. At the date of the report, there is no credit risk exposure relating to the commodity swap agreement. Further information on financial derivatives is given in note 18.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2021

19. Financial instruments continued

19.6 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and interest bearing loans and borrowings.

The following table analyses all of the Company's assets and liabilities into relevant maturity groupings based on the remaining period from 30 September 2021 to the contractual maturity date. The Directors have elected to present both assets and liabilities in the liquidity disclosure below to illustrate the net liquidity exposure of the Company.

All cash flows in the table below are on an undiscounted basis.

	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	Total £'000
30 September 2021					
Financial assets					
Cash and cash equivalents	7,470	–	–	–	7,470
Other receivables and prepayments	–	–	116	–	116
Financial assets at fair value through profit or loss	17,750	65,981	129,071	1,845,640	2,058,442
Total financial assets	25,220	65,981	129,187	1,845,640	2,066,028
Financial liabilities					
Other payables and accrued expenses	–	(3,079)	–	–	(3,079)
Interest bearing loans and borrowings	–	(843)	(2,540)	(170,061)	(173,444)
Derivative financial instruments at fair value through profit or loss	–	–	(20,851)	–	(20,851)
Total financial liabilities	–	(3,922)	(23,391)	(170,061)	(197,374)
Net exposure	25,220	62,059	105,796	1,675,579	1,868,654
	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	Total £'000
30 September 2020					
Financial assets					
Cash and cash equivalents	24,354	–	–	–	24,354
Other receivables and prepayments	–	–	134	–	134
Financial assets at fair value through profit or loss	20,219	32,036	81,467	2,057,456	2,191,178
Total financial assets	44,573	32,036	81,601	2,057,456	2,215,666
Financial liabilities					
Other payables and accrued expenses	–	(3,114)	–	–	(3,114)
Interest bearing loans and borrowings	–	–	(139,527)	–	(139,527)
Total financial liabilities	–	(3,114)	(139,527)	–	(142,641)
Net exposure	44,573	28,922	(57,926)	2,057,456	2,073,025

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19.7 Fair values of financial assets and financial liabilities

Basis of determining fair value

Financial assets

Loan notes

The Valuation Agent carries out quarterly valuations of the financial assets of the Company. These valuations are reviewed by the Investment Adviser and the Directors. The subsequent NAV produced is reviewed and approved by the Directors on a quarterly basis. The basis for the Valuation Agent's valuations is described in note 19.3.

Financial liabilities

Derivative financial instruments

The valuation principles used are based on inputs from observable market data, being a commonly quoted electricity price index, which most closely reflects a Level 2 input. The fair value of the derivative financial instrument is derived from its mark-to-market ("MtM") valuation provided by Axpo Solutions AG on a quarterly basis. The MtM value is calculated based on the fixed leg of the commodity swap offset by the market price of the floating leg which is indexed to the 'Electricity N2EX UK Power Index Day Ahead'. The Investment Adviser monitors the exposure internally using its own valuation system. Refer to note 18 for further details on the fair value of financial derivatives.

Fair value measurements

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

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

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

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

The table below analyses all investments held by the Company by the level in the fair value hierarchy into which the fair value measurement is categorised:

		30 September 2021 £'000	30 September 2020 £'000
Financial assets at fair value through profit or loss			
Loan notes	Level 3	1,096,555	1,031,106
Financial liabilities at fair value through profit or loss			
Derivative financial instruments at fair value through profit or loss	Level 2	(20,851)	—

Discount rates between 4.6% and 10.4% (30 September 2020: 5.0% and 10.4%) were applied to the investments categorised as Level 3.

The Directors have classified financial instruments depending on whether or not there is a consistent data set comparable and observable transactions and discount rates. The Directors have classified all loan notes as Level 3. No transfers were made between levels in the period. At 30 September 2020, the Directors reclassified all Level 2 investments as Level 3, following a review of the Company's fair value hierarchy, in light of downward revaluations of some investments arising from significant reductions in forecast cash flows which determined that forecast cash flows, and in certain cases discount rates, are unobservable.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2021

19. Financial instruments continued

19.7 Fair values of financial assets and financial liabilities continued

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

	30 September 2021 £'000	30 September 2020 £'000
Opening balance	1,031,106	184,306
Purchases	94,849	17,714
Repayments	(51,376)	(5,008)
Unrealised gains on financial assets at fair value through profit or loss	41,509	1,260
Unrealised losses on financial assets at fair value through profit or loss	(19,533)	(17,938)
Transfers from Level 2	—	850,772
Closing balance	1,096,555	1,031,106

For the Company's financial instruments categorised as Level 3, changing the discount rates used to value the underlying instruments alters the fair value. A change in the discount rate used to value the Level 3 investments would have the effect on the valuation as shown in the table in note 19.3. Refer to note 11 for movements in financial assets at fair value through profit or loss throughout the year.

