GCP
INFRA
GCP Infrastructure Investments Limited
Annual report and financial statements 2023
Gravis

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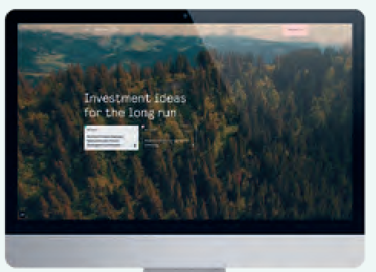
About the Company

GCP Infrastructure Investments Limited ("GCP Infra" or the "Company")

The Company seeks to provide shareholders with regular, sustained, long-term dividend income whilst preserving 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.

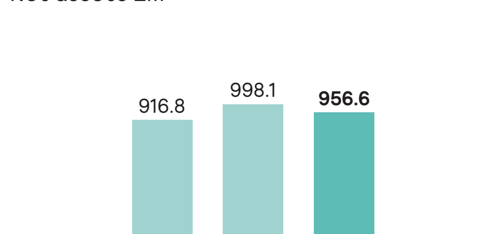
The Company is a FTSE 250, closed-ended investment company incorporated in Jersey. It was admitted to the Official List and to trading on the London Stock Exchange's Main Market in July 2010. It had a market capitalisation of £589.8 million at 30 September 2023.



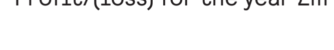
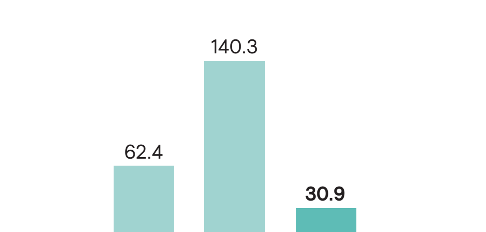
www.gcpinfra.com

At a glance – 30 September 2023

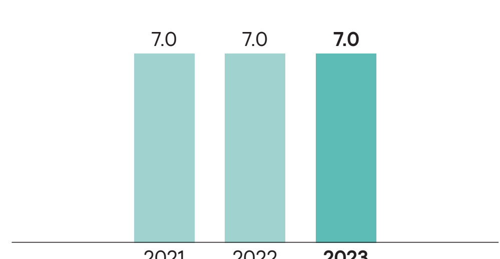
Net assets £m



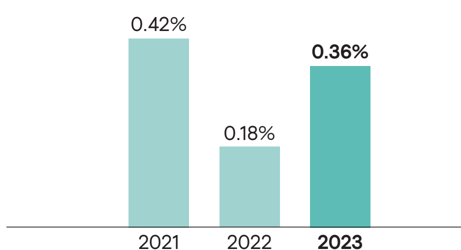
Profit/(loss) for the year £m

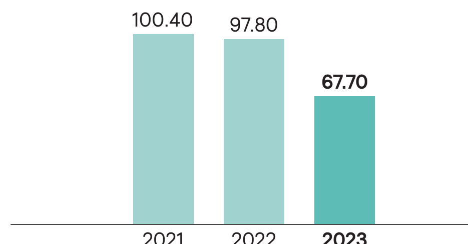
Dividends for the year p



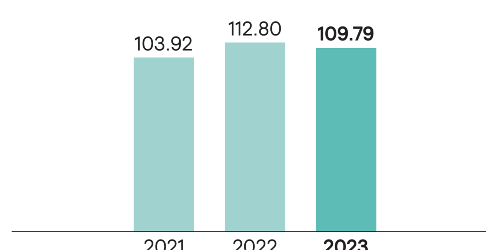
Aggregate downward revaluations since IPO[1] (annualised) %



Share price p



NAV per share p



Highlights for the year

- Dividends of 7.0 pence per share for the year to 30 September 2023 (30 September 2022: 7.0 pence per share). For the forthcoming financial year, the Company has set a dividend target[2] of 7.0 pence per share.
- Against a challenging macro-economic backdrop, the Company's total shareholder return[1] for the year was -25.2% (30 September 2022: 3.8%) with total shareholder return[1] of 57.1% since IPO in 2010. Total NAV return[1] for the year was 3.7% (30 September 2022: 15.8%).
- Profit for the year decreased to £30.9 million (30 September 2022: profit of £140.3 million), due to a combination of factors including lower electricity prices and generation and revaluations in respect of discount rate adjustments. For information on financial performance for the year, refer to the financial review on pages 36 to 39.
- NAV per share at 30 September 2023 of 109.79 pence (30 September 2022: 112.80 pence).
- Limited new loans of £9.2 million. Portfolio investments of £129.5 million[3] focused on restructuring and management. This was offset by repayments of £128.0 million[3], giving a net investment in the existing portfolio of £1.5 million.
- Refinance of two biomass projects generating £50.0 million in net cash proceeds. The proceeds were used to repay the Company's RCF and led to a 1.2 pence per share uplift to the Company's NAV primarily from prepayment fees.
- Third party independent valuation of the Company's partially inflation-protected investment portfolio at 30 September 2023 of £1.0 billion (30 September 2022: £1.1 billion). The principal value of the portfolio was £1.0 billion (30 September 2022: £1.0 billion).
- Entered into arrangements to partially hedge the Company's financial exposure to electricity prices for the summer 2023 and winter 2023/24 periods.
- Adoption by the Board of a capital allocation policy realising c.15% (£150 million) of the portfolio to rebalance sectors and reduce equity exposures, and to apply the funds towards a material reduction in the RCF and facilitate the return of capital to shareholders of at least £50 million before the end of the calendar year 2024; refer to the Chairman's statement on page 5.
- Post year end, the Company signed heads of terms for a new reduced £150.0 million RCF with Lloyds, AIB, Mizuho and Clydesdale, in accordance with the Board's stated intention to reduce the leverage of the Company.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.
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.
3. Inclusive of non-cash items as disclosed in note 11 to the financial statements.

Investment objectives and KPIs

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

Dividend income

To provide shareholders with regular, sustained, long-term dividends.

Diversification

To invest in a diversified portfolio of debt and/or similar assets secured against UK infrastructure projects.

Capital preservation

To preserve the capital value of its investments over the long term.

Key performance indicators

The Company paid a dividend of 7.0 pence in respect of the year. A dividend target[1] of 7.0 pence has been set for the forthcoming financial year.

7.0p
Dividends paid for the year ended 30 September 2023

£30.9m
Profit for the year ended 30 September 2023

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

51
Number of investments at 30 September 2023

12.0%[3]
Size of largest investment as a percentage of total portfolio

The Company has generated a NAV total return[5] for the year of 3.7% and 169.5% since the Company's IPO in 2010.

109.79p
NAV per share at 30 September 2023

0.36%
Aggregate downward revaluations since IPO (annualised)[5]

Sustainability indicators

Portfolio contributing to green economy[2]

65%

Portfolio that benefits end users within society[4]

35%

Board gender and ethnic diversity[6]

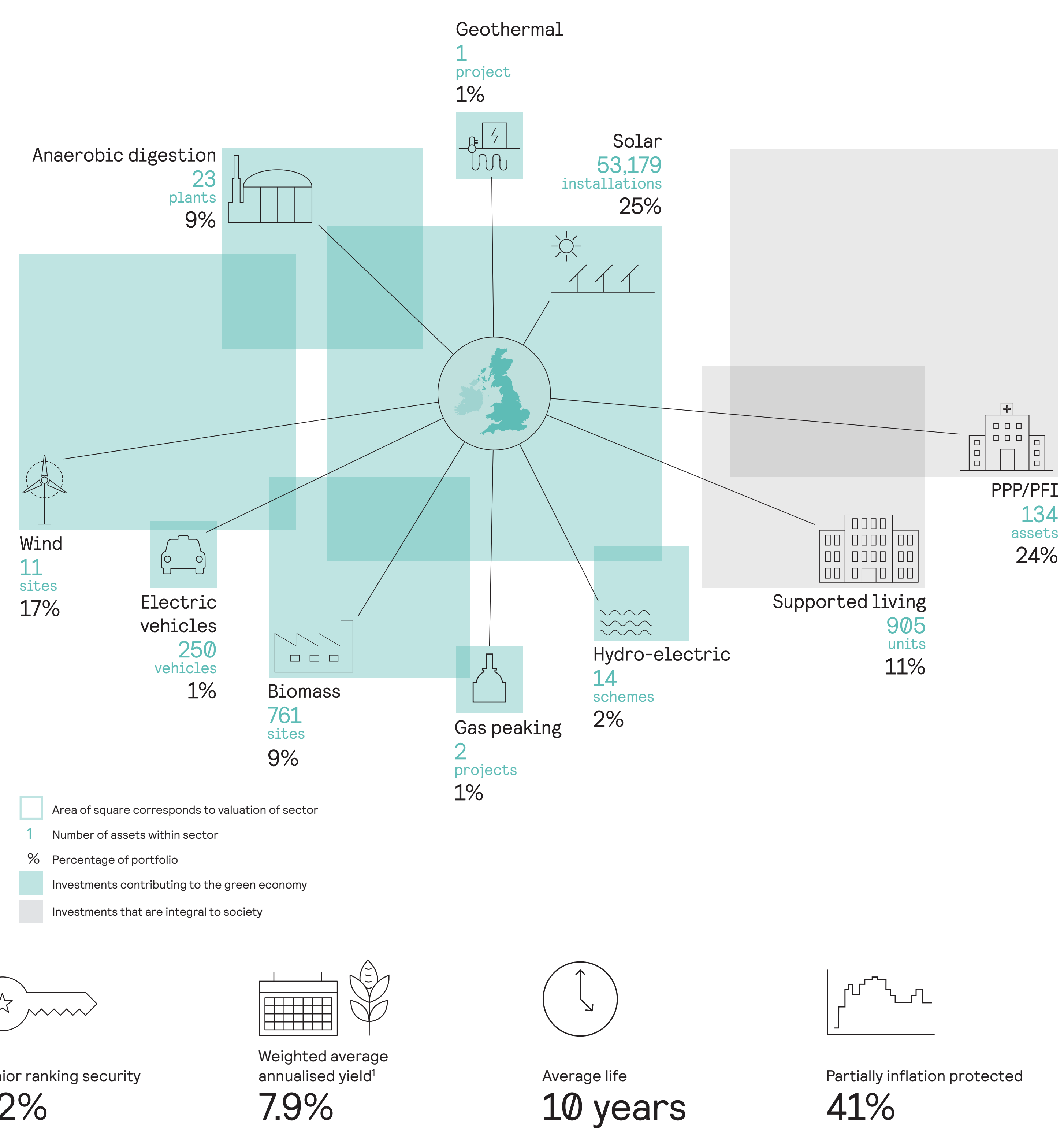
50%

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 LSE Green Economy Mark recognises London-listed companies generating more than half their revenues from green environmental products and services. The Company's portfolio is 65% invested in the renewable energy sector.
3. The Cardale PFI loan is secured on a cross-collateralised basis against 18 operational PFI projects, with no exposure to any individual project being in excess of 10% of the total portfolio.
4. The Company's portfolio is 33% invested in PPP/PFI projects in the healthcare, education, waste, housing, energy efficiency and justice sectors which are measured in alignment with the UN SDGs, and 2% of the portfolio is invested in PPP/PFI leisure projects.
5. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.
6. For further information please refer to page 105.

Portfolio at a glance

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



Senior ranking security
42%

Weighted average annualised yield[1]
7.9%

Average life
10 years

Partially inflation protected
41%

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Chairman's statement

I am pleased to present the Company's annual report for the year ended 30 September 2023.

Andrew Didham
Chairman

Introduction

Political and economic volatility have continued to impact UK markets this financial year. Against a backdrop of wider economic turmoil and uncertainty, the Company has continued to deliver stable and predictable income for shareholders through its focus on debt investments in infrastructure assets vital to the efficient operation of modern society.

The underlying portfolio assets have performed as expected, with loans continuing to be serviced. However, it is important to recognise the Company's share price has come under pressure, with shares trading at a persistent discount[1] to NAV throughout the year and a substantial portion of the prior year, after eleven years of the shares trading at an average premium[1].

This issue is not individual to the Company; other investment companies focused on the provision of income from infrastructure and renewable energy generation have faced similar share price pressure. This is primarily due to high levels of economic uncertainty in the UK, with a higher energy price environment stemming from Russia's invasion of Ukraine and unrest in the Middle East post year end, as well as increased inflation and higher interest rates. The Board believes the discount at which the Company's shares have traded to the stated NAV is not reflective of the strength in the Company's underlying investment portfolio.

Proposed combination

On 11 August 2023, the Company announced that it had agreed heads of terms with GCP Asset Backed in respect of a proposed combination of the two companies (the "Scheme"). As set out at the time, the Board believed the Scheme would benefit both existing and new shareholders in the Company.

Following the announcement, the Board and its advisers consulted widely with shareholders. The majority of shareholders recognised the Company's efforts to put forward a constructive proposal that sought to accelerate: (i) the reduction of the Company's outstanding debt; (ii) the return of capital to shareholders; and (iii) the reset of the return and risk being generated by the Company's portfolio of investments.

The Board understood that there was a divergence of views, predominantly amongst the shareholders of GCP Asset Backed. The Board determined that if the Scheme was completed with a significant minority of GCP Asset Backed shareholders that were not supportive, it would risk the ability of the Scheme to achieve its intended purpose. Therefore, on 18 September 2023, the Company announced that it had ceased discussions relating to the Scheme.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Capital allocation

Following the termination of discussions in relation to the Scheme, the Board has reconfirmed the intended capital allocation policy for the forthcoming year:

- prioritise the reduction of leverage whilst interest rates remain high, by using capital proceeds from disposals and refinances to repay the RCF;
- improve the risk adjusted return of the existing portfolio by reducing equity risks as well as exposure to the social housing sector; and
- buy back the Company's shares while they remain an attractive investment opportunity and/or otherwise return capital to shareholders.

At the year end, the average term of the portfolio was ten years. The Company has historically been able to complete strategic refinances and disposals before the end of the term of the loan. For the forthcoming financial year, the Board and Investment Adviser intend to refocus on refinances and disposals. Subject to market conditions and the ability to agree acceptable terms, the Board has set a conditional target of releasing £150 million (c.15% of the portfolio) of funds in order to materially reduce the RCF and return at least £50 million of capital to shareholders before the end of the calendar year 2024, whist maintaining the dividend target[1].

The Board believes that the capital allocation policy will emphasize the Company's position as a leading investor in infrastructure debt, with a strong focus on sustainable investments.

Market context

The wider financial market in which the Company operates has continued to face significant challenges. Russia's invasion of Ukraine has caused a global energy shock, increasing the cost of, and volatility in, the prices of electricity and gas. Post period end, further geopolitical tension between Israel and Hamas in the Middle East has resulted in additional uncertainty in the market, contributing to volatility in short-term power prices. In tandem with this, inflation has continued to increase, with the UK's inflation rate reaching its highest level in 40 years.

The UK's mini-budget in September 2022 led to a dramatic increase in the cost of borrowing, with a rapid increase in central bank rates. At the year end, interest rates had risen to 5.25% in the UK, with higher rates aiming to reduce headline inflation. The twelve month CPI rate peaked at 11.1% in October 2022, and reduced to 6.7% in September 2023, materially above the Bank of England's target rate of 2.0%. At the time of writing, CPI is 4.6%. While headline energy costs have reduced from their peak in late 2022, the UK has continued to see labour market strength, with low unemployment, strong wage growth and increasing costs.

Whilst the relative yields explain some of the reduction in the Company's share price, the Board believes the discount at which the Company's shares have traded to the stated NAV is not reflective of the strength in the Company's underlying investment portfolio, with the effective yield considerably higher than the discount rate on investments determined by the independent Valuation Agent. Despite this, underlying portfolio performance remains strong.

Financial performance

It has been a challenging financial year for the Company, with investment revaluations negatively impacting profitability. The Company generated total profit and comprehensive income of £30.9 million (30 September 2022: £140.3 million). The comparative period last year included material positive revaluations resulting from increased electricity price forecasts, with higher power prices driven by the war in Ukraine generating higher than expected cash flows from renewable generating assets. Further information on financial performance can be found on pages 36 to 39.

The net assets of the Company decreased to £956.6 million (109.79 pence per share) from £998.1 million the previous year (112.80 pence per share). At the year end, the Company's share price was 67.70 pence, representing a 38.3% discount[2] to NAV (30 September 2022: 97.80 pence, representing a 13.3% discount[2] to NAV).

The dividend of 7.0 pence per share for the year was 0.5 times covered on an earnings cover[2] basis, which includes investment revaluations in accordance with IFRS, and 1.2 times covered on an adjusted earnings cover[2] basis, calculated on the Investment Adviser's assessment of adjusted net earnings[2] in the year; further information can be found on page 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. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Chairman's statement continued

Investment activity

The Company undertook very little investment activity during the year: there was very limited follow-on and new investments before the dramatic shift in interest rates became embedded early in the year; later, investment activity was confined to portfolio restructuring and management. The Board and the Investment Adviser remain committed to the Company's intentions to reallocate capital towards reducing gearing, buying back shares whilst they trade at a significant discount and, where appropriate and attractive, disposing of assets to rebalance the portfolio and generate funds.

At the start of the year, the Company's borrowings totalled £99.0 million, with drawings against the Company's RCF peaking at £154.0 million in December 2022. At year end, the borrowings had fallen to £104.0 million following repayments. In March 2023, the Company commenced a share buyback programme of shares up to a maximum aggregate value of £15.0 million. Since commencement of the programme and up to the year end, the Company has invested £10.6 million in shares under the authority at an average price of 78.16 pence per share, a discount[1] to the prevailing NAV. Post year end, the Company invested a further £2.2 million in shares at an average price of 63.47 pence per share. The Board notes that buying back shares at a discount[1] to the NAV provides a highly attractive investment for the Company's shareholders, and is focused on maximising value by reducing leverage, disposing of assets and buying back shares before making any new investments.

The Company made new loans of £9.2 million in the year. Portfolio investments of £129.5 million focused on restructuring and management. This was offset by repayments of £128.0 million, giving net investments in the existing portfolio of £1.5 million.

Investment activity in the year focused on portfolio management to enhance the Company's security position and generate net repayments. Portfolio investments advanced to existing borrowers included: £46.4 million in the fourth quarter of 2022 to repay third party senior debt secured against a portfolio of commercial solar projects and a portfolio of renewable and PPP assets, which improved the Company's security; and in May 2023 the Company entered into agreements for the refinancing of two existing loan notes in the biomass sector and committed to a new £50.0 million loan note as part of a syndicated facility.

This refinancing generated c.£50.0 million of net cash proceeds that were used to repay the Company's RCF and led to a 1.2 pence per share uplift to the Company's NAV, primarily from prepayment fees. The refinance improved the Company's security position whilst also earning prepayment fees of £8.7 million.

Financing

The Company maintains a RCF with a number of lenders, with total commitments of £190.0 million, maturing in March 2024, of which £104.0 million is drawn at the date of the report. The Investment Adviser, on behalf of the Company, has engaged positively with its lenders. Post year end, in December 2023, the Company signed heads of terms for a new debt facility at the reduced amount of £150.0 million, in line with the Board's stated intention of reducing Company leverage.

Further details on the Company's financing activity are provided on page 38 and details of the RCF can be found in note 15.

ESG

The Company's portfolio continues to have a positive impact by contributing to the generation of renewable energy and financing infrastructure that has clear benefits to users in society. The Board believes that by ensuring the Company's investments are focused on their environmental and social impact, the risks associated with long-term investments are reduced, and the borrowers' ability to service the loans is increased as users of the products or services tend to prefer sustainable providers.

The Company has made good progress this year with the ESG objectives set out in the 2022 annual report. Of particular note has been the Global Real Estate Sustainability Benchmark ('GRESB') assessment completed by the Investment Adviser for one of the wind assets in the portfolio, which achieved a rating of four green stars and a score of 90 out of 100. The GRESB assessment marks the first step in the Company's external assurance journey, with the intention of sharing the lessons learned across the portfolio assets and replicating policies and management approach for other assets.

More details of the Company's work in relation to sustainable investment are given in the sustainability section on pages 40 to 69.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Share repurchases

The Board is aware of market volatility and its impact on share prices, including the impact on the Company's share price. The Company's shares have traded at an average discount[1] of 14.3% during the year and, at prior year end, an average premium[1] of 8.8% since IPO. At 30 September 2023, the share price was 67.70 pence, representing a discount[1] to NAV of 38.3%.

As outlined on page 6, the Company has undertaken a share repurchase scheme as part of its ongoing investment strategy, particularly given the high discount[1] to NAV it has experienced. These purchases are an attractive use of shareholders' funds relative to the pipeline of potential new investments, and they are expected to enhance earnings per share and dividend cover going forward.

The Board continues to support and authorise share repurchases from time to time, subject to the prevailing share price discount and availability of cash resources relative to cash commitments.

Outlook

Bank of England base rates, which at the time of writing are 5.25%, have increased throughout the financial year in a bid to reduce inflation. Whilst year-on-year CPI peaked in October 2022 and has since fallen, it is still materially above the Bank of England's target rate of 2.0%. Markets have predicted that interest rates will reduce in time, but are set to remain higher for longer than markets were pricing earlier in the year.

Energy prices have fallen from the highs experienced in the previous financial year, but like interest rates, they are predicted to stay higher for longer than in this period last year. Furthermore, the UK has retained its commitment to decarbonise the electricity grid by 2035. Despite this commitment, and the need for new renewable electricity generation infrastructure to achieve it, there were no bids to build new offshore wind capacity under the most recent contracts-for-difference auction round run by the UK Government. The Committee for Climate Change has expressed concerns to Parliament about the pace of change required to meet the UK's climate goals over the course of the 2030s. The failure to secure bids to build incremental offshore wind generating capacity is likely to make these targets even harder to achieve, which will likely lead to higher power prices for longer.

A total of 41% of the portfolio benefits from some form of inflation protection, meaning that higher inflation is set to benefit the existing portfolio. In addition, renewable energy generators make up around two-thirds of the portfolio and are set to benefit from power prices being structurally higher than when the Company originally invested. Thus, the current market and market outlook are positive for the Company's portfolio.

Higher interest rates have caused a shift in credit markets and, as a result, opportunities to make new loans within the Company's risk appetite at rates of interest that reflect the steep change in rates across asset classes may emerge. Given the continuing need for new infrastructure to decarbonise the economy, the Board is confident in the Investment Adviser's ability to continue building a pipeline of attractive investments for the Company. This gives the Company the opportunity to reset the long-term returns on its investments at a higher yield when it resumes investment activity.

As noted above, the Board is focused on maximising value for shareholders by reducing leverage, disposing of assets where pricing is attractive to generate funds and optimise the portfolio, and buying back shares, given the attractive risk adjusted returns from doing so, before making any new investments.

Andrew Didham
Chairman

12 December 2023

For more information, please refer to the strategic report on pages 8 to 89.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

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 69

Stakeholders
Find out more on pages 70 to 77

Risk management
Find out more on pages 78 to 89

Strategic overview

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

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 provides 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 the Company's stakeholders;
- to develop and increase the understanding of infrastructure debt as an asset class and to use that understanding continually to review the Company's investment strategy; and
- to focus on the long-term sustainability of the portfolio and make a positive impact; through contributing towards the generation of renewable energy and financing infrastructure that is integral to society.

Key policies

Distribution

The Company seeks to provide its shareholders with regular, sustained, long-term dividend income.

The Company has the authority to offer a scrip dividend alternative to shareholders. The offer of a scrip dividend alternative was suspended at the Board's discretion for all dividends during the year, due to the discount[1] between the likely scrip dividend reference price and the relevant quarterly NAV per share of the Company. The Board intends to keep the payment of future scrip dividends under review.

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 UK AIFM Regime in note 15 to the financial statements includes derivative financial instruments as is required by the applicable regulation.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

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.

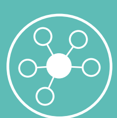
Investment objectives

Generate dividend income

To provide shareholders with regular, sustained, long-term dividends.

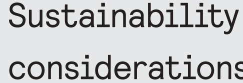
Preserve capital

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

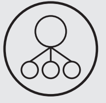


Provide diversification

To invest in a diversified portfolio of debt and/or similar assets secured against UK infrastructure projects.



Sustainability considerations



Governance

The Company operates under a robust governance framework, read more on pages 90 to 119.

Environmental

The Investment Adviser positively screens for assets which benefit the environment, read more on pages 42 and 43.

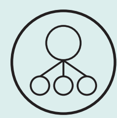
Social

The Investment Adviser positively screens for assets which benefit society, read more on pages 42 and 43.

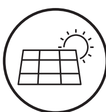
Financial

The Company uses credit facilities, hedging arrangements, cash flow forecasts and stress scenarios to ensure financial viability, read more on page 89.

Implementation of investment strategy



Board of Directors

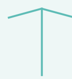


ESG due diligence

Investing

The Company seeks to generate exposure to infrastructure debt and/or similar assets in the renewable energy, social housing and PPP/PFI sectors.

The Investment Adviser provides advisory services relating to the portfolio in accordance with the Company's investment objective and policy.



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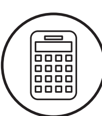


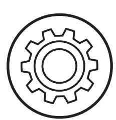
ESG positive investment

Financing

The Company raises capital on a highly conservative basis, with consideration given to scheduled capital repayments.

The Company will seek to raise 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.

Stewardship and oversight

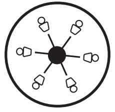


ESG data collection

Operating

The Company pays careful attention to the control and management of the portfolio and its operating costs.

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



Assessing climate risk

Managing

As an investment company, the Company seeks to take investment risk.

The Investment Adviser works alongside the Board to manage risks and shape the risk policy of the Company. It is also responsible for risk monitoring, measuring and managing.

Key performance indicators

Generate dividend income

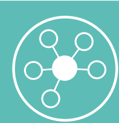
7.0p

Dividends per share declared for the year ended 30 September 2023

Preserve capital

109.79p

NAV per share at 30 September 2023

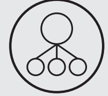


Provide diversification

51

Number of investments at 30 September 2023

Sustainability indicators



Governance

50%

Board gender and ethnic diversity at 30 September 2023

Environmental

1,398 GWh

Renewable energy exported by portfolio assets[1]

Social

856

FTEs at portfolio asset level at 30 June 2023[1]

Financial

0.5 times[2]

Basic dividend cover (IFRS) at 30 September 2023

1. Twelve month period to 30 June 2023 to facilitate data inclusion in the annual report.
2. The dividend of 7.0 pence per share is fully covered by an adjusted EPS[3] of 8.58 pence per share.
3. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Investment Adviser's report

The Company's focus remains on investing in UK infrastructure debt in project companies that have the specific purpose to build, own and operate assets that benefit from public sector backed revenues.

UK infrastructure market

Infrastructure investments are typically characterised by high upfront capital costs, paid back in consideration for the provision of a service over long asset lives. The infrastructure the Company seeks to invest in has inherent environmental and social benefits. For example, some of the assets in the Company's portfolio generate renewable electricity to displace polluting fossil fuel fired power stations, while others provide quality accommodation for members of society who need support to live a productive life with dignity and independence.

Encouraging the construction and operation of such assets has historically required Government intervention, initially by way of subsidies or long-term revenue guarantees, and more recently by the UK Government creating long-term market incentives to support their business case.

Infrastructure investment has broad cross-party political backing to support economic, social and fiscal outcomes. In the UK Government's 2023 Green Finance Strategy, it was noted that, "Private investment will be crucial to delivering net zero, building climate resilience and supporting nature's recovery. We estimate that to deliver on the UK's net zero ambitions through the late 2020s and 2030s, an additional £50-60 billion capital investment will be required each year."[1] Furthermore, a 2021 report from the Green Finance Institute estimated that over the next ten years, the UK's domestic nature-related goals could require between £44-97 billion of investment[2].

With increased policy initiatives incentivising investment in infrastructure, there are significant opportunities to enhance the Company's existing portfolio and continue making attractive risk-adjusted investments.

Challenges and opportunities

The table below sets out some of the challenges and associated opportunities for infrastructure investment.

Challenge	Infrastructure opportunities	Government support/intervention	Investment characteristics
Decarbonisation of the UK economy by 2050, with intermediary targets in place such as the decarbonisation of the electricity system by 2035	— Further investment in established renewable sectors such as wind and solar — Deployment of less-established renewables across electricity, heat generation and transport	— CfD — Green Gas Support Scheme and Net Zero Hydrogen Scheme — Various grant and capital support	Inflation-linked subsidy support but reliant on merchant prices long term
High energy prices and reliance on foreign suppliers into the energy system	— Low-marginal cost domestic renewable generators — Nuclear (including small modular reactors) — Grid infrastructure such as interconnectors — Energy storage — Energy efficiency schemes	— Price cap — Carbon pricing — Energy profits levy	Exposure to wholesale energy prices. Some contractual income (some inflation-linked) from capacity mechanism or grid service arrangements
Climate change adaptation: increased frequency of extreme weather events in new geographies	— Flood defences — River flood mitigation measures	— The Government has a large direct investment flood defence programme	Limited current investment opportunities, but expected to be a growth area
A growing and ageing population will place different demands on social infrastructure	— Housing — Healthcare and social care provision — Transport — Education — Utilities	— This has been a recent focus of direct Government funding, with a limited role for private sector investors in public procurements	Investment opportunities are typically in the private sector (e.g. private care homes, private schools). These have more corporate or property investment characteristics which are less attractive to the Company
Digitalisation drives a greater need for access to online services	— Broadband infrastructure — Data centres and associated energy systems	— Capital support for rural deployment	Demand-based risks and, in certain geographies, competition for customers

1. "Mobilising green investment: 2023 green finance strategy", UK Government, April 2023.
2. Finance Gap for UK Nature Report, Green Finance Institute, October 2021.

Investment Adviser's report continued

Company position

The Company has a well-diversified portfolio across a wide range of operational renewable projects, social infrastructure (through PPP/PFI schemes), and supported living social housing. The explicit objective of diversification has historically enabled the Company to respond to more challenging conditions in any one asset class (such as decreasing yields and/or more competition) by diversifying into other areas.

Over the life of the Company, the Investment Adviser has seen several sectors in which the Company has historically been invested mature over time. PFI, PPP, certain renewable asset classes and supported social housing have all seen increased demand for investment, with risks better understood and accepted by investors.

The Company's response to the current market environment is as follows:

1. Reduce gearing:

— The Company's debt under the RCF is priced at a margin to SONIA. Rising interest rates have meant the margin between the rates charged to borrowers and the cost of the Company's debt has fallen. Reducing borrowing in this high rate environment is low risk but enables higher returns for the Company.

2. Buy back shares:

— The Board and the Investment Adviser both consider the implied yield on the Company's shares, which are trading at a significant discount[1] to NAV, is higher than the actual risk on the underlying investments given the positive ongoing performance of the portfolio. Therefore, buying back the Company's shares offers an attractive risk-adjusted return for shareholders.

3. Optimise the portfolio:

— The Company's average loan life is ten years. However, the Investment Adviser continues to seek opportunities to optimise the portfolio by seeking early refinances or disposals where appropriate. The Investment Adviser is actively seeking to return capital to the Company by reducing exposure to the social housing sector and by de-risking the equity investments.

— The Investment Adviser has identified a number of opportunities to extend the lives of assets, or to enable assets to provide additional services that create supporting revenue streams which will increase the valuation of the assets.

— The debt market has undergone significant change over the last twelve months and it has created opportunities to invest at a similar risk level whilst generating higher returns. As such, the Company remains focused on recycling capital to reduce gearing and investing in share buybacks. However, over the long term, the need for new sustainable infrastructure and the higher rates available in the market will provide attractive opportunities when the Company resumes making new investments.

Differentiation

The Company retains some key differentiators that make it 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 to existing borrowers.

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 a decade. 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.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Key investment activity

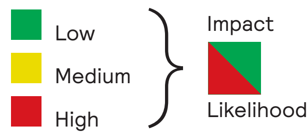
This year's focus has been optimising the Company's existing portfolio and buying back shares, whilst reviewing the use of the Company's RCF. A full summary of investments and repayments during the year is shown on page 29.

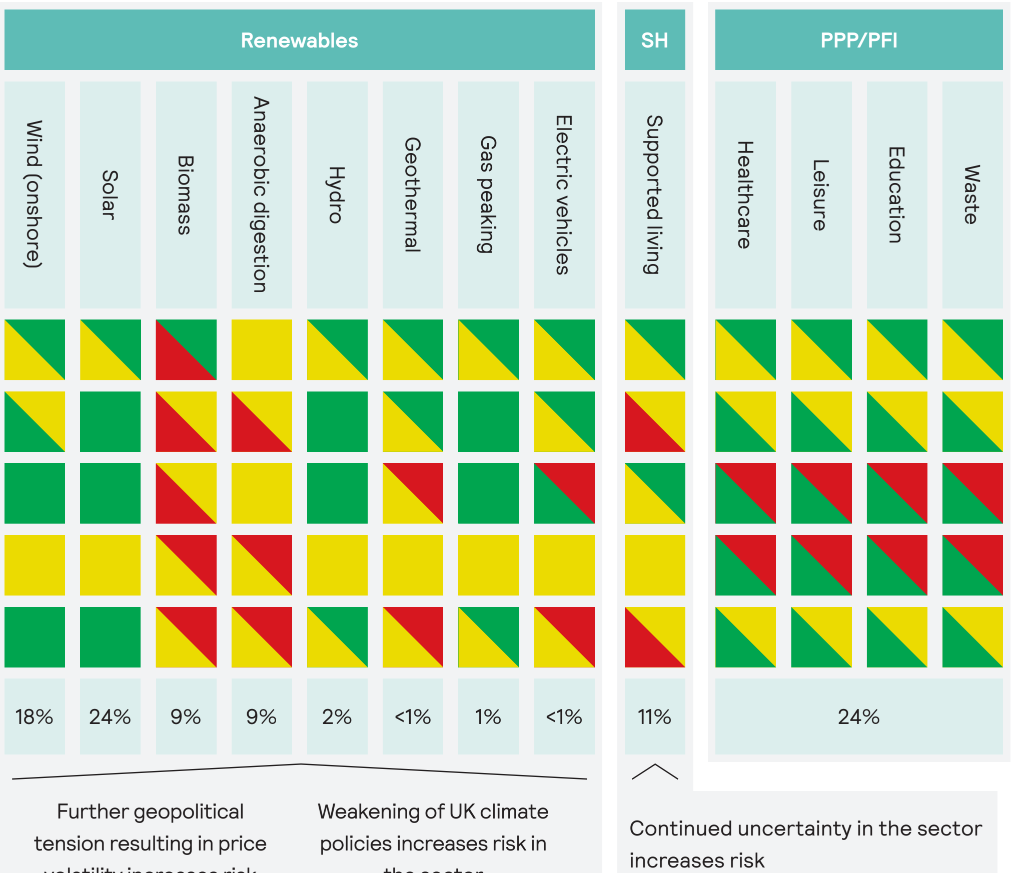
In December 2022, the Company invested a further £36.1 million into an existing portfolio of commercial solar projects to repay third party senior debt. These assets are subject to audit by Ofgem and by replacing the senior debt, the Company was able to manage the audit process without incurring a potential conflict of interest with a third party. In May 2023, the Company agreed to a refinance of two existing loan notes provided to the owners of two biomass plants. The loan notes were redeemed at par and the Company received fees (including prepayment fees) of c.£10 million (the effect of the refinance was equivalent to adding 1.2 pence per share to the NAV). As part of the refinance, the Company committed a new £50.0 million loan note to the owner of the two power plants as part of a syndicated facility. This refinance improved the Company's security position, with the new facility including a third operational power plant. It also increased the total yield projected on the investment. New investments of note in the year included a £7.5 million senior loan to purchase a fleet of electric taxis.

As part of the Company's share buyback programme announced in March 2023, the Company has invested £10.6 million to buyback its own shares at a discount[2] to the prevailing NAV, providing an attractive investment for the Company and its shareholders.

The Company has also reduced the use of its RCF given the high interest rate environment. The drawings under the facility peaked at £154.0 million in December 2022 but were reduced to £104.0 million at the year end.

Portfolio exposures





1. For further commentary refer to page 18.
2. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Investment Adviser's report continued

Investment risk

The table below details 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 year	Description
Market risk The risk of an investment being exposed to changes in market prices, such as electricity prices or inflation.	Renewables (all sectors)	Increased	While electricity prices have decreased over the year, volatility has persisted. This volatility has also contributed to higher inflation throughout the year. The Company has exposure to electricity prices and inflation as part of its renewables portfolio, and the higher price environment has been beneficial to the assets.
	Supported living	Increased	The rents charged on the supported living properties are inflation linked and the RPs who have leased the properties have to pass on the inflationary increases in the rents they charge to the local authorities.
Credit risk The risk of reliance on customers and suppliers to provide goods and/or services for a project and manage certain project risks as part of such arrangements.	Supported living	Increased	The leases on the underlying properties have inflation linkage and, as such, the leases charged to RPs have increased during the year. The underlying RPs have to agree to pass the increases on to local authorities. With higher inflation there is more pressure on local authorities to minimise such rental increases.
Operational risk The risk of exposure to the construction and/or operations of a project associated with the failure of people, processes and/or systems required to monetise an asset.	Renewables (all sectors)	Increased	The supply chains for spare and replacement parts have continued to be impacted by global labour and supply chain challenges. The Company has suffered from delays of this nature during the year, for example where a network operator had a fire on its site and had to cease operations on the wind farm until repairs were completed.
Legal/regulatory risk The risk 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.	Renewables (all sectors)	Increased	There is uncertainty regarding potential future Government intervention in the energy market, therefore forecast power prices may not be realisable in reality. The implementation of the Electricity Generator Levy in January 2023 has impacted the short-term profitability of certain assets in the portfolio. The levy will be in place until 31 March 2028.

Interest capitalised

The Company received total loan interest income of £80.8 million (30 September 2022: £74.5 million) from the underlying investment portfolio. Of this, £58.8 million was received in cash and £22.0 million was capitalised in the year (30 September 2022: £52.1 million and £22.4 million respectively), refer to note 3 for further information. The capitalisation of interest occurs for three reasons:

1. Where interest has been paid to the Company late (often as a result of moving cash through the Company and borrower corporate structures), a capitalisation automatically occurs from an accounting point of view.
2. 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 is an effective way of reinvesting repayments received from the portfolio back into other portfolio projects.
3. Loans are not performing in line with financial models, resulting in:
   (i) lock-up of cash flows to investors who are junior to senior lenders; and
   (ii) cash generation is not sufficient to service debt.

Other unscheduled capitalisations in the year related to the re-direction of cash flows into three gas-to-grid anaerobic digestion projects in Scotland to address performance issues encountered in the year.

The table below shows a breakdown of interest capitalised during the year and amounts paid as part of final repayment or disposal proceeds:

	30 September 2023 £'000	**30 September 2023 £'000**	30 September 2022 £'000	30 September 2022 £'000
Loan interest received (cash)		**58,791**		52,079
Capitalised amounts settled as part of final repayment or disposal proceeds		**–**		9,727
Capitalised (planned)	**18,253**		15,421	
Capitalised (unscheduled)	**3,706**		6,979	
Loan interest capitalised	**21,959**		22,400	
Capitalised amounts subsequently settled as part of repayments	**(10,822)**	**10,822**	(13,408)	13,408
Adjusted loan interest capitalised[1]	**11,137**		8,992	
Adjusted loan interest received[1]		**69,613**		75,214

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 an increase in debt, and the 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 an amount remains due and payable by the underlying borrower and where capitalisation has not been scheduled, it attracts default interest payable.

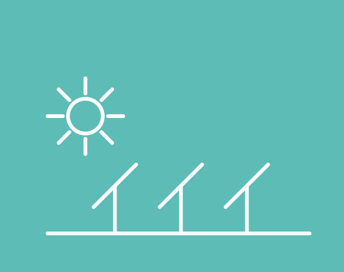
	30 September					
% of total interest	2023	2024	2025	2026	2027	2028
Capitalised (planned)	**21%**	**12%**	**8%**	**6%**	**9%**	**11%**
Capitalised (unscheduled)	**4%**	**5%**	**1%**	**–**	**–**	**2%**

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Investment Adviser’s report continued

Sector background and update

Renewables



Renewable projects generate renewable energy across the heat, electricity and transport sectors and benefit from long-term Government subsidies.

65%
Percentage of portfolio by value

£683.8m
Valuation of sector

Background

Renewable energy involves the sustainable production of energy for electricity, heat production and transport. In its 2023 Green Finance Strategy, the UK Government estimated that to deliver on the UK’s net zero ambitions through the late 2020s and 2030s, an additional £50 to £60 billion capital investment will be required each year. This will provide the Company with significant investment opportunities across the renewables sector.

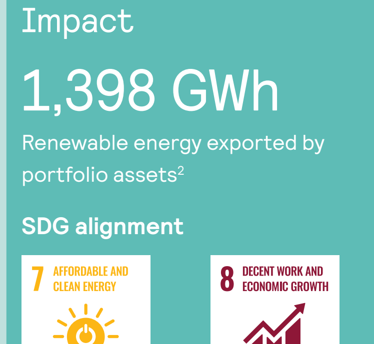
Current position

The UK remains committed to decarbonising the electricity system by 2035 and becoming net zero by 2050. However, the Climate Change Institute recently noted that “Better transparency is no substitute for real delivery. Our confidence in the UK meeting its goals from 2030 onwards is now markedly less than it was in our previous assessment a year ago”.[1]

An example of this apparent failure to deliver can be seen in the results of round five of the UK’s flagship renewable support mechanism, the contract-for-difference (‘CfD’) published on 8 September 2023. No offshore wind projects bid into the auction, a technology that has historically been the major beneficiary of the CfD. As a result of this, questions have been raised over the UK’s target to build 50 GW of offshore wind by 2030 and decarbonise the electricity grid by 2035, or 2030 under a Labour Government. The reasons for the failure to attract bids have been well publicised: the administrative strike price (the maximum price that bidders can achieve in the CfD auction) was set at a level too low to make new investment attractive.

Future outlook

Further Government support and intervention is likely to deliver the new renewable energy generation capacity required to meet the UK’s decarbonisation targets. In the short term, this is likely to support the price of renewable energy sold by the Company’s existing portfolio of borrowers, and in the medium term is likely to create further investment opportunities for the Company.



Impact

1,398 GWh
Renewable energy exported by portfolio assets[2]

SDG alignment

1. “Better transparency is no substitute for real delivery”, Climate Change Institute, June 2023.
2. Data at 30 June 2023 to facilitate inclusion in the annual report.

Evermore and Widnes projects

Refinance of two operational biomass plants

The Evermore project is a c.15.8 MWe waste wood combined heat and power station located in Lisahally, Northern Ireland. The project uses c.90,000 tonnes of waste wood per annum, sourced principally from the construction and demolition industry, to fuel a steam turbine that generates electricity and supplies heat to a virgin wood drying system. The project benefits from two ROCs per MWh of electricity generated for 20 years from its commissioning date, providing a stable, RPI-linked public sector backed revenue stream.

The Widnes project is a 20.2 MWe waste wood to energy combined heat and power station located in Cheshire. It uses up to 147,000 tonnes per annum of waste wood. The plant is eligible for 1.4 ROCs per MWh of electricity.

The Company originally provided subordinated loans against the construction and operation of both plants, investing in Evermore in 2013, and committing £23.2 million to the financing of its construction as part of a total financing package of c.£80.0 million, with the project completing construction in 2015.

The Company has built a strong working relationship with the borrowers of both Evermore and Widnes since the initial investments were made. In the previous financial year, the Company, alongside another lender, completed the refinance of the senior loans and subordinated debt, replacing them with 'unitranche' debt, a flexible form of financing. This resulted in the Company taking a senior, rather than subordinated, position, removing the associated lock-up and interest capitalisation risks.

Furthermore, this year the Company completed the refinancing of the unitranche debt, while retaining exposure to the two plants and one additional biomass project by participating in a new syndicated facility. The refinancing repaid the Company at par, while generating £8.7 million of early prepayment fees, demonstrating the valuation of the loans.

Sustainability indicators

Environment

252 GWh

Energy exported in 2022/23[1]

Social

48

FTEs at portfolio asset level[1]

Governance

8

ISO certifications[1]

Financial

£33.8m

Valuation at 30 September 2023

1. Data at 30 June 2023 to facilitate inclusion in the annual report.

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.

11%
Percentage of portfolio by value

£111.6m
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 existing 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 leased under a long-term fully repairing and insuring lease to RPs who operate and manage the properties. The RPs receive housing benefits for individuals housed in such properties. The budget for housing benefit in this sector is funded by the central Government and has historically been, and remains, highly protected and uncapped.

During the last financial year, the Company refinanced 78 operational supported living properties let by three of the Company's borrowers to a single RP. The refinancing facilitated the return of c.£50 million of cash to the Company and an increase in the Company's expected return on the loan.

Current position

RPs that have leased properties from the Company's borrowers have continued to be challenged in respect of governance and financial viability by the Regulator of Social Housing ("RSH"). In the year under review, these RPs have continued to focus on improving processes, people and systems in seeking to address the RSH's governance concerns. Furthermore, 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.

Future outlook

The Company maintains the position 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 there is increased competition in this sector, which has put pressure on potential returns. The Company continues to work with its borrowers to seek to optimise the portfolio in order to stabilise the rental yields received by the borrowers from the RPs and to consider further refinances or other transactions as appropriate.

Impact

3,119
People housed in supported accommodation[1]

SDG alignment

11 SUSTAINABLE CITIES AND COMMUNITIES

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

1. Twelve month period to 30 June 2023 to facilitate data inclusion in the annual report.

Westmoreland Supported Housing

Improving governance at a portfolio of supported living accommodation

The Company has invested in a portfolio of 13 properties and 51 units of supported living accommodation designed to meet the individual and unique needs of adults with learning disabilities, mental health issues and physical or sensory disabilities. The portfolio is leased to Westmoreland Supported Housing Limited ('Westmoreland'), a Registered Provider of social housing.

From 2018, the Company recognised that the supported living sector had grown rapidly and various RPs were failing to keep up with the rapid growth they were experiencing, leading to management issues at some RPs. Furthermore, the RSH indicated that the funding model used by the sector did not align with its preferences. This model involved RPs taking out long leases for properties they let to local authorities under exempt rents. The Company has not made any further investments in the sector since then.

As a business that has grown very quickly, Westmoreland experienced significant financial distress in 2019. This led the RSH to use its statutory powers to elect new officers to Westmoreland's board at the end of 2019, closely followed by a board-directed change in the executive team at the start of 2020.

In 2021, the Company's borrower entered into an agreement with Westmoreland to provide a defined level of financial support while Westmoreland worked to address their financial distress and improve their governance and financial viability. In changing the board and executive team, and restructuring the lease payment arrangements, Westmoreland sought to address the wider concerns raised by the RSH.

The Company has supported Westmoreland over this period. Westmoreland is now in a materially better financial position and has made significant progress in improving its governance and financial viability, with historic issues addressed as they look towards consolidation and future growth. As a result, Westmoreland continues to provide high quality accommodation and care for its vulnerable tenants.

Sustainability indicators

Environment

45%

EPC rated A-C[1]

Social

23

FTEs at portfolio asset level[1]

Governance

4

Governance policies implemented[1]

Financial

£9.0m

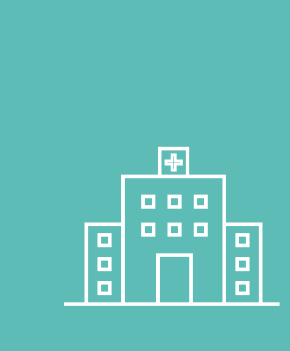
Valuation at 30 September 2023

1. Data at 30 June 2023 to facilitate inclusion in the annual report.

Investment Adviser's report continued

Sector background and update continued

PPP/PFI



PPP/PFI enables the procurement of private sector infrastructure financing through access to long-term, public sector backed and availability-based payments.

24%
Percentage of portfolio by value

£251.2m
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 as PFI (Public Finance Initiative), which originated in the UK in the mid-1990s. Since this time, over £60.0 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 the PPP/PFI sector including education, healthcare, waste, leisure and housing.