In determining the discount rates for calculating the fair value of financial assets at fair value through profit or loss, movements in Pound Sterling interest rates, comparable credit markets and observable yield on comparable instruments could give rise to changes in the discount rate.

The Directors consider the inputs used in the valuation of investments and the appropriateness of their classification in the fair value hierarchy. 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.

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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 are considered to be the key management personnel of the Company. Directors' remuneration including expenses for the year totalled £370,000 (30 September 2020: £392,000). At 30 September 2021, liabilities in respect of these services amounted to £78,000 (30 September 2020: £91,000). In addition, Andrew Didham was paid a consultancy fee totalling £11,000 in relation to his consultancy services provided prior to his proposed appointment as announced on 1 December 2021.

At 30 September 2021, Paul De Gruchy, together with his family members, held 610,570 (0.07% of ordinary shares in issue) ordinary shares in the Company (30 September 2020: 570,647 (0.06% of ordinary shares in issue) ordinary shares). Dawn Crichard held 44,962 (0.005% of ordinary shares in issue) ordinary shares in the Company (30 September 2020: nil (0.00% of ordinary shares in issue) ordinary shares). Steven Wilderspin held 15,000 (0.002% of ordinary shares in issue) ordinary shares in the Company (30 September 2020: nil (0.00% of ordinary shares in issue) ordinary shares).

Investment Adviser

The Company is party to an Investment Advisory Agreement with the Investment Adviser, which was most recently amended and restated on 13 December 2017, pursuant to which the Company has appointed the Investment Adviser to provide advisory services relating to the management of assets on a day-to-day basis in accordance with its investment objectives and policies, subject to the overall supervision and direction of the Board of Directors. As a result of the responsibilities delegated under this agreement, the Company considers it to be a related party by virtue of being 'key management personnel'. Under the terms of the Investment Advisory Agreement, the notice period of the termination of the Investment Adviser by the Company is 24 months. The remuneration of the Investment Adviser is set out below.

For its services to the Company, the Investment Adviser receives an annual fee at the rate of 0.9% (or such lesser amount as may be demanded by the Investment Adviser at its own absolute discretion) multiplied by the sum of:

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

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

The Investment Adviser receives a fee of 0.25% of the aggregate gross proceeds from any issue of new shares in consideration for the provision of marketing and investor introduction services.

The Company's Investment Adviser is authorised as an AIFM by the FCA under the AIFMD regulations. The Company has provided disclosures on its website incorporating the requirements of the AIFMD regulations. The Investment Adviser receives an annual fee of £70,000 in relation to its role as the Company's AIFM, increased annually at the rate of the RPI.

During the year, the Company expensed £7,951,000 (30 September 2020: £8,420,000) in respect of investment advisory fees, marketing fees and transaction management and documentation services and £5,000 (30 September 2020: £18,000) in respect of expenses. At 30 September 2021, liabilities in respect of these services amounted to £2,016,000 (30 September 2020: £2,057,000).

The directors and employees of the Investment Adviser also sit on the boards of, and control, several SPVs through which the Company invests. The Company has delegated the day-to-day operations of these SPVs to the Investment Adviser through the Investment Advisory Agreement.

The key management personnel of the Investment Adviser hold directly or indirectly, and together with their family members, 785,501 ordinary shares in the Company at the year end (30 September 2020: 1,003,991 ordinary shares).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2021

21. Reconciliation of NAV

This note reconciles the NAV reported in the financial statements to the NAV published via RNS on 19 October 2021.

	Total £'000	Per share pence
NAV at 30 September 2021 as published on 19 October 2021	916,799	103.92
NAV at 30 September 2021 as per the financial statements	916,799	103.92
	Total £'000	Per share pence
NAV at 30 September 2020 as published on 16 October 2020	914,778	103.99
NAV at 30 September 2020 as per the financial statements	914,778	103.99

22. Contingent liabilities

At 30 September 2021, there were £nil contingent liabilities (30 September 2020: £nil).

23. Subsequent events after the report date

The Company declared, on 28 October 2021, a fourth interim dividend of 1.75 pence per ordinary share, amounting to £15.4 million (including dividends settled in shares¹), which was paid on 9 December 2021 to ordinary shareholders on the register at 5 November 2021.

Since the year end, six advances totalling £2.2 million were made under existing facilities. The Company also received repayments totalling £4.7 million in respect of ten investments. The Company also entered into a conditional agreement to dispose of its investment in an offshore wind farm. The expected disposal proceeds, representing a c.12% premium to fair value, demonstrates the Company's conservative approach to renewables valuation, further information on valuation methodology can be found on page 34.