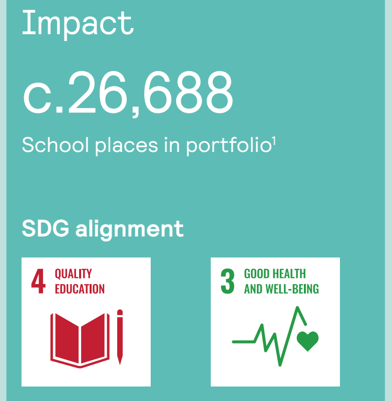
Current position

The PPP/PFI model for procuring infrastructure fell out of favour before 2020 and there are no material new projects expected to be procured this way in the medium term, meaning there are currently limited opportunities for further investments. During the year, the Company indirectly acquired equity in 13 Scottish hub projects engaged in the education, health, leisure and community facilities in which it was already a lender, investing £885,000 in total.

Future outlook

There have been no indications that the UK or devolved governments intend to reverse policies to procure new infrastructure using private sector finance which is supported by long-term availability-based payments. To the extent that there are any such opportunities in the future, the Company will consider them as investment opportunities.

The Investment Adviser will continue to monitor any PPP schemes (or similar structures) and secondary markets for potential opportunities.



1. Twelve month period to 30 June 2023 to facilitate data inclusion in the annual report.

Salford Social Housing PFI

Refurbishment of a portfolio of social housing accommodation

The Salford Social Housing PFI project was formed with the aim of delivering the refurbishment and management of social housing accommodation consisting of 1,270 existing dwellings located in Greater Manchester and owned by Salford City Council.

The Company invested £10.9 million in a junior bond on 17 September 2013. The notes were issued by FHW Dalmore (Salford Pendleton Housing) plc. The senior lender is Pension Insurance Corporation plc. Together Housing provided the initial equity investment.

The refurbishment contract completed on 24 February 2017, ahead of the scheduled contract date of 30 May 2017. From this date, Pendleton Together Operating Limited became operational.

Following the tragic events at Grenfell, a comprehensive review of the refurbishment works was undertaken to determine what action needed to be undertaken on the accommodation. As a result, the cladding used on the project's nine tower blocks was tested and failed to meet building safety standards.

A detailed further works programme was developed and funded by the Company after the Government stated it would not provide funding for the cladding removal. The programme is currently being implemented with the involvement of all project stakeholders to ensure the long-term fire safety of the accommodation.

The Company agreed to pay 40% of the coupon it receives as junior bond holder to Together Housing Association as they made additional funding available to undertake the works.

Refurbishment started with remedial works undertaken across the nine residential buildings. The works cover both internal and external remediation and are progressing well and according to the plan agreed with contractors. Completion is expected in 2025.

Sustainability indicators

Environment

73%

EPC rating A-C[1]

Social

20

FTEs at portfolio asset level[1]

Financial

£9.7m

Valuation at 30 September 2023

1. Data at 30 June 2023 to facilitate inclusion in the annual report.

Investment portfolio

The Company is exposed to a portfolio of 51 investments with a weighted average annualised yield[1] of 7.9% and average life of ten years.

Portfolio performance

The portfolio has largely performed in line with expectations during the year.

For the renewables portfolio, rainfall was lower than expected over the key winter period across large parts of Scotland, however it has since improved. Lower rainfall can reduce the amount of revenue due to lower electricity production from hydro-electric assets. Furthermore, wind speeds have been slower than average, and increased maintenance times at wind farms has caused generation to be below budget. Meanwhile, solar generation and operations have been in line with expectations.

In relation to the supported living assets, the Company has no direct control over the underlying occupancy level of the properties it has lent against, but it continues to work with borrowers and the underlying RPs to ensure the assets are maintained to a high quality to attract tenants to the properties.

As part of an agreed refinancing of existing loans to two operational biomass plants, the Company received £8.7 million in prepayment fees with the existing loans repaid at par.

This demonstrates the conservative valuation of the portfolio and the Investment Adviser's ongoing efforts to maximise the value for shareholders.

A total of £50.0 million of the proceeds were reinvested into the holding company of the two plants, with a further operational biomass plant brought into the security net, improving the seniority of the loan along with increasing the level of security of the loan.

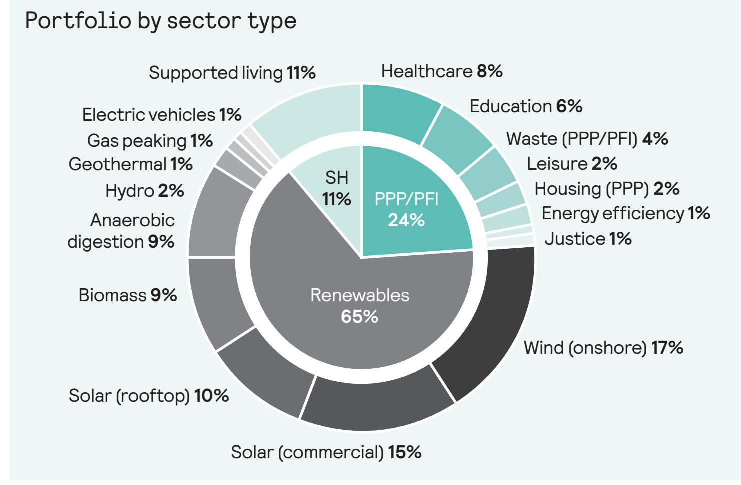
Last year, the Company noted that there were ongoing challenges at a portfolio of gas-to-grid anaerobic digestion projects in Scotland. Upgrade works to make the sites more resilient to storm damage have since been completed and to date have addressed the issues. Furthermore, the Investment Adviser worked closely with the landlords and operators of the sites, as well as the gas network operator, to improve the sites' access to the local gas grid. This resulted in the implementation of a more reliable method of injecting biogas into the gas grid. Before the changes were made, if the demand for gas on the network was low (for example, on warm summer nights), then the gas network operator would restrict the amount of gas that could be injected into the grid and sold. The improvements mean that it is less likely the output of the plant will be constrained in the future.

The Company continues to have exposure to the outcome of ongoing Ofgem audits relating to the accreditation and ongoing compliance of eight ground-mounted commercial solar projects accredited under the Renewables Obligation. During the year, Renewable Obligation Certificates ("ROCs") for one of nine projects under audit were revoked by Ofgem. Three projects in total in the portfolio have now had their ROCs revoked. Eleven projects have been audited and retained their ROCs, while a further eight remain subject to audit.

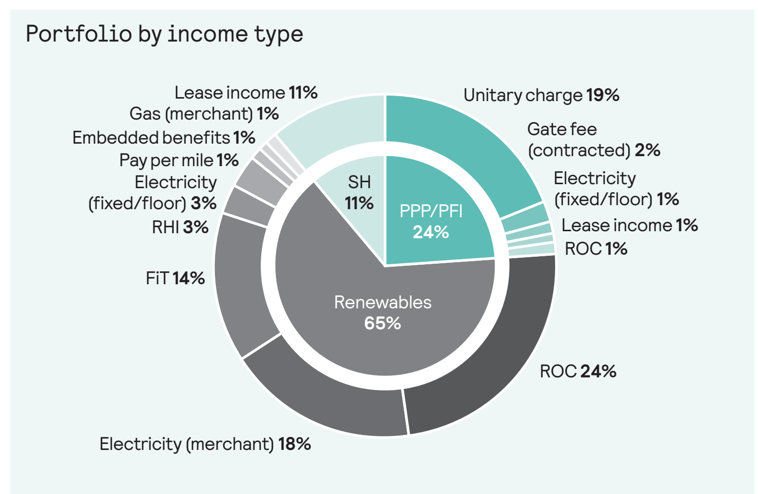
The Company has made a claim in connection with its rights under the original investment documentation in respect of the losses it has incurred due to the revocation. The aggregate provisions in connection to the circumstances relating to the audits total £6.3 million, of which £1.7 million has been recognised during the year.

The Company remains confident that it will be able to either solely or cumulatively: (i) address Ofgem's queries to prevent or mitigate any negative impacts on the further eight assets that remain 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 affected assets.

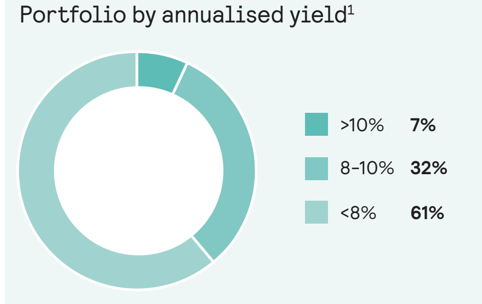
Portfolio by sector type



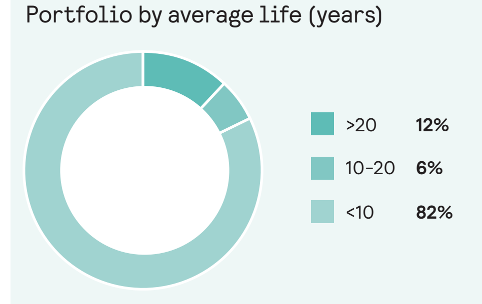
Portfolio by income type



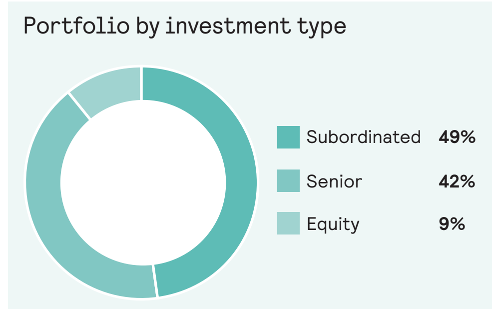
Portfolio by annualised yield[1]



Portfolio by average life (years)



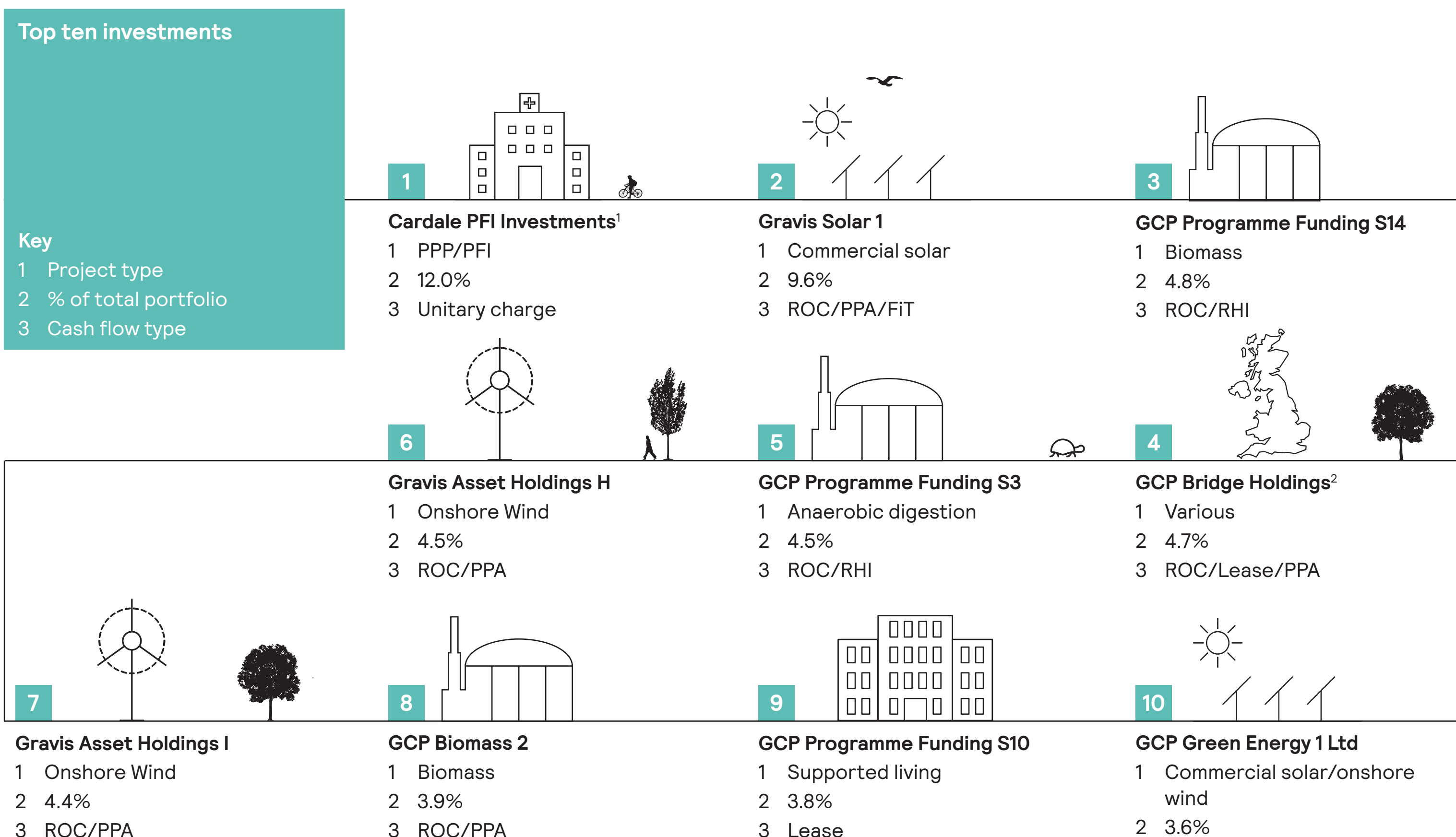
Portfolio by investment type



1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Investment portfolio continued

Portfolio summary



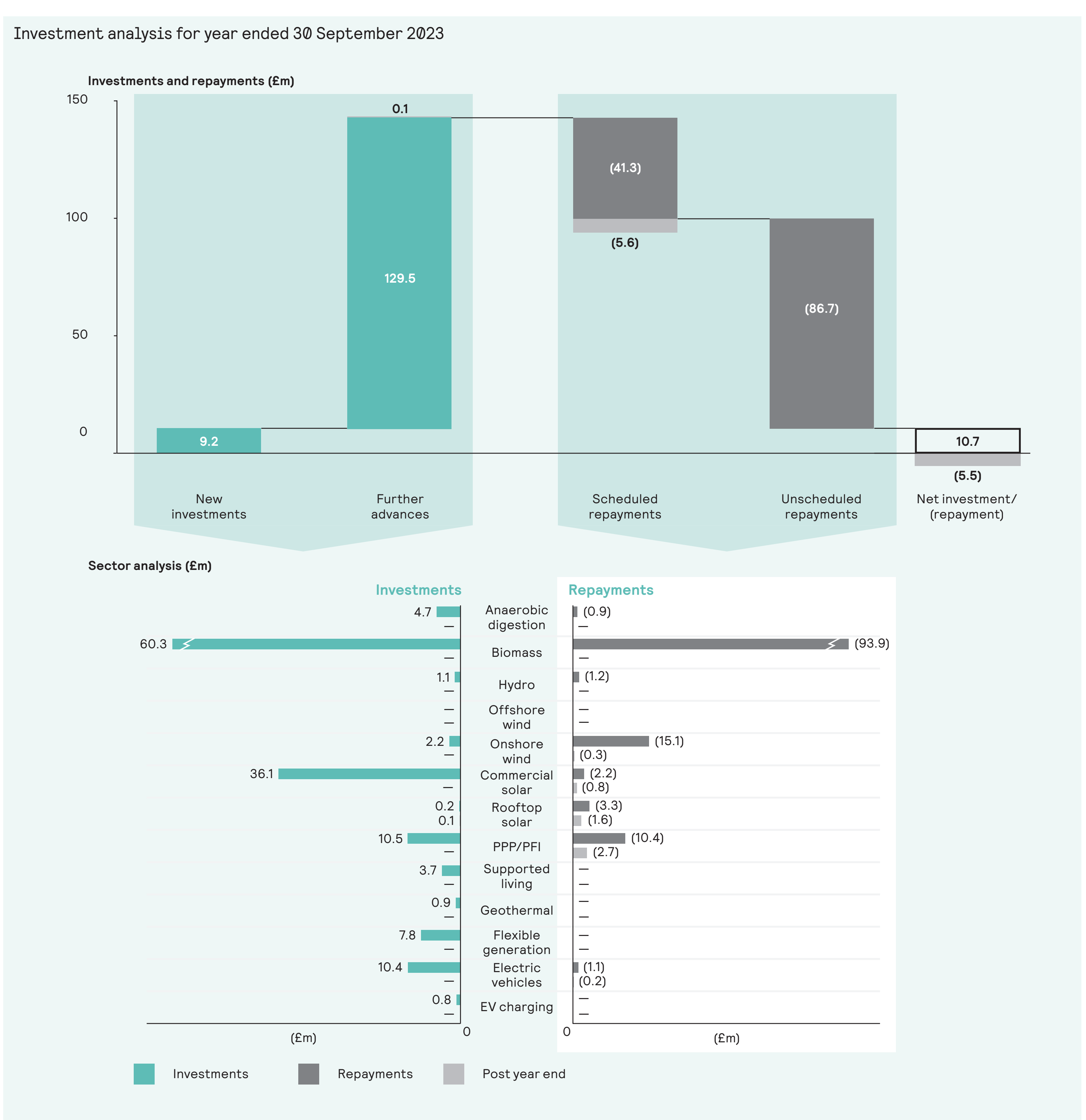
Top ten revenue counterparties	% of total portfolio
Viridian Energy Supply Limited	9.2%
Statkraft Markets Gmbh	8.9%
Ecotricity Limited	8.5%
Office of Gas and Electricity Markets	6.6%
Npower Limited	5.8%
Smartestenergy Limited	4.8%
Power Ni Energy Limited	4.5%
Total Gas & Energy Limited	4.5%
Good Energy Limited	4.2%
Bespoke Supportive Tenancies Limited	4.0%

Top ten project service providers	% of total portfolio
PSH Operations Limited	13.3%
Vestas Celtic Wind Technology Limited	12.0%
Solar Maintenance Services Limited	9.9%
A Shade Greener Maintenance Limited	8.5%
2G Energy Limited	5.8%
Pentair	4.5%
Thyson	4.5%
Atlantic Biogas Ltd	4.5%
Urbaser Limited	3.9%
Cobalt Energy Limited	3.9%

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.

Portfolio overview

In the reporting year, the valuation of the portfolio decreased from £1,087,331,000 in the prior year to £1,046,568,000. The principal value of the portfolio at 30 September 2023 was £1,001,077,000. Investments made and repayments received during the year are summarised in the chart below:



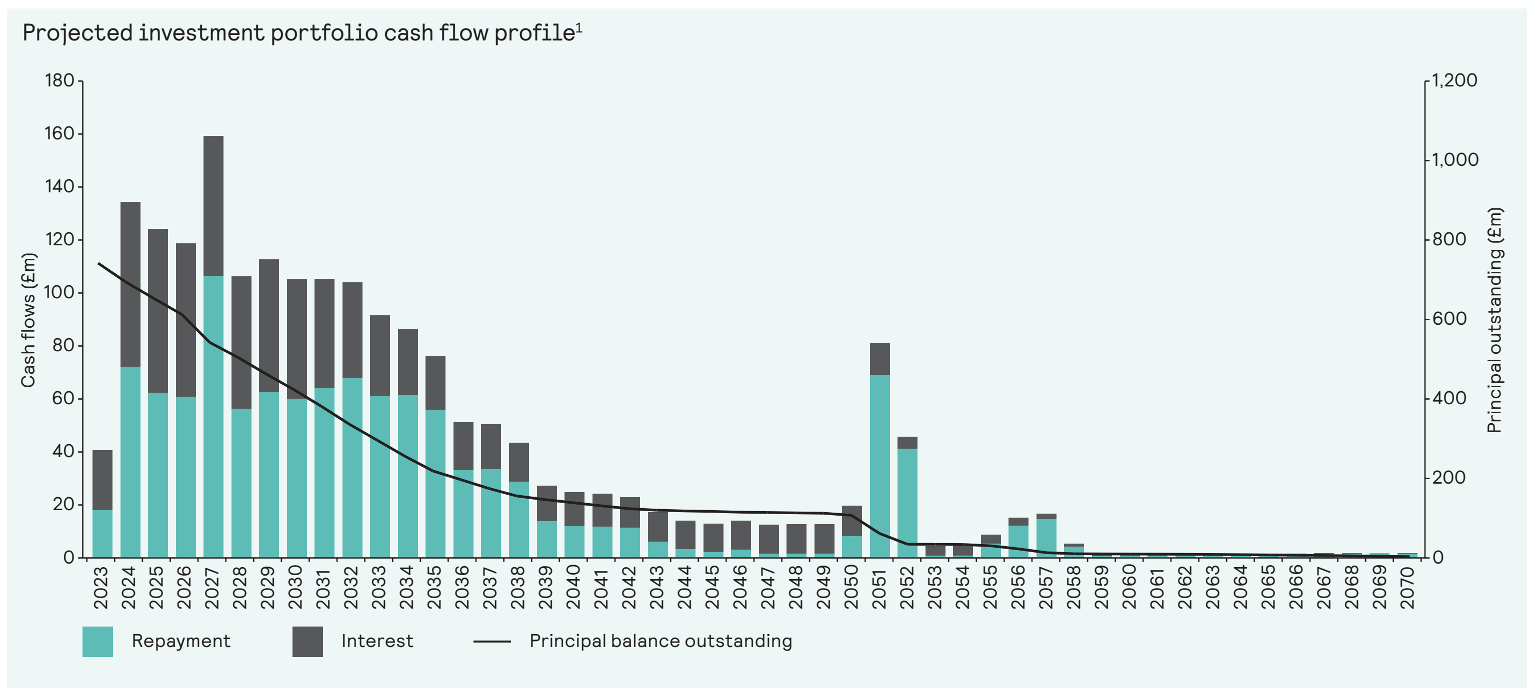
Investment portfolio continued

Portfolio summary continued

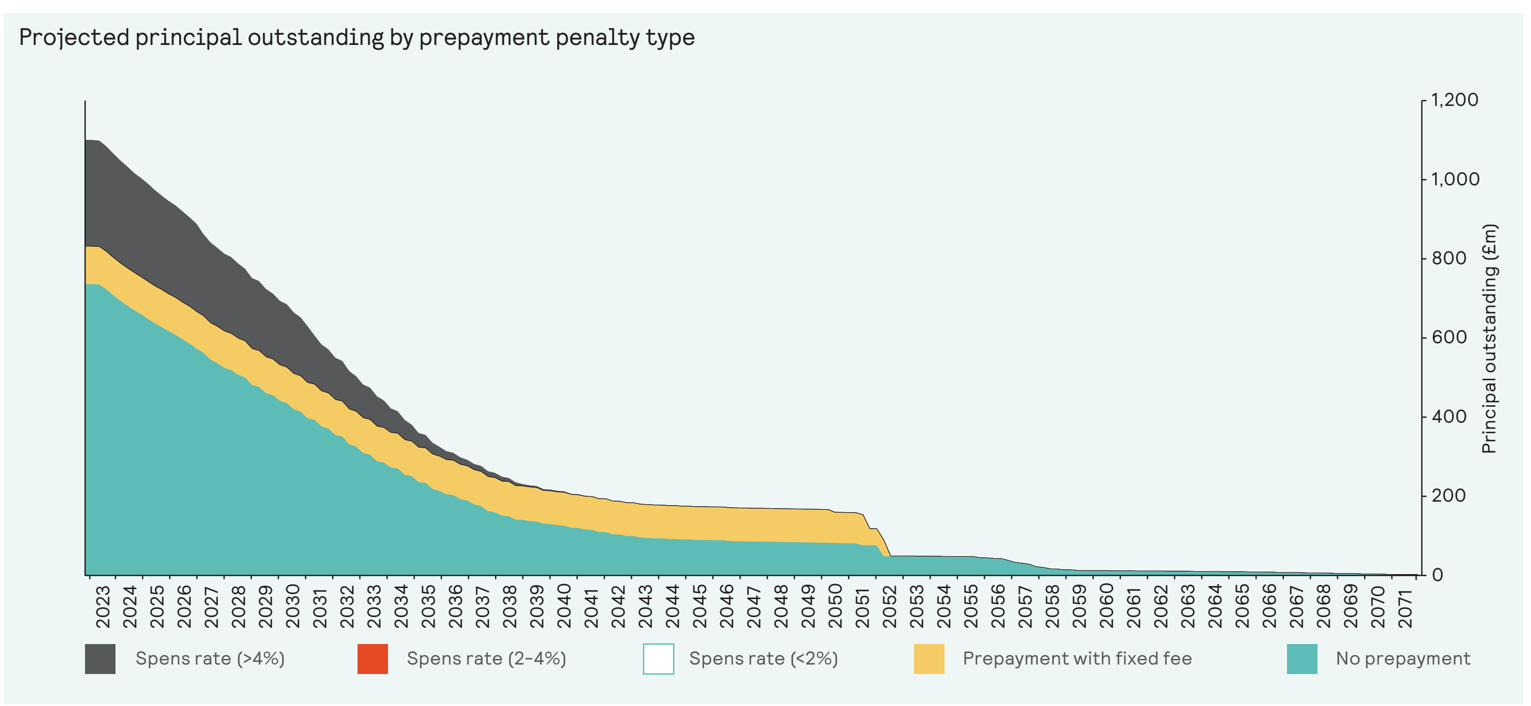
Portfolio overview continued

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

Projected investment portfolio cash flow profile[1]



Projected principal outstanding by prepayment penalty type

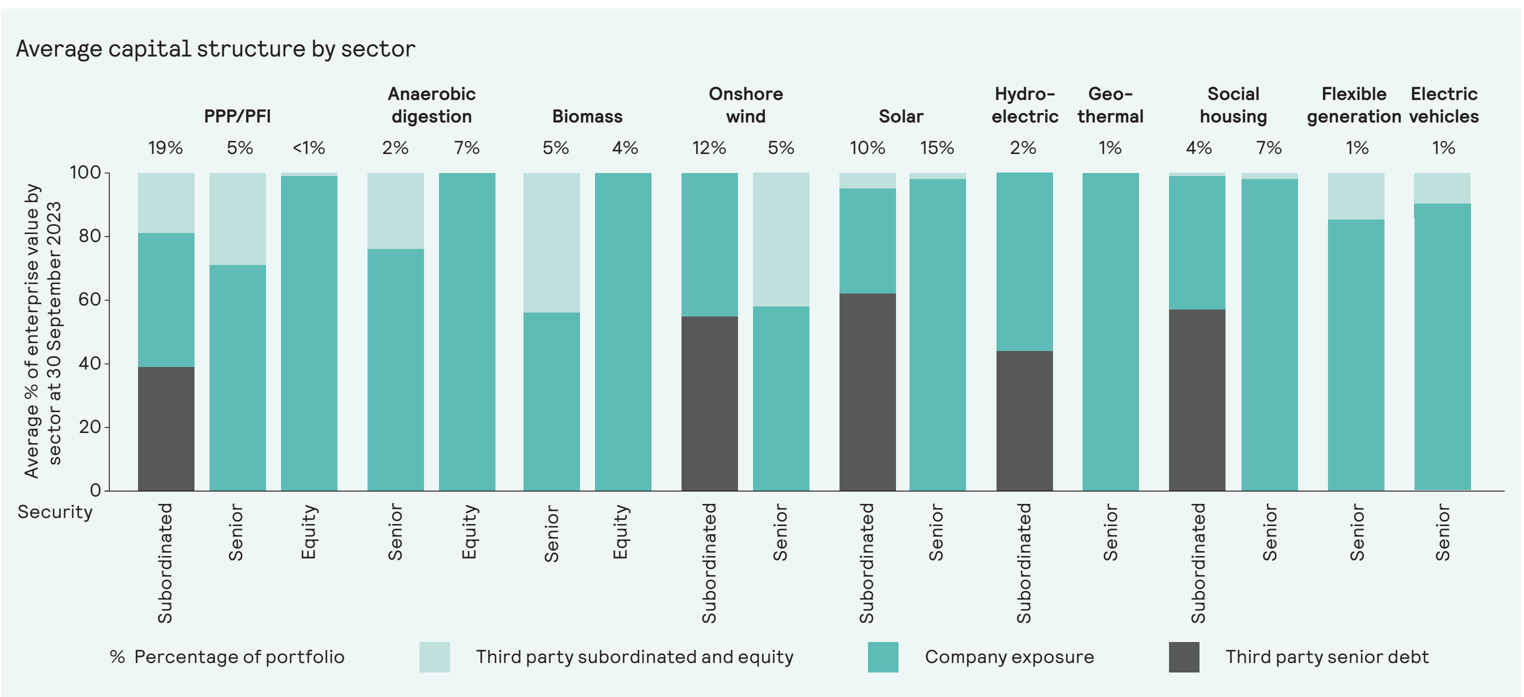


1. The bar for fourth quarter calendar period only.

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: senior, subordinated or equity.

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



Discount rates

The independent Valuation Agent 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 independent 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 independent Valuation Agent) to the cash flow expected to arise from each asset. Further information is included in note 19.3 to the financial statements.

The weighted average discount rate used across the Company's investment portfolio at 30 September 2023 was 7.69%, compared to 7.47% at 30 September 2022. Increases to discount rates were applied by the independent Valuation Agent during the year, as a result of the changes in gilt and wider credit markets, and with reference to market transactions. The third party independent valuation of the Company's portfolio at 30 September 2023 was £1.0 billion (30 September 2022: £1.1 billion). The principal value was £1.0 billion (30 September 2022: £986.4 million) at the year end.

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.

Investment portfolio continued

Portfolio performance update

Performance updates

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

Valuation performance attribution

Driver	Description	Impact (£m)	Impact (pps)
Inflation forecast	Higher actual inflation and higher OBR medium-term inflation forecast	11.3	1.30
Principal indexation	Contractual inflationary adjustment to loan principal	4.0	0.46
Other indexation	Other inflationary mechanics across the portfolio	5.7	0.65
REGOs	Higher REGO prices locked in and higher forecast prices	1.5	0.17
Other upward movements	Other upward movements across the portfolio	2.0	0.23
	Total upward valuation movements	**24.5**	**2.81**
Discount rates	Increase in discount rates across the portfolio	(24.3)	(2.79)
Actuals performance	Impact of renewables actual generation lower than forecast	(14.3)	(1.64)
Power prices[1]	Power price movements in the year	(13.6)	(1.56)
Electricity Generator Levy	Effect on valuation of incorporating the Electricity Generator Levy legislation	(8.2)	(0.94)
Social housing	Valuation adjustment reflecting continued uncertainty in the sector	(7.0)	(0.80)
Solar audits	Adjustments relating to the ongoing Ofgem audits	(1.7)	(0.20)
Tax computations	Impact of the latest tax computations	(1.2)	(0.14)
Other downward movements	Other downward movements	(2.8)	(0.32)
	Total downward valuation movements	**(73.1)**	**(8.39)**
Interest receipts	Net valuation movements attributable to the timing of debt service payments between periods	(2.9)	(0.33)
Net realised gains	Historic indexation realised on loan repayment	0.1	0.01
	Total other valuation movements	**(2.8)**	**(0.32)**
	Total net valuation movements before hedging	**(51.4)**	**(5.90)**
Commodity swap[2] **– unrealised**	Derivative financial instrument entered into for the purpose of hedging electricity price movements	4.1	0.47
Commodity swap[2] **– realised**		8.7	1.00
	Total net valuation movements after hedging	**(38.6)**	**(4.43)**

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.

Pipeline of investment opportunities

The Company maintains an attractive pipeline of new investments across existing sectors and emerging infrastructure sectors, and follow-on investments in the existing portfolio, at returns that are accretive to dividend coverage and reflect the current market pricing for credit that is in line with the underlying risk. However, the Company recognises that the use of cash resources for pipeline investments must be weighed against repayment of the Company's RCF, or whilst the Company's share price trades at a material discount[1] to the NAV, buying back shares. As a result, new investments are considered only in this context and where there is a compelling reason to invest.

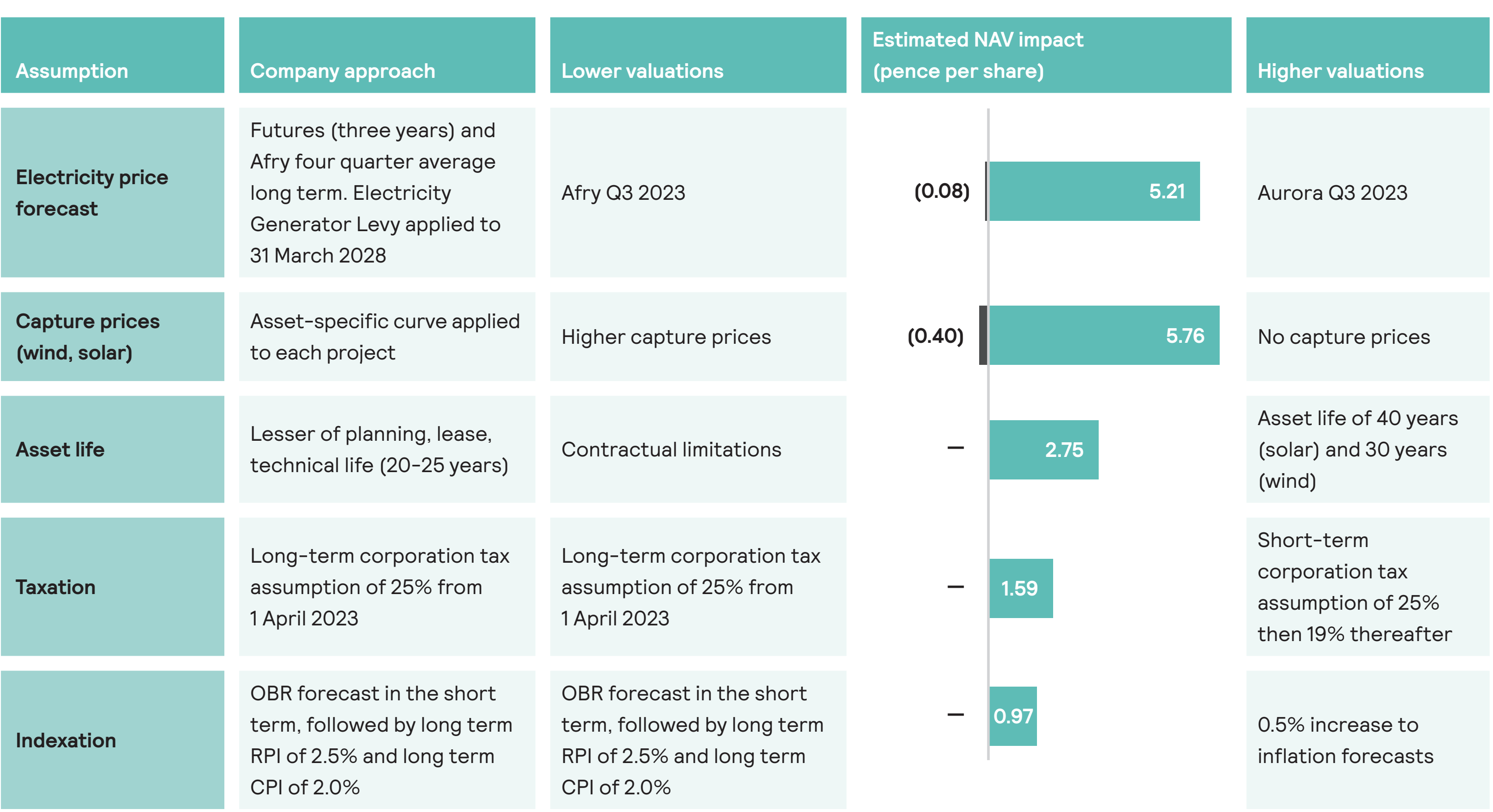
Portfolio sensitivities

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 on the valuation of financial assets is presented in note 19.3 to the financial statements.

Renewables valuations

The table below summarises the key assumptions used in forecasting cash flows from renewable assets in which the Company is invested, and the range of assumptions the Investment Adviser observes in the market.

The Investment Adviser does not consider that the market compensates such differences in assumptions by applying a higher or lower discount rate to recognise the increased or decreased risks respectively of a valuation, resulting in potential material valuation differences. This is shown in the sensitivity of the Company's NAV to a variation of such assumptions in the table below, on a pence per share basis.



Assumption	Company approach	Lower valuations	Estimated NAV impact (pence per share)		Higher valuations
Electricity price forecast	Futures (three years) and Afry four quarter average long term. Electricity Generator Levy applied to 31 March 2028	Afry Q3 2023	(0.08)	5.21	Aurora Q3 2023
Capture prices (wind, solar)	Asset-specific curve applied to each project	Higher capture prices	(0.40)	5.76	No capture prices
Asset life	Lesser of planning, lease, technical life (20–25 years)	Contractual limitations	–	2.75	Asset life of 40 years (solar) and 30 years (wind)
Taxation	Long-term corporation tax assumption of 25% from 1 April 2023	Long-term corporation tax assumption of 25% from 1 April 2023	–	1.59	Short-term corporation tax assumption of 25% then 19% thereafter
Indexation	OBR forecast in the short term, followed by long term RPI of 2.5% and long term CPI of 2.0%	OBR forecast in the short term, followed by long term RPI of 2.5% and long term CPI of 2.0%	–	0.97	0.5% increase to inflation forecasts

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Investment portfolio continued

Portfolio performance update continued

Portfolio sensitivities continued

Inflation

A total of 41% of the Company's investments 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 renewable assets) 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% to 3.00%).

The table below summarises the change in interest accruals and potential NAV impact 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)	**(8.39)**	**(6.44)**	**(4.39)**	**(2.26)**	**—**	**2.29**	**5.00**	**7.98**	**10.94**

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 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, it may impact overall returns.

During the year, the Company applied the impact of the UK Government's Electricity Generator Levy on energy generators. The impact of the policy on the NAV at 31 December 2022 was 0.93 pence per share. Other than this implementation of new Government policy, the Company's approach of using the quoted futures price for the three year period immediately after a valuation date, and the Afry average thereafter, has not changed year on year. Both the near-term futures prices and longer-term Afry projections have changed over the year, impacted by short-term supply shocks following Russia's invasion of Ukraine. Meanwhile, longer-term projections are now higher than when the renewable energy generating investments were made. This is due to a structural increase in the expectations of long-term power prices from the decarbonisation of the economy as transport and industry move away from traditional fossil fuels and towards renewables for their main source of energy, as well as the costs and challenges associated with achieving this goal.

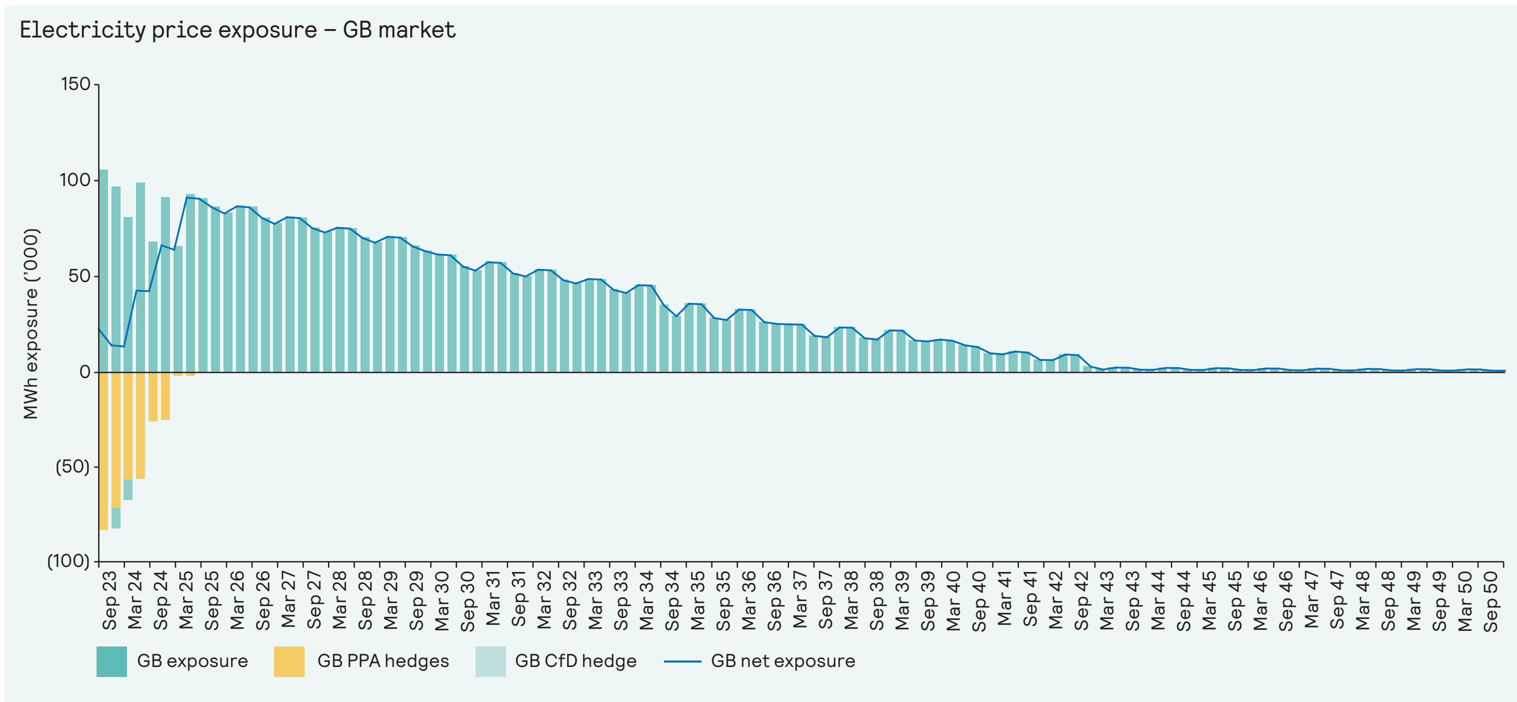
The table below shows the forecasted impact on the portfolio of a given percentage change in electricity prices over the full life of the forecast period, the impact on hedging arrangements in the period to expiry (March 2024), and the subsequent net impact on a pence per share basis. Further information on the Company's hedging arrangements is detailed on page 35 and in note 18 to the financial statements.

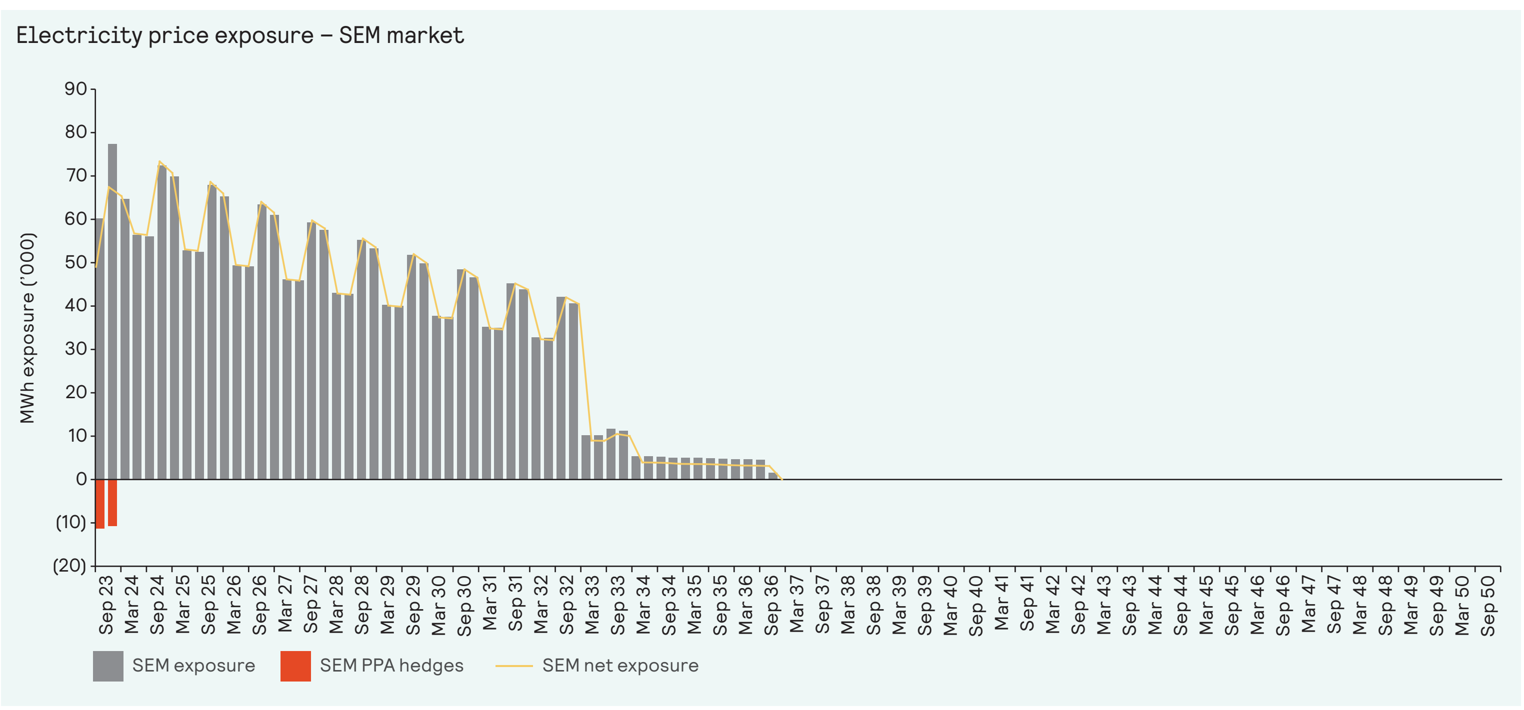
Sensitivity applied to base case electricity price forecast assumption	(10%)	(5%)	0%	5%	10%
Portfolio sensitivity (pence per share)	(9.20)	(4.31)	—	4.17	8.34
Hedge sensitivity (pence per share)	0.03	0.01	—	(0.01)	(0.03)
Net sensitivity (pence per share)	**(9.17)**	**(4.30)**	**—**	**4.16**	**8.31**

Hedging

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

The charts 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 2023/24 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, and any required responses to the implementation of a price cap.





Financial review

The Company's total profit for the year was £30.9 million. Dividends of 7.0 pence per share were paid. Total shareholder return[1] for the year of -25.2% reflects the widening of the discount between the Company's net assets and its market capitalisation.

Financial performance

It has been a challenging financial year for the Company, with investment revaluations negatively impacting profitability. Over recent years, the Company has benefited from positive investment revaluations. However, the past twelve months have seen a period of significant economic volatility. This backdrop has led to a decrease in electricity prices and increases to discount rates due to changes in gilts and wider credit markets. Refer to page 32 for analysis of valuation movements.

Total income generated by the Company was £51.7 million (30 September 2022: £157.5 million), comprising loan interest of £80.8 million, net unrealised valuation losses on investments of £51.6 million, net realised gains on investment disposal of £0.1 million and other income of £9.5 million (30 September 2022: loan interest of £74.5 million, net unrealised valuation gains on investments of £77.1 million and net realised gains on investment disposal of £5.5 million). Refer to note 3 for further information.

The comparative period last year included material upward revaluations resulting from increased electricity price forecasts; this year saw increased volatility but with lower short-term prices and lower long-term forecasts than last year. The realised gains were attributable to the disposal of loans advanced to the owners of two biomass plants. The loans were redeemed at par along with the Company receiving prepayment fees of £8.7 million.