On 1 December 2021, the Company announced the appointment of Andrew Didham as a non-executive Director with effect from 17 December 2021. It is intended that Andrew will succeed Ian Reeves CBE as Chairman of the Board in June 2022.

At 9 December 2021, Paul De Gruchy, together with his family, held an indirect interest of 620,567 (0.07% of ordinary shares in issue) ordinary shares in the Company.

At 9 December 2021, the key management personnel of the Investment Adviser held directly or indirectly, and together with their family members, 805,330 ordinary shares in the Company following a scrip issue allotment of shares.

24. Ultimate controlling party

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

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

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25. Non-consolidated SPVs

The following SPVs have not been consolidated in these financial statements due to the Company meeting the criteria of an investment entity and therefore, applying the exemption to consolidation under IFRS 10, it has measured its financial interests in these SPVs at fair value through profit or loss.

All of the below non-consolidated SPVs are incorporated and domiciled in the United Kingdom.

SPV company name	Ownership interest in loan notes
GCP Cardale PFI Limited	100%
FHW Dalmore (Salford Pendleton Housing) plc ¹	13.5%
GCP Asset Finance 1 Limited	100%
GCP Biomass 1 Limited	100%
GCP Biomass 2 Limited	100%
GCP Biomass 3 Limited	100%
GCP Biomass 4 Limited	100%
GCP Bridge Holdings Ltd	100%
GCP Education 1 Limited	100%
GCP Green Energy 1 Limited	100%
GCP Healthcare 1 Limited	100%
GCP Onshore Wind 3 Limited	100%
GCP Programme Funding 1 Limited	100%
GCP RHI Boiler 1 Limited	100%
GCP Rooftop Solar 5 Limited	100%
GCP Rooftop Solar 6 plc	42.3%
GCP Rooftop Solar Finance plc ¹	30.7%
GCP Social Housing 1 Limited	100%
Gravis Asset Holdings Limited	100%
Gravis Solar 1 Limited	100%
Gravis Solar 2 Limited	100%
GreenCo Alpha Holdings Limited	100%
GCP Geothermal Funding 1 Limited	100%

1. The Company owns the entirety of the subordinated loan note class issued by the SPV.

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

Adjusted earnings cover

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

Adjusted net earnings

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

	30 Sep 21 £'000	30 Sep 20 £'000
Total profit/(loss) and comprehensive income/(loss)	62,356	(726)
Less: income/gains on financial assets at fair value through profit or loss	(97,324)	(15,987)
Add: losses on derivative financial instruments	20,851	–
Add: loan interest accrued ¹	83,623	83,950
Adjusted net earnings	69,506	67,237

Average NAV

The average of the twelve net asset valuations calculated monthly over the financial year. The quarterly calculation of NAV is published on the LSE.

Cash earnings cover

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

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

Discount

The price at which the shares of the Company trade below the NAV per share.

Earnings cover

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

Interest cover

The ratio of total loan interest to finance expenses expressed as a percentage.

Loan interest accrued

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

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

Loan to value

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

NAV total return

A measure showing how the NAV per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders, expressed as a percentage.

It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend. This is a standard performance metric across the investment industry and allows comparability across the sector.

Source: Bloomberg

1. APM – refer to relevant APM on this page for further information.

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Ongoing charges

Ongoing charges is a measure of the annual percentage reduction in shareholder returns as a result of recurring operational expenses assuming markets remain static and the portfolio is not traded.

This is a standard performance metric across the investment industry and allows comparability across the sector; it is calculated in accordance with the AIC's recommended methodology.

	30 Sep 21	30 Sep 20
	£'000	£'000
Ongoing charges		
Investment Adviser	7,951	8,420
Directors' fees	370	392
Administration expenses	2,363	3,258
Total expenses	10,684	12,070
Non-recurring expenses	(482)	(1,420)
Total	10,202	10,650
Average NAV ¹	901,031	955,434
Ongoing charges ratio ¹	1.1%	1.1%

Premium

The price at which the shares of the Company trade above the NAV per share.

Total expenses paid

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

	30 Sep 21	30 Sep 20
	£'000	£'000
Total expenses per statement of comprehensive income	10,684	12,070
Adjustment for expense accruals	122	(279)
Total expenses paid	10,806	11,791

Total net cash received

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

Total shareholder return

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

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

Source: Bloomberg

Weighted average annualised yield

The weighted average yield on the investment portfolio calculated based on the yield of each investment weighted by the principal balance outstanding on such investment, expressed as a percentage. It is calculated including borrower company leverage but before any Company level leverage.