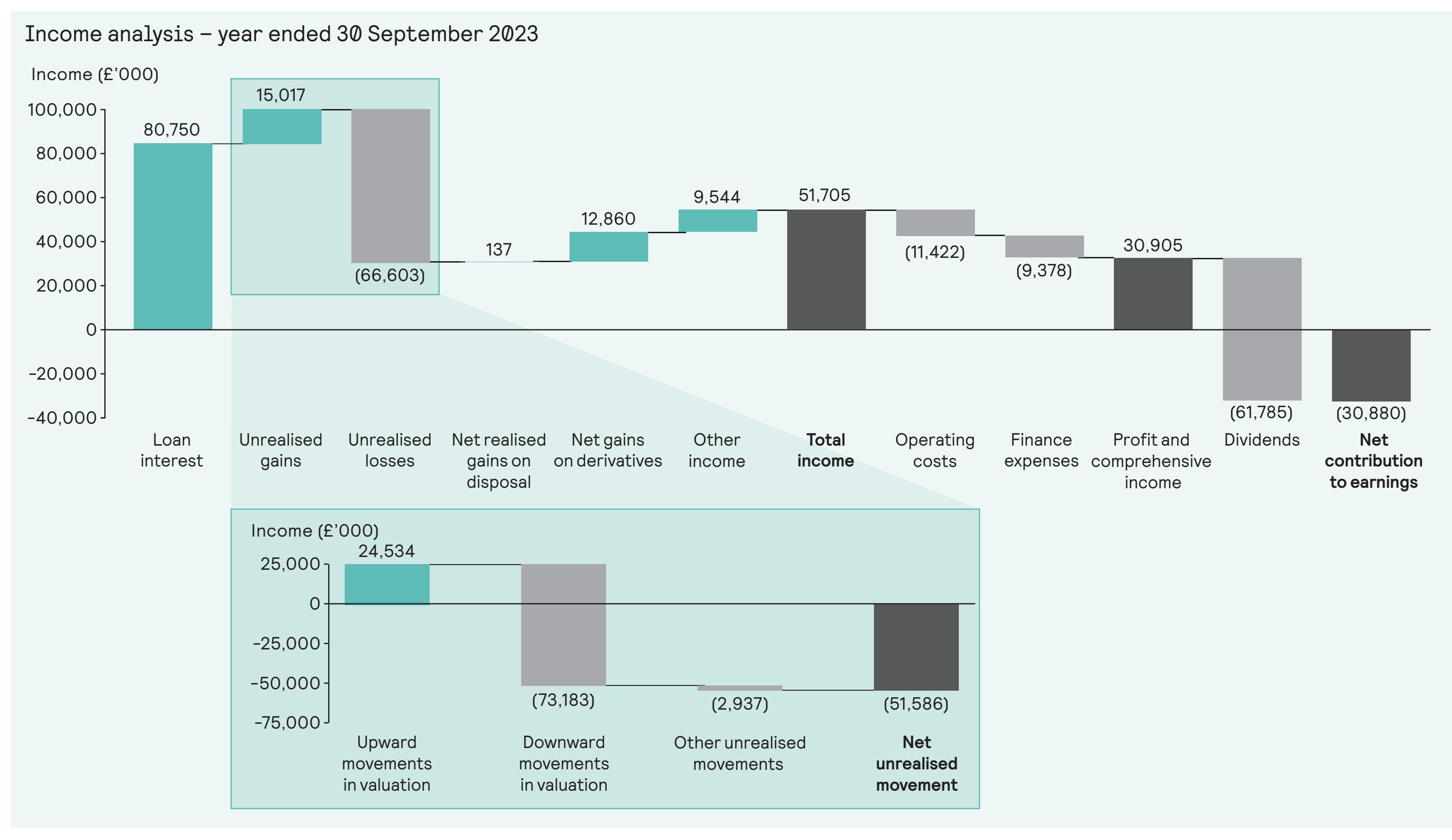
Net gains on derivative financial instruments at year end were £12.9 million (30 September 2022: £0.4 million), reflecting the electricity price hedging arrangements which locked in attractive price levels for the Company, refer to note 18 for further information.

Total income was offset by operating costs for the year of £11.4 million (30 September 2022: £12.5 million) which include the Investment Adviser's fees, the Administrator's fees, the Directors' fees and other third party service provider costs.

These, and other operating costs, have remained broadly in line with previous years, with no further costs attributable to the Company in respect of professional fees associated with ongoing audits being carried out by Ofgem (refer to page 27 for further details), as these are now being borne by the underlying SPV and are reflected in the valuation.

The Company remains modestly geared at the year end, with £104.0 million drawn on its RCF, representing a loan to value[1] of 10.8%. Finance costs have increased year on year due to increases in SONIA, with £9.4 million incurred (30 September 2022: £4.7 million).

Total profit and comprehensive income has decreased from £140.3 million in the prior year to £30.9 million. As previously noted, the year-on-year reduction was primarily attributable to investment revaluations in the year.



1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Financial review continued

Ongoing charges

The Company's ongoing charges ratio[1], calculated in accordance with AIC methodology, was 1.1% for the year ended 30 September 2023 (30 September 2022: 1.1%).

Revolving credit facility

The Company has credit arrangements of £190.0 million across five lenders: RBSI, Lloyds, AIB, Mizuho and Clydesdale. At year end, £104.0 million was drawn and the terms in place are summarised below:

Facility	Size	Margin	Expiry
RCF	£190.0m	SONIA +2.0%	March 2024

The RCF is due to expire in March 2024. The Investment Adviser has liaised with the existing lending group to agree heads of terms for a new reduced facility of £150.0 million in line with the Board's stated intention to reduce leverage by the end of 2024.

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

Net assets

The net assets of the Company have decreased from £998.1 million at 30 September 2022 to £956.6 million at 30 September 2023. The Company's NAV per share has decreased from 112.80 pence at the prior year end to 109.79 pence at 30 September 2023, a decrease of 2.7%. This is primarily due to downward revaluations of investments as detailed on page 32.

Cash generation

The Company received debt service payments of £136.8 million (30 September 2022: £206.2 million) during the year, comprising £58.8 million of cash interest payments and £78.0 million of loan principal repayments (30 September 2022: £52.1 million and £154.1 million). The Company paid cash dividends of £61.8 million during the year (30 September 2022: £59.0 million). The Company aims to manage its cash position effectively by minimising cash balances, whilst maintaining the financial flexibility to pursue a pipeline of investment opportunities. This is achieved through the active monitoring of cash held, income generated from the portfolio and efficient use of the Company's RCF.

Hedging

The Company entered into two separate arrangements to hedge its financial exposure to electricity prices during the year. The Investment Adviser recommended hedging c.75% of the Company's exposure to the GB market for summer 2022/23 at a fixed price of £140.5 per MWh and winter 2023/24 at a fixed price of £106.5 per MWh. The mark-to-market of the hedge at 30 September 2023 was an asset of £0.3 million. Further detail on the Company's electricity price exposure and hedging strategy can be found on pages 34 and 35 and in note 18.

Share price performance

Against a challenging economic backdrop, the Company's total shareholder return[1] was -25.2% for the year (30 September 2022: 3.8%) and 57.1% since IPO in 2010. During the year, the Company's shares have generally traded at a discount[1] to NAV, with an average of 14.3% for the year and a discount[1] of 38.3% at the year end. The shares have traded at an average premium[1] of 7.9% since IPO (30 September 2023: 8.8% premium[1] since IPO). The share price at 29 September 2023 was 67.70 pence per share (30 September 2022: 97.80 pence).

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 2023, the Company paid a dividend of 7.0 pence per ordinary share (30 September 2022: 7.0 pence).

The Board and Investment Adviser do not believe there have been any material changes in the Company's ability to service sustained and long-term dividends since the assessment in early 2021 that established a dividend target[2] of 7.0 pence per share. As such, the Company has set a target[2] at the same level, 7.0 pence per ordinary share for the forthcoming financial year.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.
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.

Dividend cover

In determining the dividend target[1] for the forthcoming financial year, the Board and Investment Adviser reviewed the sustainability of the dividend level against various metrics, most notably the APM based on interest income accruing to the benefit of the Company from the underlying investment portfolio; loan interest accrued[2].

The Board recognises there are various methods of assessing dividend coverage. The Board and the Investment Adviser consider this metric to be a key measure in relation to the ongoing assessment of dividend coverage alongside earnings cover[2] calculated under IFRS. The loan interest accrued[2] metric adjusts for the impact of pull-to-par, which is a feature of recognising earnings from the investment portfolio presented under IFRS.

		30 September 2023		30 September 2022	
Earnings cover	Notes	**£'000**	**pps**	£'000	pps
Total profit and comprehensive income		**30,905**	**3.50**	140,319	15.88
Dividends paid in the year[3]	9	**61,785**	**7.00[4]**	61,826	7.00
Earnings cover[2] (times covered)			**0.50**		2.27

		30 September 2023		30 September 2022	
Adjusted earnings cover[5]	Notes	**£'000**	**pps**	£'000	pps
Loan interest accrued[2]		**86,911**	**9.86**	90,360	10.23
Other income	3	**9,544**	**1.08**	60	0.01
Total expenses	5, 20	**(11,422)**	**(1.30)**	(12,450)	(1.41)
Finance costs	6	**(9,378)**	**(1.06)**	(4,716)	(0.53)
Adjusted net earnings[2]		**75,655**	**8.58**	73,254	8.30
Dividends paid in the year	9	**61,785**	**7.00[4]**	61,826	7.00
Adjusted earnings cover[2] (times covered)			**1.23**		1.11

		30 September 2023		30 September 2022	
Cash earnings cover[5]	Notes	**£'000**	**pps**	£'000	pps
Adjusted loan interest received[2]		**69,613**	**7.89**	75,214	8.52
Total expenses paid[2]		**(11,016)**	**(1.25)**	(12,093)	(1.37)
Finance costs paid		**(8,716)**	**(0.99)**	(3,985)	(0.45)
Total net cash received[2]		**49,881**	**5.65**	59,136	6.70
Dividends paid in the year	9	**61,785**	**7.00[4]**	61,826	7.00
Cash earnings cover[2] (times covered)			**0.81**		0.96

	Notes	**30 September 2023 Shares**	30 September 2022 Shares
Weighted average number of shares	10	**881,850,353**	883,394,897

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. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.
3. Including dividends settled in shares in 2022, see note 16 for further information.
4. Includes 2022 fourth interim dividend of 1.75 pence per share paid in the 2023 financial year.
5. Principal repayments are excluded for the purpose of calculating dividend cover.

Sustainability

The Company's portfolio has a positive environmental and social impact by contributing towards the generation of renewable energy and financing infrastructure that has clear benefits to end users within society.

Introduction

Infrastructure, by definition, has a core social purpose. With long-term investments in renewable energy, PFI assets such as schools and hospitals, and social housing for vulnerable adults, the Company's portfolio has an overall positive impact on the environment and society.

The Company's investment philosophy is centred on the long-term sustainability of its portfolio. The Board and the Investment Adviser continually seek to improve the way ESG criteria is embedded, integrated, monitored and measured within the portfolio.

In 2020, the Company was awarded the Green Economy Mark by the LSE. The Green Economy Mark recognises London-listed companies and funds that derive more than 50% of their revenues from products and services that contribute to environmental objectives such as climate change mitigation and adaptation, waste and pollution reduction, and the circular economy.

The Company is committed to the transition to net zero through its investments in assets that support the decarbonisation of the economy. It invests in renewable assets that provide alternative energy sources to fossil fuels. With 65% of the portfolio invested in renewable energy projects and 1,398 GWh of renewable energy exported during the year[1]. This is enough to power 450,889 average homes. The Company also invests in biomass and anaerobic digestion projects, which, along with producing green energy, produce sustainable fertilisers from waste.

By investing in the supported living sector, the Company has funded properties across the UK that benefit vulnerable adults. 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 that create quality supported living services. The Investment Adviser is focused on operating to the highest ethical standard in this area due to the vulnerability of stakeholders.

The Company's activities impact thousands of people across the UK through its investments in assets in the PPP/PFI sector. These assets are integral to UK society and provide long-term partnerships with the public sector.

The Company has exposure to a number of sub-sectors within PPP/PFI, including education, healthcare, waste, leisure and housing. Projects financed include 49 schools offering c.27,000 school places and 40 healthcare facilities providing beds to c.2,000 patients.

1. Twelve month period to 30 June 2023 to facilitate inclusion in the annual report.

ESG highlights

Achieved a GRESB score of 90 out of 100 for Blackcraig Wind Farm

Improvements in climate risk reporting under TCFD[4]

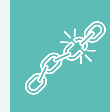
Carbon footprint data externally reviewed[4]

Operations run on a carbon-neutral basis[2]

Eden Geothermal Project opened in June 2023

Implementation of formal diversity policy[3]

Funding of three ESG internships[3]



Updated Modern Slavery statement[4]

2. Company and Investment Adviser.
3. Investment Adviser.
4. The Company.

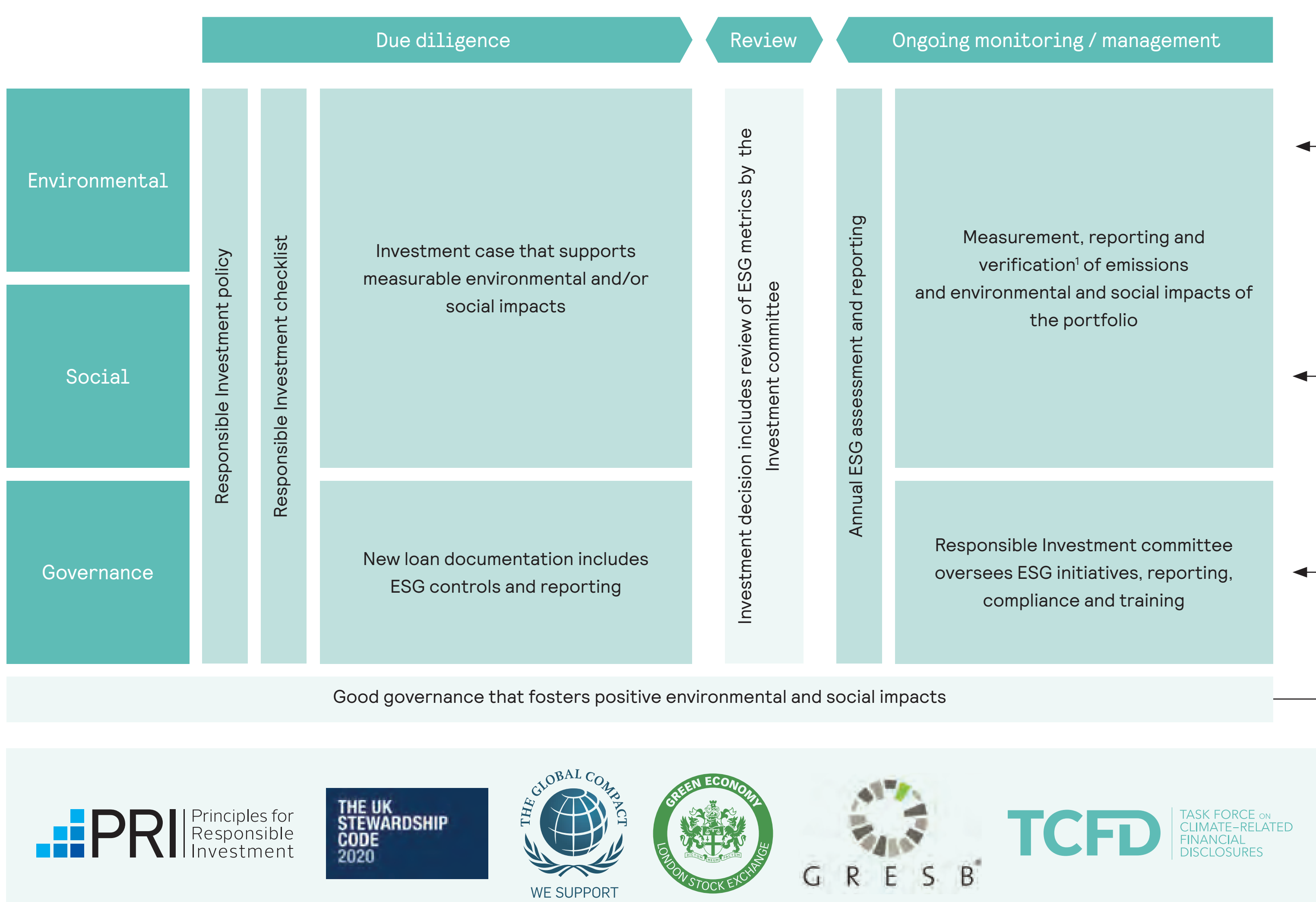
Sustainability continued

Responsible Investment

Investment process

The Investment Adviser has been a signatory to the Principles for Responsible Investment ("PRI") since 2019. The PRI, established in 2006, is a global collaborative network of investors working together to put the six principles of the PRI into practice. The Investment Adviser recognises that applying these principles better aligns investment activities with the broader interests of society and has committed to their adoption and implementation. ESG is at the core of the Company's investment decisions and is led by the investment team.

The Investment Adviser has over a decade of investing in assets with a core environmental and social benefit for the Company. ESG investment processes are overseen by the Investment Adviser's Responsible Investment committee.



1. Internal verification process and external review process.

Responsible Investment policy

The Investment Adviser's Responsible Investment policy is integrated into investment management processes and incorporates pre-investment, active ownership and governance processes, as detailed below.

Pre-investment

Deal screening

Investment management processes positively screen for investments that promote sustainability, conform with the Investment Adviser's values and benefit society, including, but not limited to, the areas of climate change mitigation and adaptation, energy transition, critical infrastructure, decarbonising transportation, affordable living, social housing, education and healthcare.

The screening excludes investments which focus on non-medical animal testing, armaments, alcohol production, pornography, tobacco, coal production and power, and nuclear fuel production. Investments with ongoing or persistent involvement in human rights abuses are also excluded.

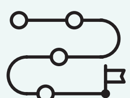
ESG due diligence processes

Prior to a new investment being approved, the relevant investment team assess how the investment fares against key relevant ESG criteria and includes an assessment of ESG characteristics in every investment proposal submitted to the Company's Investment committee for approval.

The assessment typically covers ESG-related risks and opportunities, and, to the extent applicable, relevant policies and procedures, alignment with industry or investment-specific standards and ratings, and compliance with relevant ESG-related regulation and legislation.

This year, the Company added biodiversity to the ESG due diligence process, as well as diversity, equity and inclusion. A climate risk assessment was also added for all new investments.

Active ownership



Monitoring and engagement

Following execution and investment, key relevant ESG indicators are monitored by the Investment Adviser's portfolio management team. The Investment Adviser seeks to engage with equity owners and/or operators of projects to understand the ESG factors relevant to those projects or properties, and, where relevant, use influence as a lender of capital or investor to manage exposure to ESG risks.

ESG indicators are reported to the Board for consideration as part of the quarterly Board reporting cycle.

Reporting

The Investment Adviser reports on an annual basis, with its Responsible Investment report published each year. The Responsible Investment report sits alongside a PRI report, which summarises its Responsible Investment activities.

The Investment Adviser applies the recommendations of the TCFD in its own reporting and encourages the application of the TCFD framework in its funds in line with reporting requirements.

Governance and responsibilities

The Investment Adviser operates a Responsible Investment committee which comprises senior personnel from across the business, including two representatives from the team that provide investment advice to the Company. The committee is responsible for all aspects of the Investment Adviser's Responsible Investment policy, including oversight of ESG initiatives, reporting, regulatory compliance, staff training and making recommendations to the board of the Investment Adviser.

The Investment Adviser has a clearly defined governance structure with detailed processes that cover business operations, including investment management and portfolio monitoring and reporting.

In addition to its board, the Investment Adviser employs a team of professionals with in-depth experience in the investment industry and asset classes.

The Investment Adviser's approach to stewardship and engagement is based on the Principles of the UK Stewardship Code 2020 and is in line with its philosophy on responsible investing.

Sustainability continued

Responsible Investment continued

Corporate ESG initiatives

The Board maintains and monitors a positive dialogue with its key service providers regarding social and environmental areas. All key service providers, including the Investment Adviser and the Administrator, regularly report on their efforts and progress in areas such as diversity, the environment and social impact. Service provider initiatives include policies such as promoting paid rather than unpaid internships, charitable donations, volunteering days and encouraging low carbon office environments as well as business travel.

The Company and Investment Adviser run their operations on a carbon-neutral basis to support the transition to net zero. As part of its corporate social responsibility the Board supports a local Jersey charity 'Jersey Trees for Life' as well as using their scheme, to offset its carbon emissions from flights to and from the UK. Whilst not a verified carbon offsetting assurance scheme, the offsetting benefits 'Jersey Trees for Life' which is the only charity that is dedicated solely to the protection and preservation of trees in Jersey. The charity's aim is to encourage the protection, preservation and planting of trees, and to foster an appreciation of trees through community education for their amenity, ecological preservation and social importance.

The Investment Adviser's premises in London hold a BREEAM 'Excellent' rating and the offices are powered by renewable energy. The Investment Adviser encourages the use of public transport and minimisation of flight travel in its business travel policy and operates an electric vehicle scheme and a bike to work scheme. All staff are provided with stainless steel, BPA-free, reusable water bottles and insulated cups to reduce the impact of single-use plastic and the Investment Adviser operates an office consumables and paper recycling scheme.

Furthermore, the Investment Adviser fully offsets carbon emissions by contributing to a portfolio which is run by provider Climate Impact Partners, whose aim is to reduce one billion tonnes of CO_2 by 2030.

Whilst the Board and the Investment Adviser do not consider offsetting to be by any means a perfect solution to the impact its activities have on the environment, both parties believe that it is a useful starting point. The ultimate aim is to reduce emissions with the intention of continuing to investigate and follow best practice in this area.

In 2022, the Investment Adviser was awarded an 'Investors in People' accreditation. The Investment Adviser has committed to working with Investors in People over a three year time frame, with the aim of improving its accreditation level over that time. It encourages everyone in the business to reach their potential and provides regular training to staff, including funding for specific industry qualifications. The Investment Adviser also operates a range of measures to support the physical and mental health of its employees, including a private healthcare package, weekly fitness classes and guidance on healthy working practices. This year, the Investment Adviser held two training sessions for employees on improving mental health at work. It also offers hybrid working arrangements for all employees.

This year, the Investment Adviser introduced a formal diversity policy and diversity and equality training for all employees. The Investment Adviser also carried out an anonymous questionnaire to help understand the makeup of its workforce. This means the data can be monitored over time as the Investment Adviser strives for improvements in diversity, equality and inclusion, while also considering specific areas of focus. A broad range of data was collected, including ethnicity, disability, neurodivergence, sexual orientation, gender identity, social background and caring responsibilities of employees. This has helped the Investment Adviser establish a baseline and will facilitate improved diversity reporting going forward.

Gravis employee volunteering at Little Village

The Investment Adviser also participated in the 10,000 Black Interns programme this year, which offers paid internship opportunities across more than 25 sectors, along with training and development opportunities. The Investment Adviser offered two paid internships as part of the programme, with both interns working across the Company. It also facilitated a paid internship for a student as part of the Young Women in Finance programme. Young Women in Finance is an organisation dedicated to the eradication of gender bias for new graduates entering the finance industry, with a goal of achieving a 50/50 gender split in graduate recruitment figures by 2030. The intern worked across teams at the Investment Adviser with a particular focus on the Company's climate risk assessment and the SBTI.

Furthermore, the Investment Adviser operates a volunteering initiative which encourages employees to volunteer for charitable or not-for-profit purposes by giving an additional two days' paid leave plus two days' unpaid leave per year. It continues to operate its charity of the year scheme, and engage with fundraising, events and through volunteering. This year, for the second consecutive year, the charity chosen was Little Village, a charity that supports local low-income families. A total of 34 employees participated with more than 160 hours spent volunteering over the year. This provided employees with an opportunity to work as a team, engage with the local community and understand more about the hardships low-income families with young children face. Total amounts raised for Little Village to date are over £55,000. The Investment Adviser also made donations to the charities shortlisted as part of its charity of the year initiative.

Interns conducting a site visit at Birmingham Biopower Ltd.

Gravis employees volunteering at Little Village

34

Employees volunteered

160

Hours spent volunteering

£55,000

Raised for Little Village

Sustainability continued

Responsible Investment continued

Portfolio governance

Governance at the Company level is clearly managed and articulated and is essential in achieving the investment strategy, managing risks, and creating a positive environmental and societal impact. The Investment Adviser engages with the underlying assets' boards to improve and enhance governance at the portfolio level. 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.

During the year, the Investment Adviser continued to develop its climate risk assessment process for each underlying portfolio asset. The process assesses the actual and potential impacts of climate-related risks and opportunities across the portfolio and considers both physical and transition risks and transition opportunities for each asset. This year, additional analysis was developed based on Met Office and UK forestry agency climate data, as well as publicly available data on flood risk and EPC ratings. Further information can be found on pages 62 to 65.

The directors and employees of the Investment Adviser sit on the boards of, and control, the 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 Company has started to collate diversity data on new investment opportunities and the Investment Adviser has added diversity data to its responsible investment checklist, collecting data from potential borrowers that approach the Company.

The Board and the Investment Adviser value relationships with borrowers, ensuring time is spent building and maintaining these relationships. Engagement takes the form of regular interaction with the borrowers by the portfolio management teams, including periodic site visits to the underlying assets and their managers. Site visits are an important aspect of the portfolio management role and have 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 that arise.

Furthermore, site visits give the Investment Adviser the opportunity to understand the operations and relationships important to each project and its long-term success. Where the Company is exposed to RPs that have been graded as non-compliant in respect of governance, the Investment Adviser has been working with the RPs to improve processes, people and systems in seeking to address the RSH's governance concerns. Refer to pages 22 and 23 for further information.

In the financial year, 28 site visits were conducted, representing 11% of the portfolio by value and 27% of all SPV companies, including visits to the Eden Geothermal project (refer to pages 52 and 53), Pates Hill Wind farm (refer to pages 54 and 55 and renewables and PPP/PFI assets in various UK locations.

SDR

The Investment Adviser and the Company are preparing to comply with the UK FCA's Sustainable Disclosure Requirements ("SDR") legislation, which is due to be introduced in the fourth quarter of 2023 or early 2024. The SDR legislation will introduce a set of sustainability-related product labels, product level and entity level disclosures and additional rules regarding sustainable investing in the UK. Subject to changes to the draft SDR legislation prior to enactment and coming into effect, the Company anticipates meeting the requirements for the SDR 'Sustainable Focus' label.

Data collection project

This year, the Investment Adviser continued to progress its data collection project to collect material ESG metrics from the underlying portfolio for the twelve month period to 30 June 2023[1].

The process involves the Investment Adviser's portfolio management team liaising with each asset operator to obtain relevant ESG data on the underlying portfolio assets. The data points that are considered material by the Investment Adviser are detailed in the table on page 47.

Several challenges continued to be faced in respect of the availability of the data requested, insofar as the Company is a debt provider and does not own or control c.90% of assets in the portfolio.

1. Period chosen to facilitate data inclusion in the annual report.

In the drive for more consistent reporting across the industry, the Company has actively sought to improve its data collection project by obtaining an external review of its carbon footprint data.

The Company engaged with Aardvark, an external ESG certification service who provide independent and impartial auditing and certification services. Aardvark reviewed the outputs from the data collection project, verifying the calculated carbon emissions were correct. As part of this, Aardvark reviewed primary evidence supporting the data collection and where this was absent, they reviewed the reliability of secondary data.

Where the Company was unable to collect data, Aardvark assisted in developing and verifying estimates. Aardvark have also made recommendations on how the Company may improve its data collection so that it can prepare for a limited assurance process in future.

The Company also appointed MJ Hudson to advise on the data collection project. They advised on the ESG data collection approach based on industry frameworks. They also conducted an independent review of the Company's disclosures for any significant inconsistencies and provided recommendations for areas where additional data could be presented.

The data collection project enabled the Investment Adviser to compare data with the previous year. From this, it was noted that renewable energy exported reduced during the year. This was primarily due to lower wind speeds across the UK. Similarly, the percentage of SPVs with at least one female board member decreased from 45% to 36% year-on-year. However, this was due to increased coverage in the data sample collected compared to the previous year.

Portfolio data coverage

ESG area	Data points	**Portfolio coverage 30 June 2023[1]**	Portfolio coverage 30 June 2022[1]	Increase/ (decrease) year-on-year
Environmental	Air pollutants emitted, water consumption, waste generated/disposed, energy conservation strategies and net habitat gain or loss.	**72%**	61%	11%
Social	Total FTEs, hours worked, satisfaction surveys, absenteeism rates, H&S metrics, community benefit fund contribution and key engagement initiatives with local community/stakeholders.	**74%**	70%	4%
Governance	Gender diversity, Board reporting, ISO alignment/certification, green building certificates, governance and regulatory policies in place and audited accounts.	**86%**	86%	—
Carbon footprint	Fuel combusted, imported energy use, water, waste, biogenic emissions, mitigated emissions (landfill), renewable energy and biogas exported, buildings' EPC ratings and energy efficiency plans.	**84%**	56%	28%
	Carbon footprint with primary and secondary data	**53%**	56%	(3%)
	Carbon footprint with estimated data	**31%**	—	31%
	Carbon footprint with no data	**16%**	44%	(28%)
Impact	People housed, school places, hospital beds and renewable energy and biogas exported.	**92%**	96%	(4%)

1. Percentage of data entries for applicable KPIs per ESG area weighted by portfolio value.

Sustainability continued

Impact

The Company has strong environmental credentials with 65% of its portfolio invested in renewable energy projects which provide alternative energy sources to fossil fuels. Additionally, biomass and anaerobic digestion projects within the portfolio produce sustainable fertilisers from waste along with the production of green energy.

The Company has a further 11% of its portfolio invested in supported living and 23% in PPP/PFI. The carbon impact of infrastructure contributes to a significant proportion of the UK's national emissions from a construction, operation and maintenance perspective. In many cases, the UK's existing infrastructure was not originally designed and constructed with global warming in mind. The Investment Adviser has sought to introduce energy efficiency projects at portfolio assets where there were opportunities to do so. These included the installation of LED lighting at certain Scottish schools in the portfolio. Along with this, the schools also introduced motion detection smart lighting and heating systems, which are expected to reduce utility consumption and its associated costs.

The Company and the Investment Adviser's approach to responsible investment is integrated in its investment decisions and ongoing portfolio management. Investing in renewables, PPP/PFI and social housing projects indirectly creates job opportunities which benefit local communities across the UK.

These projects require contractors and specialist staff during the labour-intensive construction and/or installation phase, as well as in operations, maintenance and decommissioning where applicable. Every project supports jobs in local communities.

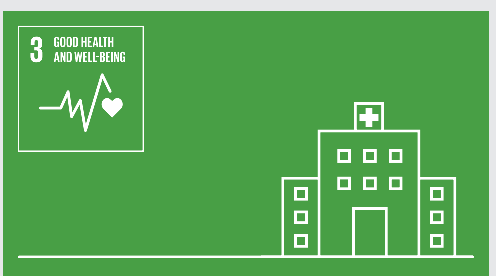
Renewables projects not only have a positive impact on the environment but also have wider benefits for society, improving local communities through CBFs. A CBF is a voluntary commitment by a developer to provide funds which are then made available to local community projects. By way of example, the accepted standard commitment for a wind farm is £5,000 per MW. 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 legacy is achieved.

UN SDGs

By investing in assets integral to society, including those which contribute to a greener economy, the Company's activities align with certain Sustainable Development Goals ("SDGs"), as outlined by the UN. These goals were created in 2015 by the UN to create a better and more sustainable world by 2030. Examples include clean and affordable energy, gender equality and sustainable cities and communities.

The Company makes a positive contribution to the provision of renewable energy, to the development of infrastructure to support economic growth and provides high-quality and safe buildings for vulnerable adults, healthcare patients and students. Furthermore, the Company's approach to governance, and to labour and health and safety, makes a positive contribution to the employees, customers, suppliers and local communities in which the assets operate.

UN SDG alignment of the Company's portfolio:



UN SDG target 3.8

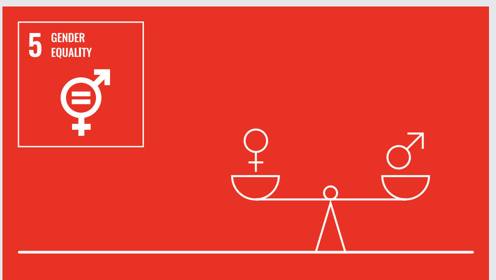
1,676
Hospital beds provided by portfolio[1]
2022: 1,969[5]

40
Healthcare facilities in portfolio[1]
2022: 41[5]

UN SDG target 4.1

49
Schools in portfolio[1]
2022: 49[5]

26,688
School places provided by portfolio[2]
2022: 26,499[5]



UN SDG target 5.5

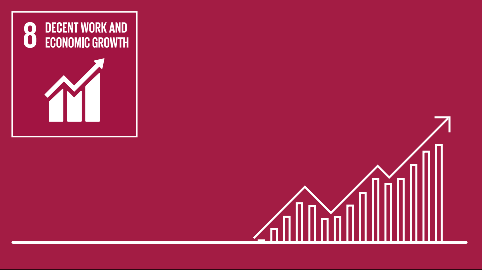
50%
Board gender and ethnic diversity[3]
2022: 50%[6]

36%
Gender diversity of SPV company boards[3]
2022: 45%[6]

UN SDG target 7.2

1,398 GWh
Renewable energy exported by portfolio assets[1]
2022: 1,429GWh[4]

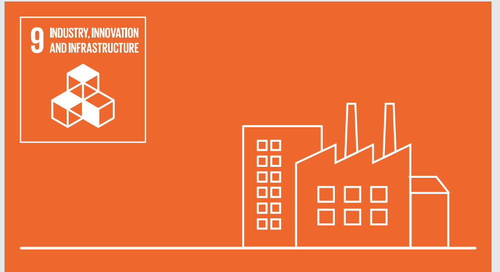
450,889
Equivalent homes powered by portfolio assets[1]
2022: 438,122[4]



UN SDG target 8.3

55,280
Number of underlying assets in portfolio[3]
2022: 54,433[6]

856
FTEs at portfolio assets[2]
2022: 727[5]



UN SDG target 9.3

£1.7bn
Total investment in infrastructure projects since IPO
2022: £1.6bn

UN SDG target 9.4

42%
SPVs reporting energy conservation strategies[2]
2022: 48%[5]

UN SDG target 11.1

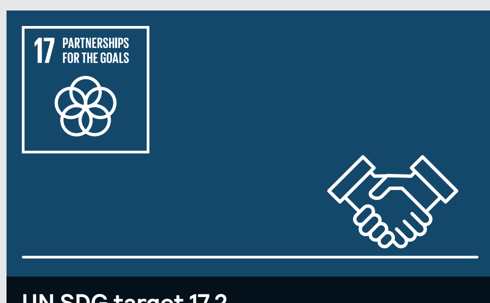
£166.7m
Investment in social housing projects since IPO
2022: £166.7m

905
Number of social housing units[2]
2022: 905[5]

UN SDG target 15.5

65%
Renewables portfolio reporting habitat gain or loss[2]
2022: 43%[5]

60%
SPVs reporting ESG as a board agenda item[2]
2022: 35%[5]



UN SDG target 17.2

£428.1m
Investments in PPP/PFI since IPO
2022: £418.7m

47%
SPVs reporting local community initiatives[2]
2022: 43%[5]

1. Twelve month period to 30 June 2023.
2. At 30 June 2023.
3. At 30 September 2023.
4. Twelve month period to 30 June 2022.
5. At 30 June 2022.
6. At 30 September 2022.

Sustainability continued

Impact continued

GRESB

SDG alignment

This year, the Investment Adviser completed a GRESB assessment for Blackcraig Wind Farm, an underlying asset in the Company's portfolio. GRESB is an independent organisation that provides validated ESG performance data and is a global benchmark of ESG performance. GRESB data is now used by 170 institutional and financial investors with more than $51 trillion in AUM. As such, the Investment Adviser identified GRESB as a benchmark to measure ESG performance as part of the annual GRESB assessment process.

Blackcraig Wind Farm is a 52.9 MW onshore wind farm consisting of 23 wind turbines located 7km north-east of Galloway in Scotland. It is 50% co-owned with Temporis Capital Ltd ('Temporis'), who are the day-to-day asset manager. The wind farm consists of 23 Siemens SWT-2.3/93 turbines, each with a capacity of 2.3 MW.

In January 2023, the Investment Adviser and Temporis began gathering information and data using data collection templates and scoring tools for the GRESB 2023 Infrastructure Asset Assessment. The assessment was submitted in June 2023, after six months of data collection and review, assisted by professional advisers ITPEnergised.

In October 2023, the Company received the final rating, with Blackcraig Wind Farm receiving an overall rating of four green stars and a score of 90 out of 100, placing fourth out of eight in its peer group of onshore wind power generation in Northern Europe.

The GRESB submission and subsequent score for Blackcraig Wind Farm marks the first step in the Company's external assurance journey. The Board and the Investment Adviser were very pleased with Blackcraig's GRESB score, and intend to share the lessons learned through the submission across the appropriate portfolio assets. They also intend to replicate policies and the management approach for other assets in the portfolio.

Blackcraig Wind Farm has inherent ESG objectives. It creates renewable energy, contributes to CBFs and educational trusts, and implements best industry practices with industry-leading contractors, including O&M and site managers. Additionally, all staff receive training on responsible investment practices.

The wind farm contributed £275,000 to the local community benefit funds this year. The CBF provides funding for community centres, habitat preservation and training and education opportunities to residents of the local area.

As part of the GRESB submission, ESG risk assessments were undertaken on Blackcraig to identify material risks to the assets. These risks are currently reviewed and monitored on a monthly basis, and the Company intends to continue taking part in these assessments.

Sustainability indicators

Environment

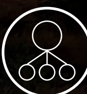
130 GWh

Energy exported in 2022/23[1]

Social

£275,000

Contribution to CBFs this year[1]



Governance

7

Governance policies implemented[1]

Financial

£32.3m

Valuation at 30 September 2023

1. Data at 30 June 2023 to facilitate inclusion in the annual report.

2023 GRESB Infrastructure Asset Benchmark Report
Blackcraig Wind Farm (Scotland) Limited
GRESB rating
Participation and score
90/100
2023
Peer comparison
4th
Northern Europe | On-shore Wind Power Generation | Maintenance and operation (out of 8)
Blackcraig Wind Farm, Galloway, Scotland

Sustainability continued

Impact continued

Geothermal

SDG alignment

The first deep geothermal energy project in the UK since 1986, and operational since June 2023, the Eden geothermal energy plant in Cornwall is the deepest geothermal well in the UK, measuring 5km in length. Commercial funding for the project was secured from the European Regional Development Fund, Cornwall County Council and the Company.

The Eden Geothermal Project harnesses naturally occurring renewable energy from the ground to provide heat for its biomes, plant nursery and offices. Geothermal energy is obtained from heat located beneath the surface of the earth. The depth of the well allows it to harness water heated by the Earth's core, which can reach temperatures of up to 200°C. Energy is created by lifting water from below the earth's surface through a vacuum-insulated tube which is inserted into the well. The water then passes through a heat exchanger, and cooled water is re-injected into the well via the outer ring, as detailed below.

The project was delivered through a three-way partnership between the Eden Project Limited, EGS Energy Limited (a geothermal development and consultancy group) and BESTEC (UK) Limited (a specialist geothermal developer and drilling adviser). Sustainable construction methods were practised to both enhance and protect the environment after the installation of the heat main. Erosion control methods were used, and all soft ground trenches were reinstated with topsoil and seeded flower mix. A hibernaculum was also constructed to provide a habitat for insects.

Prior to the completion of the Eden Geothermal Project in June 2023, the only deep geothermal heating plant in the UK was the Southampton District Energy Scheme, constructed in 1986. As a result, geothermal energy currently delivers less than 0.3% of the UK's heating demand, which is low when compared with other European countries. In the Netherlands, geothermal plants are already used to heat greenhouses, and the Dutch Government is aiming for geothermal energy to contribute to a quarter of their heating needs by 2050.

Sustainability indicators

Environmental

1

Energy conservation strategy[1]

Social

8

FTEs at portfolio asset level[1]

Governance

6

Governance policies implemented[1]

Financial

£6.1m

Valuation at 30 September 2023

1. Data at 30 June to facilitate inclusion in annual report.

Eden Geothermal Project

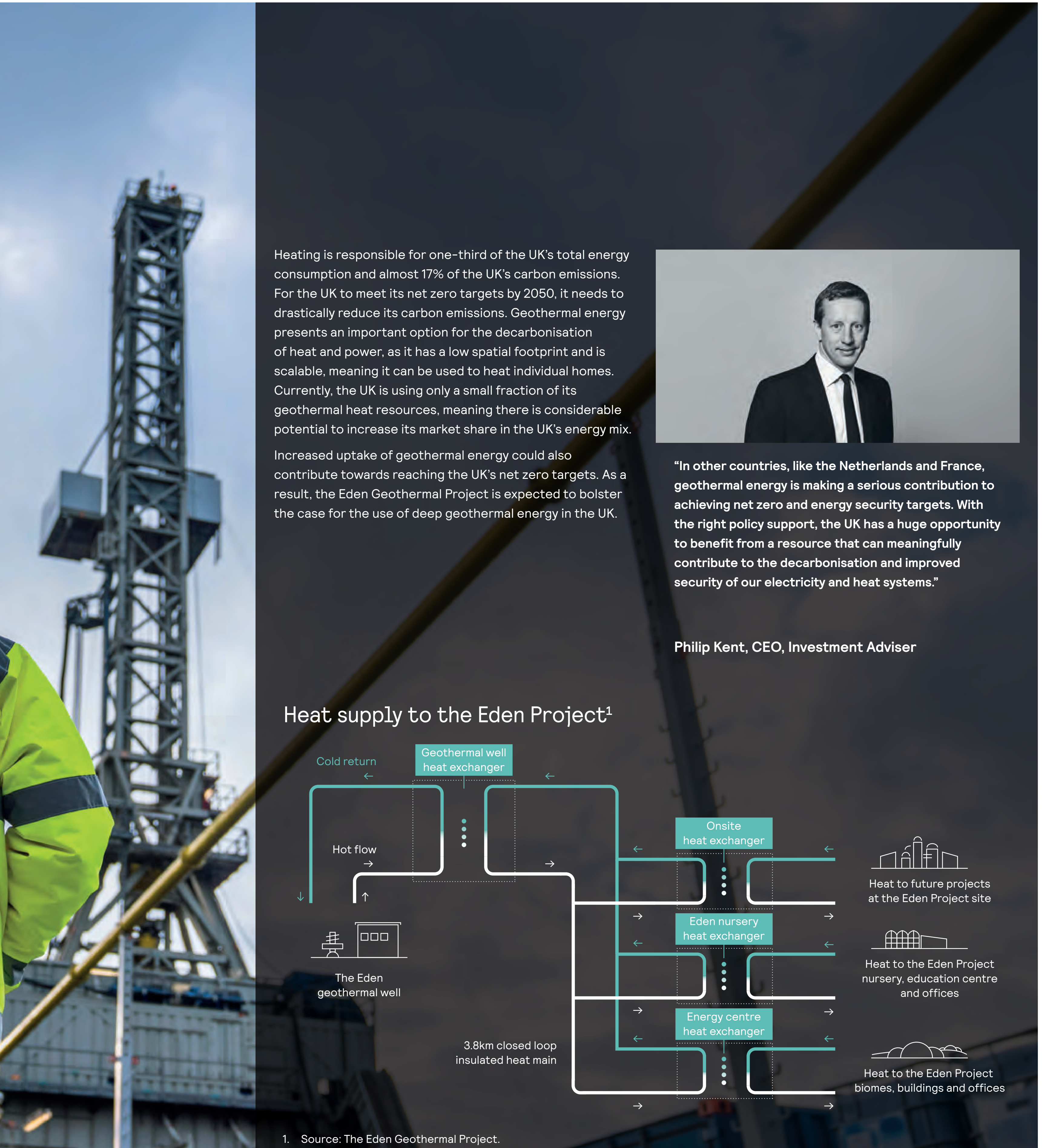
Heating is responsible for one-third of the UK's total energy consumption and almost 17% of the UK's carbon emissions. For the UK to meet its net zero targets by 2050, it needs to drastically reduce its carbon emissions. Geothermal energy presents an important option for the decarbonisation of heat and power, as it has a low spatial footprint and is scalable, meaning it can be used to heat individual homes. Currently, the UK is using only a small fraction of its geothermal heat resources, meaning there is considerable potential to increase its market share in the UK's energy mix.

Increased uptake of geothermal energy could also contribute towards reaching the UK's net zero targets. As a result, the Eden Geothermal Project is expected to bolster the case for the use of deep geothermal energy in the UK.

"In other countries, like the Netherlands and France, geothermal energy is making a serious contribution to achieving net zero and energy security targets. With the right policy support, the UK has a huge opportunity to benefit from a resource that can meaningfully contribute to the decarbonisation and improved security of our electricity and heat systems."

Philip Kent, CEO, Investment Adviser

Heat supply to the Eden Project[1]



1. Source: The Eden Geothermal Project.

Sustainability continued

Impact continued

Education

SDG alignment

In April 2023, Pates Hill Wind Energy Ltd, an SPV company in the portfolio, donated £10,000 to Kirknewton Primary School to help improve their green initiatives and promote green activity and culture among students. The donation was used to improve their outdoor spaces and create different green areas dedicated to agricultural activities and gardening. The school also used the funding to build wooden structures that the children can play in regardless of weather conditions, encouraging them to socialise outside with different year groups. Alongside the donation, the Investment Adviser facilitated a trip to a nearby portfolio asset, Pates Hill wind farm.

The Pates Hill wind farm lies around 10 miles south-east of Kirknewton Primary School. It is comprised of seven 2 MW turbines and is located between Glasgow and Edinburgh in West Lothian, Scotland on a former mining site. Operational since March 2010, it generates enough energy to power c.8,000 households annually.

As a generator of renewable energy, Pates Hill wind farm has inherent environmental and social benefits. This year, Pates Hill Wind Energy Ltd contributed £70,000 to the West Lothian Development Trust, with contributions to Community Development Funds totalling £430,000 since the Company's initial investment.

Wind power is the fastest-growing renewable energy technology in Scotland, with wind generating 78% of all renewable electricity output in 2022. Scotland currently has c.9 GW of onshore wind capacity and c.2 GW of offshore wind capacity.

In the Scottish Government's Energy Strategy and Just Transition Plan, it aims to deploy 20 GW of onshore wind by 2030, with the intention of making Scotland net zero using renewable energy sources. For offshore wind, the Government is targeting an increase of 8-11 GW by 2030. Scotland has already hit the milestone of creating an excess supply of wind energy. In 2022, its renewable projects generated the amount needed to power homes in the country for three and a half years. This has become increasingly important, with energy supply and security a critical issue in the wake of the war in Ukraine.

Sustainability indicators

Environment

31 GWh

Energy exported in 2022/23[1]

Social

3.7

FTEs at portfolio asset level[1]

Governance

6

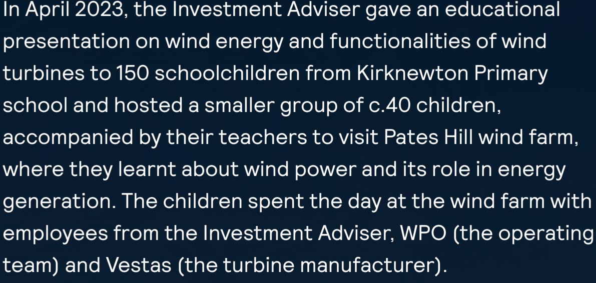
Governance policies implemented[1]

Financial

£10.9m

Valuation at 30 September 2023

1. Data at 30 June 2023 to facilitate inclusion in the annual report.



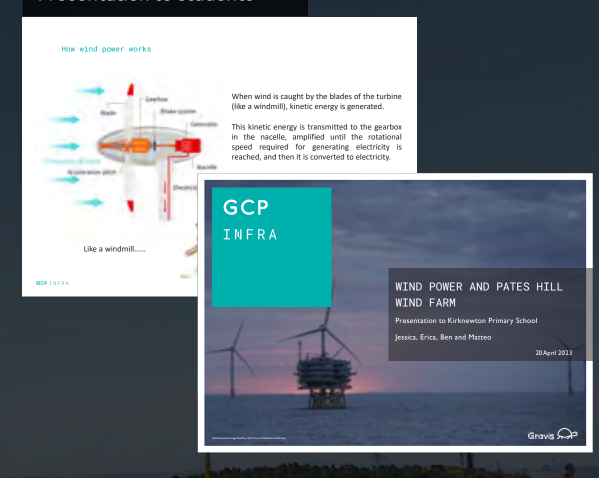
In April 2023, the Investment Adviser gave an educational presentation on wind energy and functionalities of wind turbines to 150 schoolchildren from Kirknewton Primary school and hosted a smaller group of c.40 children, accompanied by their teachers to visit Pates Hill wind farm, where they learnt about wind power and its role in energy generation. The children spent the day at the wind farm with employees from the Investment Adviser, WPO (the operating team) and Vestas (the turbine manufacturer).

The children were divided into three groups, with one group of children taken inside a turbine. Another was taken to the engine rooms, and the final group was shown how the wind turbines operate by the WPO team, with each group rotating throughout the day. From the visit, the children learnt about wind turbine operation and construction, environmental monitoring, and habitat management. The feedback from both the children and the school staff was positive with several of the children wanting to learn more about a career in the industry. The Investment Adviser hopes to be able to host similar events in the future.