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

1. APM – refer to relevant APM on this page for further information.

GLOSSARY OF KEY TERMS

Adjusted earnings cover Refer to APMs section on pages 124 and 125	CBI Confederation of British Industry	FIT Feed-in tariff
Adjusted net earnings Refer to APMs section on pages 124 and 125	CfD Contract-for-difference	FRC Financial Reporting Council
AGM The Annual General Meeting of the Company	CIF Law Collective Investment Funds (Jersey) Law 1988	FY21 Full year 2021
AIC Association of Investment Companies	The Company GCP Infrastructure Investments Limited	FY20 Full year 2020
AIC Code AIC Code of Corporate Governance published in 2019	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	GB market UK electricity market
AIF Alternative Investment Fund	Deferred shares Redeemable deferred shares of £0.01 each in the capital of the Company arising from C share conversion	GWh Gigawatt hours
AIFM Alternative Investment Fund Manager	Discount Refer to APMs section on pages 124 and 125	IFRS International Financial Reporting Standards
AIFMD The UK version of the Alternative Investment Fund Managers Directive which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 and as amended by the Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019	Dividend cover Earnings (under IFRS, adjusted or cash) for the year compared to the dividend for the year	ING ING Bank N.V.
Average life The weighted average term of the loans in the investment portfolio	Earnings cover Refer to APMs section on pages 124 and 125	IPO Initial public offering
BNYM Bank of New York Mellon	EEA European Economic Area	ISSB International Sustainability Standards
Borrower Owners of the Project Companies to which the Company advances loans	ESG Environmental, social and governance	Jersey Company Law The Companies (Jersey) Law 1991 (as amended)
Cash earnings cover Refer to APMs section on pages 124 and 125	EU European Union	JFSC Jersey Financial Services Commission
CBE Commander of the Most Excellent Order of the British Empire	FCA Financial Conduct Authority	KPIs Key performance indicators
		KPMG KPMG Channel Islands Limited
		Loan interest accrued Refer to APMs section on pages 124 and 125
		Loan to value Refer to APMs section on pages 124 and 125
		LSE London Stock Exchange

GCP INFRASTRUCTURE INVESTMENTS LIMITED

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MW Megawatt	Public sector backed All revenues arising from UK central Government or local authorities or from entities themselves	Senior ranking security Security that gives a loan priority over other debt owed by the issuer in terms of control and repayment in the event of default or issuer bankruptcy
NAV Net asset value	or local authorities, obligations of NHS Trusts, UK registered social landlords and universities and revenues arising from other Government-sponsored or administered initiatives for encouraging the usage of renewable or clean energy in the UK	SONIA Sterling Overnight Interbank Average rate
NIBC NIBC Financing N.V.		SPV Special purpose vehicle
OBR The Office for Budget Responsibility	Pull-to-par The effect on income recognised in future periods from the application of a new discount rate to an investment	Sterling LIBOR London interbank offered rate
Official List The Official List of the FCA	RAB Regulated Asset Base	TCFD Task Force on Climate-related Financial Disclosures
OFTOs Offshore Transmission Owners	RAG Red, amber, green	Total shareholder return Refer to APMs section on pages 124 and 125
Ongoing charges ratio Refer to APMs section on pages 124 and 125	RBSI Royal Bank of Scotland International Limited	UK Code UK Corporate Governance Code published in 2018
Ordinary shares The ordinary share capital of the Company	REGOs Renewable Energy Guarantees of Origin	Weighted average annualised yield Refer to APMs section pages 124 and 125
PF1 Private finance initiative	Revolving credit facilities Credit facilities with RBSI, AIB Group (UK) plc, Lloyds Group plc and Clydesdale Bank plc (formerly with RBSI, ING and NIBC)	Weighted average discount rate A rate of return used in valuation to convert a series of future anticipated cash flows to present value under a discounted cash flow approach. It is calculated with reference to the relative size of each investment
PF2 Private Finance 2	RHI Renewable heat incentive	
PIRC Pensions & Investment Research Consultants Limited	RNS Regulatory news service	
PPA Power purchase agreement	ROCs Renewable Obligation Certificates	
PPP Public-private partnership	RSH Regulator of Social Housing	
Premium Refer to APMs section on pages 124 and 125	SEM Irish Single Electricity Market	
Project Company A special purpose company which owns and operates an asset		

SHAREHOLDER INFORMATION

Key dates for 2022

February

Annual General Meeting

March

Company's half-year end

Payment of first interim dividend

May

Half-yearly results announced

June

Payment of second interim dividend

September

Company's year end

Payment of third interim dividend

December

Annual results announced

Payment of fourth interim dividend

Frequency of NAV publication

The Company's NAV is released to the LSE via RNS on a quarterly basis and is published on the Company's website.

Sources of further information

Copies of the Company's annual and half-yearly reports, stock exchange announcements, investor reports and further information on the Company can be obtained from the Company's website.

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Julia Chapman (Senior Independent Director)
Michael Gray
Steven Wilderspin
Dawn Crichard
Paul De Gruchy
David Pirouet (resigned 10 February 2021)

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