Students disembark at Pates Hill wind farm

Students shown engine room

Presentation to students



Sustainability continued
Impact continued

Biodiversity

SDG alignment

Infrastructure investors are becoming increasingly concerned with biodiversity, supported by legislation promoting its development. With more than half of global GDP linked to nature, there are many investment opportunities in the area of biodiversity.

Biodiversity encompasses the different types of life found in one ecosystem, with each species and organism working together to maintain balance and support life. It is a key element in providing critical health, economic and cultural benefits and is essential to the safeguarding of food and medicine production as well as habitats.

Following the introduction of The Environment Act in December 2021, developers have a planning obligation to deliver a minimum of 10% net increase in biodiversity from all new developments. While there is a two year grace period (ending in November 2023), many local authorities have already declared climate emergencies and now require biodiversity net gains of up to 25% as part of their requirements. Additionally, investments in preserving biodiversity need to triple by 2030 to meet the sustainability standards set out by the UN.

This has led the Company to review biodiversity opportunities within the portfolio, and as such, it has identified two existing assets that have the potential to achieve biodiversity improvements or biodiversity net gain. The Company has carried out impact assessments for both locations, as well as a biodiversity net gain feasibility study. For biodiversity improvements to be achieved in both locations, various enhancements need to be implemented.

These enhancements include introducing a native hedgerow, increasing the native grassland in the area, and introducing species rich pond edge mix. The site operator is implementing a management plan to adopt the recommendations from the ecologist for this site.

Enhancement potential primarily comes from the accrual and sale of Biodiversity Net Gain units ("BNG units"). BNG units are bespoke to the habitat being destroyed and created; for example, if a developer is destroying a wetland, and it isn't possible to avoid habitat loss or dedicate an area on the site to biodiversity they will then need to acquire wetland BNG units. Sites that have biodiversity net gain can sell these BNG units to developers to offset this loss. Revenues from selling BNG units can generate cash in three to four years with the costs of maintaining the habitat banks over the 30 year life of the obligation.

In September 2023, the Taskforce on Nature-related Financial Disclosures ("TNFD") published its final recommendations. The Investment Adviser has undertaken training for its investment team on the inclusion of biodiversity in investment and portfolio management processes, and as such has started to consider how it can apply TNFD recommendations into its investment process. The Investment Adviser includes an analysis of biodiversity impact from new investments as part of the Investment committee process. Biodiversity considerations are included within the Investment Adviser's responsible investment checklist which is presented to the Investment committee.

The Investment Adviser is reviewing the portfolio and new investment opportunities for the potential to create BNG units.

Sustainability indicators

Environment

42%

Portfolio with energy conservation plans[1]

Environment

33%

SPVs with habitat management plans[1]

Environment

65%

SPVs reporting habitat gain or loss[1]

Environment

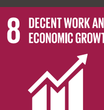
21%

SPVs conducting a biodiversity assessment[1]

1. Data at 30 June 2023 to facilitate inclusion in the annual report.

Modern slavery

SDG alignment



As part of its due diligence responsibilities, the Company worked to update its Modern Slavery statement this year. The Company's Modern Slavery statement is an integral part of its investment and lending process. The statement covers screening, due diligence, transaction, ongoing monitoring and engagement and best practice aspects of the investment process. The updated statement was reviewed by the Management Engagement committee to ensure the statement was appropriate for the Company.

In updating the statement, the Investment Adviser reviewed the investment process as it applies to the Company. Key additions to the statement from this review included supply chain considerations for human rights and modern slavery abuses, particularly in respect of technical due diligence processes. This includes projects with potential risks or exposure to human rights abuses in the procurement of materials for electric vehicles, batteries or solar panels.

For example, when considering investment in a fleet of electric taxis, the Company undertook an analysis of potential human rights abuses that could occur from the procurement of high-risk minerals in the supply chains of Chinese cobalt refining companies where production of the batteries for the taxis occur. The investment team reviewed the battery manufacturer's sustainability report, responsible sourcing policy and supplier code of conduct.

Such monitoring is applied continuously throughout the period when trigger events occur, for example the acquisition of an existing subcontractor or supplier by a much larger organisation with some negative media coverage. In such a case the Investment Adviser, on behalf of the Company, will seek to engage directly with the new owners.

The potential for adverse impacts on human rights and the environment exists throughout the renewable energy value chain. Addressing the human rights risks will help provide the momentum for change and the further development of alternative supply chain choices. The Company has clear Board responsibility and oversight functions for human rights policies.

Sustainability indicators

Governance

81%

of SPVs with a modern slavery policy[1]

The Company's Modern Slavery statement is available on the website.

1. Data at 30 June 2023 to facilitate inclusion in the annual report.

Sustainability continued

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Compliance statement

The Company has voluntarily and partially reported against all four core elements of the TCFD and the eleven recommended disclosures, taking into account the TCFD 'Guidance for All Sectors', as well as the supplemental guidance for the financial sector.

This year, the Company has partially reported against 'Strategy (c)' in respect of different climate-related scenarios, including a 2°C or lower scenario. The Company has also broadened its Scope 3 reporting under 'Metrics and Targets (b)' to encompass emissions for the purchase of goods and services.

The Company has omitted to report against 'Metrics and Targets (c)' as the Company continues to develop and refine its data collection exercise this year, including the use of external consultants and review of its carbon emissions. The Board is committed to a thoughtful process of establishing material, accurate and relevant climate-related metrics and targets. It intends to continue to develop its approach in the coming year, which includes selecting an external consultant to partner with on this project. It is envisaged that this engagement will also progress the Board's intentions for third party assurance over its ESG metrics.

For this reason, the Company is not in full compliance with the TCFD requirements at this stage. It will continue to work towards full compliance within the next one to two years.

A. The Board's oversight of climate-related risks and opportunities

The Board considers best practice application of ESG principles as paramount to the Company's operations, the assets within its investment portfolio and the operation of its advisers. It is responsible for setting the strategy for the Company, including climate-related risks and opportunities.

The Board is informed about relevant climate-related issues as part of the quarterly reporting cycle by the Investment Adviser and the Company's committees.

The Company's committees contribute as follows:

— Audit and Risk committee: responsible for climate-related disclosures and risk assessment

— ESG committee: establishing and monitoring ESG policies and activities

— Investment committee: reviewing ESG impacts during the investment process

— Management Engagement committee: ensuring suppliers operate in a socially responsible manner

The ESG committee formally meets at least once a year, however it engages informally with the Investment Adviser and other service providers on a regular basis, including participating in briefings and new initiatives. It reports to the Board at each quarterly Board meeting. This quarterly engagement includes relevant training and ESG updates for the Board, both regulatory and Company specific.

The Board and the Investment Adviser use external consultants and acquire expertise where needed, including through recruitment. This year, the Investment Adviser funded three ESG-focused internships to support the work the Board is carrying out on its ESG strategy and to assist the Investment Adviser with the climate risk assessment process and SBTIs. The internships enabled the Company to benefit from a fresh, more diverse perspective with enthusiasm and expertise in environmental matters.

Furthermore, from engaging with shareholders at regular opportunities, including at the October 2022 Capital Markets day, commissioning specific perception studies and responding to shareholders' letters, it is apparent that many shareholders utilise ESG ratings agencies. The Investment Adviser has continued to engage with ESG ratings agencies this year to understand how the ratings industry affects investor perceptions of the Company and its share price. The UK Government published a revised Green Finance Strategy in the first quarter of 2023, alongside a consultation on a regulatory regime for ESG ratings providers. The Company intends to return to this area of focus once the results of the consultation are published and as these agencies increase their coverage of investment companies.

B. Describe management's role in assessing and managing climate-related risks and opportunities

The Investment Adviser has over a decade of experience in identifying assets with a core environmental and/or social benefit for the Company. ESG is at the core of its investment decisions and is led by the investment team. ESG investment processes are overseen by the Responsible Investment committee, which reports to the board of the Investment Adviser. Further information is provided on pages 42 and 43.

Climate risks are considered at each stage of the investment process, including the initial deal screening of opportunities and investment due diligence processes. Risk assessment takes the form of both quantitative analysis and qualitative assessments which look at the ESG approach of investee companies. Environmental impact assessments are carried out where appropriate as part of the due diligence process to identify potential transition and physical short, medium and long-term impacts on costs and viability across service providers and investments.

This information is presented to the Investment committee as part of the investment approval process with the Board of Directors directly or indirectly addressing climate-related risks and opportunities when evaluating and approving new investments. This includes climate-related risks. The Investment Adviser provides fortnightly, ad-hoc and quarterly updates to the Board on asset performance, including the response of assets to climate events.

During the year, the Investment Adviser updated its climate risk assessment for each underlying asset in the portfolio to assess climate-related risks and opportunities. Further information can be found on pages 62 to 65.

Following execution and investment, key relevant ESG indicators are monitored by the portfolio management teams. The Investment Adviser seeks to engage with investees to understand relevant ESG factors and to manage exposure to risks. ESG indicators are reported to the Board for consideration as part of the quarterly reporting cycle.

Sustainability continued

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.

A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

The Investment Adviser, through its climate risk assessment, has identified, based on current climate conditions, that the portfolio is exposed to physical risks arising from extreme weather events, with examples such as Storm Eunice in February 2022, which caused damage to solar panels at a solar farm in the portfolio. However, the overall financial impact to the Company is not material and various mitigants are in place such as comprehensive insurance policies which cover physical damage due to weather-related events. It is recognised, however, that such insurance policies may not always be available at a reasonable cost or at all and physical resilience or protection of assets is kept under review.

The Company defines short, medium and long-term risk time horizons as follows: short term: zero to three years; medium: four to eight years; long term: more than eight years. When considering materiality, the Investment Adviser considered the financial impact each risk could potentially have on the asset were it to materialise. Further information can be found on pages 62 to 65.

The main short-term physical risk exposures for the portfolio are to wildfires, heat stress and flood risk. However, there are mitigants in place. For example, the likelihood of these assets experiencing damage at the same time is low due to their geographical dispersion. The Investment Adviser has investigated mitigation plans to strengthen the weather resistance of certain assets during the year. These involve actively managing the maintenance of trees and tall structures located in the vicinity of projects to reduce the possibility of falling objects on solar sites, as well as undertaking work to strengthen solar panel structures at three sites that have previously suffered storm damage. The Investment Adviser will continue to monitor and review mitigation plans to avoid physical damage to the portfolio assets.

Medium to long term, more frequent extreme weather will place significant pressure on energy infrastructure, including renewables, and may cause damage to components, power lines and transmission grids, including potential disruption to supply chains. Significant impacts may arise in the social infrastructure sector, leading to localised strain on public services, and the potential closure of facilities. Higher temperatures may also impact key components of renewables projects and could also lead to the overheating of buildings, which particularly affects vulnerable people.

The Company is also exposed to transition risks in the short term from sudden and unexpected changes to Government policy. For example, in November 2022, the UK Government announced the introduction of an Electricity Generator Levy to tax certain renewable energy generating assets from January 2023. The impact of this levy was initially estimated and reported in the 2022 annual report, with the actual levy applied to the valuation of the portfolio once full details were published by the UK Government in December 2022.

As a result of the levy, there was increased volatility in calculating the value of the Company's investments, indicative of the continuing risk in further changes being made to the legal or regulatory framework in which the Company's assets operate.

In the medium to long term, any policy changes to the Minimum Energy Efficiency Standards ("MEES") would impact properties in the social housing sector. The ability to claim MEES exemption caps the maximum exposure to £10,000 per property. Overall, 45% of the social housing portfolio has an EPC rating equal to a C or above, whilst 42% has an EPC rating of D or below, with the remainder either unavailable or unrated. The obligation to improve the energy efficiency of the properties below a 'C' rating sits with the third party RPs under fully repairing and insuring leases, and this will be closely monitored with borrowers.

An increased focus on the ESG aspects of the investment process presents a significant opportunity for the Company. At IPO, ESG considerations were not as prominent for investors as they have become in recent years. Whilst many investment funds and companies are seeking to quantify and reduce their negative environmental and social impact, the Company finds itself in a position where all of its investments have a positive environmental or social contribution, meaning ESG considerations are an inherent aspect of the Company's central investment thesis.

As the UK embarks on the largest transformation of its infrastructure in recent history as part of the transition to net zero, there will be a significant private sector investment requirement to support this, and public sector support will be needed across a range of asset classes.

B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

The primary physical impacts of climate change on the business will be experienced by the Project Companies the Company lends to: firstly, by increased operating costs or reduced revenues due to physical risks materialising. In many cases, physical mitigation measures exist and there is a degree of contractual protection built into loan agreements from these increased costs. Secondly, the credit quality of the Project Companies may deteriorate. For example, extreme weather events might materially increase the cost of insuring some assets, or they might make some assets uninsurable. These impacts, if material, may lead to a reduction in the valuation of the portfolio.

Regarding the Company's strategy, the portfolio benefits from its geographic, technological and market diversification. Conversely, opportunities may arise which enable the Company to deploy capital to a wider range of asset classes, providing further diversification into new sectors and thereby increasing revenues.

For financial planning, one potential transitional impact of climate change arises from the increased deployment of renewable power generation reducing the marginal cost of electricity and impacting revenue. A mitigating factor for this is an increased use of direct PPAs, which will thereby secure steady revenue streams. The Investment Adviser, on behalf of the Company, has successfully implemented a number of these agreements. Further information on the Company's electricity price exposure can be found on page 35. Based on the climate risk analysis undertaken, referred to on pages 62 to 65, the Investment Adviser does not currently propose to make any changes to financial forecasts due to climate risk.

C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

The climate change risk assessment carried out by the Investment Adviser has concluded that the Company's strategy is relatively resilient to both the physical and transition risks associated with climate change. This year, the Investment Adviser has included a partial analysis of a 2°C or lower scenario, and in doing so has noted resilience to the identified physical risks associated with climate change.

The results of the assessment demonstrated that whilst there are physical and transitional risks in the context of the Company's diversified portfolio, the financial impacts were not material. For example, a storm might generate strong winds which could have a negative impact on revenue from wind turbines causing them to shut down in stormy conditions, but might not have an adverse impact on other assets in the portfolio, illustrating the resilience of a diversified portfolio.

Sustainability continued

Risk Management

Disclose how the organisation identifies, assesses and manages climate-related risks.

A. Describe the organisation's processes for identifying and assessing climate-related risks

The Board of Directors directly or indirectly addresses climate-related risks and opportunities when evaluating and approving new investments, including a climate risk assessment for each new investment.

As part of the Investment Adviser's due diligence process, climate risk assessments are carried out on each portfolio asset where appropriate. The Investment Adviser also carries out ongoing performance monitoring, including asset site visits by experienced personnel; further information is given on page 46. Fortnightly updates and quarterly detailed reports on asset performance are also provided to the Board.

Climate change has become a key risk faced by infrastructure investors. The Company continues to focus on ESG, with a particular focus on the potential impacts of climate change and the risk factors associated with rising global temperatures. As such, the Investment Adviser has conducted a detailed portfolio-wide climate risk assessment across each of the 445 projects in the portfolio. This risk assessment includes an analysis of the impact of a 2°C or lower global warming scenario.

The risk assessment considers nine risk factors divided between physical and transition risks:

- Physical risks: these are events that are driven by a shift in temperatures and weather patterns. The assessment considers five risks: flood risk; heat stress; water stress; fires and wildfires; severe winds and storms. These events have been chosen based on their materiality to the overall portfolio. Refer to the table on page 63 for further detail on materiality.
- Transition risks: these are the risks related to the transition to a low-carbon economy. Four areas were considered: policy or regulatory; technological; market; and reputational risks.

External and internal data points were used to assess the portfolio. EPC ratings and flood risk data were obtained from UK Government databases for all available sites within the portfolio. Met Office and UK forestry agency climate data from 2000 to 2017 was also used for temperature, wind, wildfires and drought metrics in each area local to the portfolio assets. The data points were used to calculate the portfolio exposure to changes to energy efficiency standards and to flooding resulting from climate change.

An asset-by-asset assessment was also undertaken internally by the Investment Adviser's portfolio management team to consider the specifics of each investment and to understand the overall exposure to climate change and any mitigating factors. The results from the risk assessment form part of the portfolio management decision-making process, and help identify further mitigation strategies and inform whether any change is required to the underlying financial forecasts of the Company.

The climate risk assessment was completed by evaluating the impact and likelihood of a climate change event happening within the remaining lifetime of each asset, divided between physical and transition risks. This assessment assumes an increase in extreme weather events due to climate change. The risk assessment scores were calculated by multiplying impact and likelihood metrics to form a total score for each asset.

For physical and transition risk, the impact metric indicates the financial impact each risk could potentially have on the asset. This metric is scored from a scale of 1 to 5, with 5 being the highest and 1 having a lower impact.

Each score indicates a specific financial impact as shown in the table below:

Score	Materiality	Impact
5	Significant	>£5 million
4	Major	£2 million – £5 million
3	Moderate	£501,000 – £2 million
2	Minor	£51,000 – £500,000
1	Negligible	<£50,000

The likelihood score for physical risk is based on past Met Office data and future weather projections to determine the probability of a specific weather event happening, based on the specific location of the asset.

For transition risk, the likelihood score was rated between 0% and 100% based on the probability of a climate event happening within the remaining lifetime of the asset. This probability was converted to a score between 1 and 5 to keep consistency between the physical and transition risk likelihood scores, seen in the table below:

Probability	Score
<5%	1
5% – 15%	2
15% – 25%	3
25% – 35%	4
>35%	5

The impact and likelihood metrics were multiplied with each other to give a score for each risk identified, which led to each physical and transition risk metric being given a total rating out of 25. These individual ratings were then weighted by the portfolio valuation of each asset to give an aggregated score by sub-sector and sector. A final rating between 0 and 25 was then obtained by combining total physical and transition risks scores.

The chart on page 64 shows the output of this process, indicating the sectors that are most vulnerable to climate change. The placement of each sector highlights its risk exposure, with a low risk between 0-33%, medium risk between 33-66% and high risk between 66-100%. Each sector is plotted based on the risk percentage for each physical and transition risk. The chart is based on the weighted average rating for each sector.

Under physical risks, the biggest exposure is to fires/wildfires and heat stress. An increase in the frequency of fires/wildfires and heat stress is most likely to impact the renewables sector, with fires and wildfires most impacting the PPP/PFI sector. Wildfires are becoming a bigger threat for the UK, with England averaging 30,000 wildfires a year, according to data from the Forestry Commission. However, it is important to recognise that when running the scenario, more data points were available for wildfire and heat stress than other physical risks, which has impacted scoring.

Under transition risks, the portfolio is most exposed to market and policy or regulatory change. Within the renewables portfolio, biomass projects account for some 9% of portfolio value and are likely to be most influenced by regulatory and market changes. While the Investment Adviser views the biomass sector as well placed to benefit from the transition to net zero as a form of low-carbon baseload power, current uncertainty around the possible participation in the UK Emissions Trading Scheme ("UK ETS") along with future power price caps for renewable generators, is reflected in the regulatory and market risk scores.

The Investment Adviser also undertook the partial analysis of a 2°C or lower global warming scenario. This analysis concluded that the Company's strategy is relatively resilient to the physical risks associated with climate change.

In the 2°C scenario, the Investment Adviser considered changes in the likelihood of the occurrence of physical climate risks and focused on the impact from a 2°C change in heat stress and fire/wildfire metrics likelihood scores in the physical risk section. Other physical and transition risks were not included due to difficulty in obtaining independent data points. The Company recognises it has further to go in achieving full compliance with a 2°C increased temperature scenario as a result of this, and is committed to including more physical and transition risk data points in future years.

Sustainability continued

Risk Management continued

A. Describe the organisation's processes for identifying and assessing climate-related risks continued

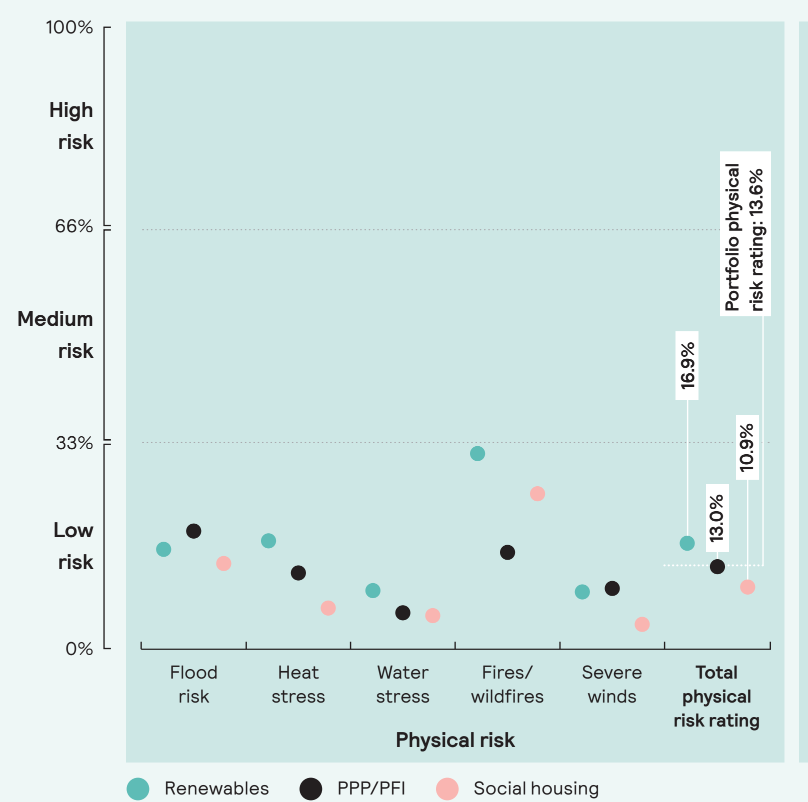
The likelihood score for heat stress and fires and wildfires in a 2ºC temperature increase scenario was based on the probability of each metric occurring, using past Met Office data and future weather projections to determine the probability of a specific weather event happening based on the location of the asset. A multiplier of 1.8 for heat stress and 1.1 for wildfires was then used to calculate the likelihood in a 2ºC scenario. This multiplier was based on data from the Met Office and the UN environment programme, which is responsible for co-ordinating responses to environmental issues within the UN.

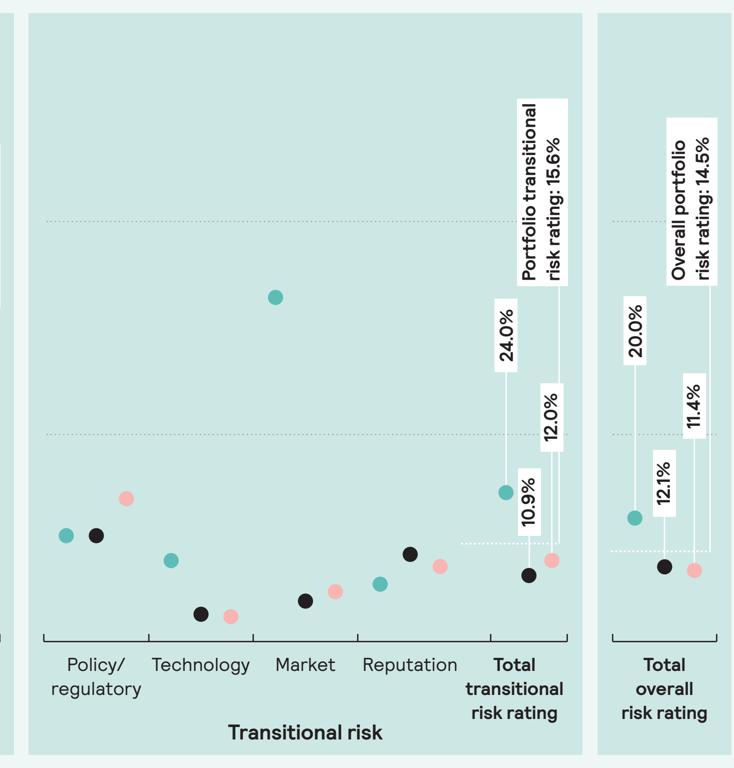
After running the 2ºC scenario, it was determined that heat stress risk would rise from nine points to 13 out of a possible 75 points in a 2ºC scenario. Fire and wildfire risk also increased, but only by one point from 14 to 15 points, indicating it would have less of an impact on the portfolio in the case of rising global temperatures.

The Investment Adviser and the Board recognise that the prioritisation of climate change requires a change of Government approach, primarily through regulation. Regulatory changes in UK ETS, power price caps, energy efficiency standards and the implementation of windfall taxes on renewable energy generators may impact the portfolio.

Based on the analysis undertaken, the Investment Adviser does not currently propose to make any changes to its financial forecasts due to climate risk. As detailed on page 60, in the medium to long term, any changes to MEES for buildings could impact certain assets, and these will be closely monitored with borrowers. The Investment Adviser also intends to closely monitor the impact of rising global temperatures on its investments, as the increasing likelihood of rising temperatures could adversely impact the portfolio, as shown through the 2ºC rising temperature scenario. The Investment Adviser intends to update the climate risk assessment on an annual basis.

Portfolio exposures – climate change risk





The Company will continue to refine its approach to materiality as the availability, completeness and accuracy of data improves over time. The Investment Adviser aims to continue improving all areas of its climate risk assessment, including the data collection process, controls around this process and creating meaningful disclosures.

Whilst the Investment Adviser has concluded that the portfolio is exposed to low physical and transition risk, the opportunities for each asset have not been quantified in this exercise. This is an area that will be considered further in future assessments.

The Investment Adviser has identified several transition opportunities for the Company. These surround optimisation, expansion and life extension opportunities for the portfolio following growing demand for renewable energy and energy security. This is expected to cause renewable energy demand to increase, driven by the decarbonisation of transport and heating amongst other factors.

While opportunities related to physical and transition risk have not been quantified to date, the Board and the Investment Adviser hope to include this in future reports.

The Investment Adviser intends to continually improve the climate change risk assessment process for future years to help monitor and mitigate exposure to climate change. Areas for improvement may include:

- including more physical and transition risks in a 2°C or lower scenario; and
- combining climate opportunities into the assessment.

B. Describe the organisation's processes for managing climate-related risks

The portfolio is diversified across a number of asset classes and ESG processes are embedded into investment decision making. The importance of the Investment Adviser's engagement and influence in helping portfolio companies improve their ESG performance is crucial. Further information is given in the risk section on page 88.

C. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

The way in which the Company manages risk and principal risks and uncertainties is described on pages 78 to 87. The Board does not consider climate-related risk as a principal risk, however it does recognise climate-related risk as an emerging risk. Refer to page 88 for further information.

Sustainability continued

Metrics and Targets

Disclose the metrics and targets used to assess and manage the relevant climate-related risks and opportunities where such information is material.

A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

The Investment Adviser includes an assessment of ESG characteristics in every investment proposal submitted to the Company's Investment committee for approval. Prior to the approval of a new investment, the Investment Adviser assesses how the investment rates against relevant ESG criteria, laid out in an ESG checklist tailored to 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.

During the year, the Investment Adviser carried out a climate risk assessment for each underlying asset. Further information on the methodology used to complete the climate risk assessment is included on pages 62 to 65.

B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks

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 an investment fund specifically, its Scope 3 (other indirect) emissions fall under two categories within Scope 3 as defined by the GHG Protocol:

Category 1: Purchased goods and services

The emissions from services provided by the Company's top ten third party service providers and emissions from travel of the Board. The top ten third party service providers represent 90% of the annual expenditure of the Company and therefore these were deemed most material in the context of the Company's outsourced service model.

The Company used a supplier-specific approach whereby expenditure for each service provider is multiplied by the service provider's organisational carbon footprint intensity in tCO_2e (market-based Scope 1 and 2 plus upstream Scope 3 emissions) as disclosed through publicly available data. Using this approach, the Company was able to report attributable supplier emissions covering 79% of its annual spend across six of its top ten suppliers.

In the prior year, the Company only reported supplier emissions from the Investment Adviser and the Administrator. This year, the Company expanded Category 1 reporting to include other service providers in the top ten suppliers.

Category 15: Investments

The emissions of the underlying portfolio. As this is only the second year a detailed data collection exercise has been undertaken, there are still challenges faced in respect to the availability of the data requested, insofar as the Company is a debt provider and does not own or control c.90% of assets in the portfolio. As such, emissions data points were obtained from 53% of portfolio assets by value, with a further 31% calculated with estimated data.

Where no data had been provided, data was estimated using a consistent methodology, advised by Aardvark, an external ESG certification service who provide independent and impartial company auditing and certification services. Estimated data was observed for a number of rooftop solar assets where the data collection was challenging to support through primary evidence or aggregated data. Estimated data was also used for a number of small anaerobic digestion plants where site level data had not been provided. Here, averages for equivalent sized plants were used to obtain a holistic data set for the anaerobic digestion assets.

The Investment Adviser will continue to liaise with asset operators to improve and refine the availability of future ESG data which will continue to be collected and reported on an annual basis. Further information on the data collection exercise can be found on pages 46 and 47.

The Company has measured and disclosed the emissions from the underlying portfolio in accordance with the GHG Protocol. Emissions from investments (Category 15) comprise proportional Scope 1 and Scope 2 and limited Scope 3 emissions of the underlying portfolio and have been allocated based on the Company's proportional share of total enterprise value (total equity plus debt) in accordance with the guidance for debt investments and project finance.

The Company has not reported total projected lifetime Scope 1 and Scope 2 emissions of any new projects financed during the year. It will seek to include this information for future years where possible.

Greenhouse gas emissions

The Company has measured its emissions in accordance with the GHG Protocol. An operational control approach was used to define the organisational boundary and responsibility for GHG emissions. Emissions have been measured over the twelve month period to 30 June 2023. The period chosen was to facilitate data inclusion in the Company's annual report.

	GHG emissions	**Year ended 30 September 2023**		Year ended 30 September 2022			
		Absolute emissions tCO_2e Portfolio Scope 1, 2 & 3	**Attributable emissions tCO_2e Portfolio Scope 1, 2 & 3**	Absolute emissions tCO_2e Portfolio Scope 1, 2 & 3	Attributable emissions tCO_2e Portfolio Scope 1, 2 & 3	Absolute emissions tCO_2e Portfolio Scope 1 & 2	Attributable emissions tCO_2e Portfolio Scope 1 & 2
Scope 1	Direct GHG emissions – occur from sources that are owned or controlled by the organisation	—	—	—	—	—	—
Scope 2	Indirect GHG emissions – occur from the generation of purchased electricity, heating, cooling and steam	—	—	—	—	—	—
	Energy consumption used to calculate above emissions: /(kWh)	—	—	—	—	—	—
	Total gross Scope 1 and Scope 2 emissions /tCO_2e	**—**	**—**	**—**	**—**	**—**	**—**
Scope 3	Category 1, emissions from indirect purchased goods and services	124	124	12	12	12	12
	Category 15, emissions from investments	36,752	13,030	28,526	14,597	17,205	9,520
	Total gross Scope 3 emissions /tCO_2e	**36,876**	**13,154**	**28,538**	**14,609**	**17,217**	**9,532**
	Total gross Scope 1, Scope 2 and Scope 3 emissions /tCO_2e	**36,876**	**13,154**	**28,538**	**14,609**	**17,217**	**9,532**

C. Describe the targets used by the organisation to manage climate-related risks and performance against targets

The Board and the Investment Adviser are committed to improving the Company's data capture and disclosure to help drive more consistent reporting across the industry. The Company has continued to make progress towards achieving compliance with TCFD and has expanded its reporting this year to include a climate risk assessment for a 2°C or lower global warming scenario, as well as expanding its emissions data for Scope 3 reporting.

The Company intends to continue to develop its approach in relation to targets. After reviewing the framework of the SBTI, the Company is considering targets for implementation that align with the initiative, where appropriate. However, as a debt provider that doesn't own or control c.90% of the assets in the portfolio, certain challenges remain around setting climate-related targets at a portfolio level.

The Company has thoroughly considered the implementation of the SBTI, particularly regarding target setting. However, there is currently no existing guidance from the SBTI on the infrastructure sector which assists with formulating targets. Formally submitting targets comes at a cost to the Company and it is therefore important to ensure it is good value for stakeholders. The first step is to establish internal targets, and the Company is in the process of ensuring robust and reliable data to establish a target base year.

The data collection exercise undertaken this year continues to provide the Company with useful portfolio-level data. This allows the Board and the Investment Adviser to focus on areas that are material. When considering materiality, the Company was advised by an external consultant, MJ Hudson, using framework guidance provided by SASB, GRESB and the UN SDGs.

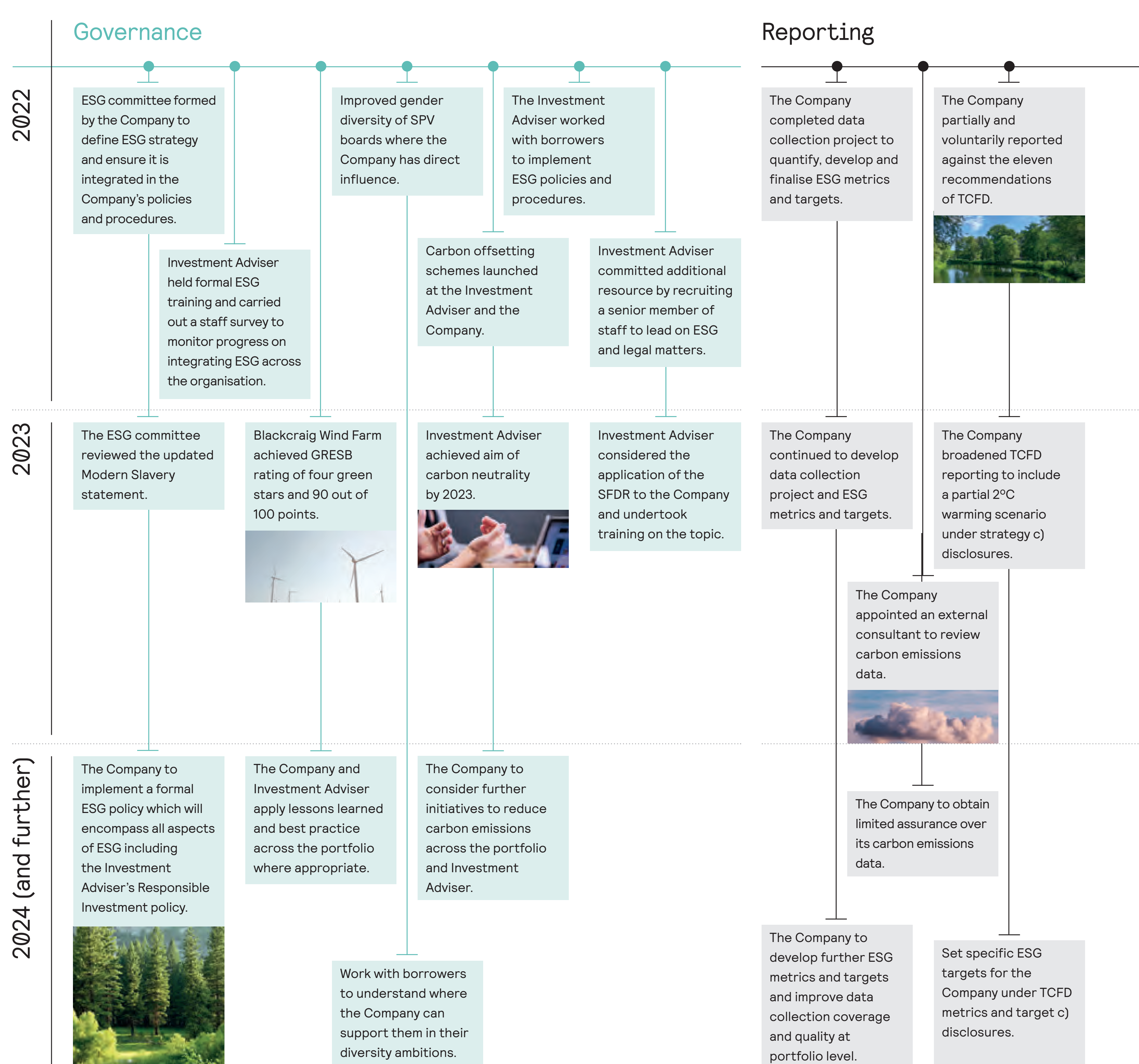
The data will also assist the Board in selecting relevant targets to manage risk and performance and inform other mitigations such as regular engagement, oversight and review.

The Company has also engaged with Aardvark, an independent and external provider, to advise on the necessary next steps to enable it to commission independent assurance of its ESG data collection process in due course.

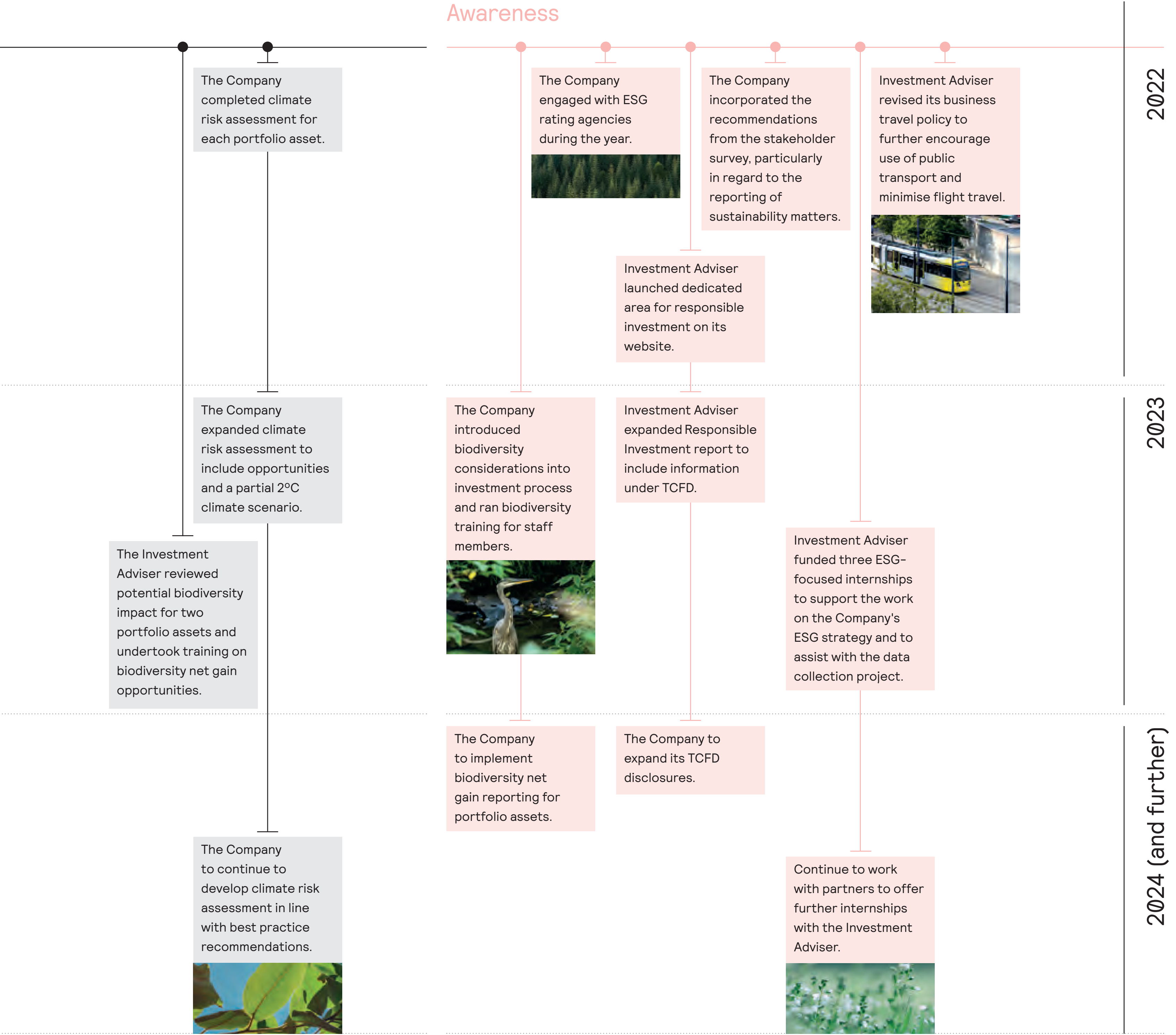
The Investment Adviser has achieved its goal of running its operations on a carbon-neutral basis by 2023. The Company is also committed to achieving carbon neutrality by offsetting emissions generated by business travel, therefore supporting the transition to net zero. The Investment Adviser and the Board believe this is the right thing to do as a business to meet the international target set out by the 2015 Paris Agreement to limit global warming to below 2°C.

Sustainability continued

ESG integration



The Company and the Investment Adviser have made considerable progress with ESG integration over the past years.



Stakeholders

Stakeholders are integral to the long-term 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, voluntarily reporting against the AIC Code allows the Company to meet any obligations relating to the 2018 UK Corporate Governance Code, 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 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 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 by the Board.

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 long-term decisions.

The stakeholder model on page 72 demonstrates how the Company interacts with its stakeholders. These relationships provide the foundation for the Company's longevity, which is beneficial to all parties. The Board understands the value of maintaining a high standard of business conduct and stakeholder engagement, whilst also ensuring the Company positively impacts the environment in which it operates.

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

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, is likely to promote the success of the Company for the benefit of its members as a whole in the decisions taken during the year as set out below.

The interests of the Company's employees

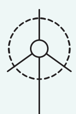
The Company has no employees but has close working relationships with the employees of the Investment Adviser and the Administrator to which it outsources its main functions.

Refer to stakeholder engagement section on pages 70 to 77 and to the governance section on pages 90 to 119.

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 70 to 77.



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 69.

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 in the governance section on page 99.

The need to act fairly between shareholders of the Company

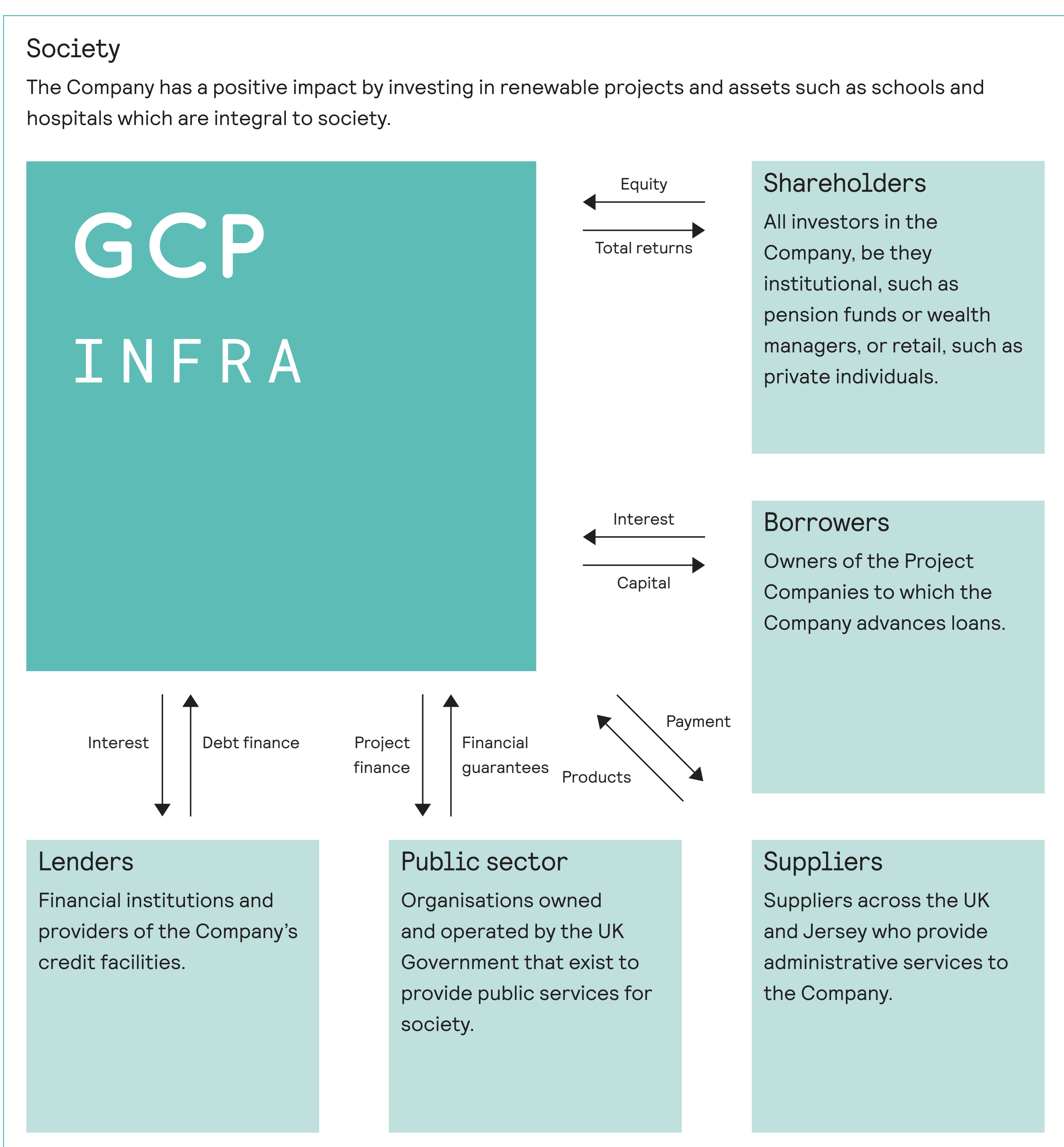
The Board actively engages with shareholders and considers their interests when setting the Company's strategy.

Refer to stakeholder engagement section on pages 70 to 77.

Stakeholders continued

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.

Stakeholder model



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 generates earnings that benefit shareholders through dividend income. The Board and the Investment Adviser recognise the importance of engaging with shareholders on a regular basis 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, engages 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 impact shareholders.

The Board encourages shareholders to attend and vote at general meetings of the Company so that they may discuss governance and strategy with them and 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.

The Board recognises that the Company is required to have its formal shareholder meetings in Jersey, which may preclude shareholders from attending. To address this issue, on 12 October 2022, the Company held its first 'Capital Markets day' in London, providing an opportunity for investors to meet the Board, the Investment Adviser and investee companies, as well as hearing in greater detail the work being undertaken to drive value within the portfolio. The presentation from the event is available on the Company's website. The Investment Adviser is planning to hold a second Capital Markets day in January 2024. Further information will be published by the Company in due course.

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 report is dispatched to shareholders by post (where requested) and is also available to download from the Company's website, together with the half-yearly report. In the annual report, the Directors seek to provide shareholders with sufficient information to allow them to obtain a reasonable understanding of developments affecting the business and the prospects for the Company in the year ahead.

The strategic report on pages 8 to 89 provides further information. Communication of up-to-date information is provided through the Company's website.

The Board and the Investment Adviser have continued to engage with ESG ratings agencies during the year and intend to engage further to understand how ESG ratings impact investor perceptions of the Company.

Stakeholders continued

Key Board decision:

Buyback programme

On 14 March 2023, the Company launched a proactive buyback programme of shares up to a maximum aggregate value of £15.0 million, as a result of the prevailing discount[1] to NAV at which the Company's ordinary shares were trading.

The Directors have the authority to repurchase up to 14.99% of the Company's share capital (132,631,170 ordinary shares at the date of the last authority) if they believe it to be in the Company's best interest as a whole and as a means of correcting any imbalance between supply and demand of the shares. The latest authority was granted at the 2023 AGM and the Board will be seeking a renewal of the authority at the 2024 AGM.

At the date the buyback programme was launched, the share price offered value to shareholders with the shares trading at a significant discount[1] to NAV, meaning any buybacks would be NAV accretive.

Process:

A Board meeting was held in March 2023 to discuss a recommendation from the Investment Adviser and the Broker that the Board initiate a buyback programme. During this meeting, the Board considered, amongst other matters, the (i) share price discount[1] to NAV, (ii) potential NAV accretion from buybacks against the investment pipeline, and (iii) available cash resources.

It was recognised that the repurchase of shares does not necessarily have a significant impact on the share price.

During the year, the Chairman, the Investment Adviser and the Broker met with a number of the Company's shareholders to understand their views on a buyback programme and the Company as a whole. The shareholders expressed their support for a buyback programme.

Outcomes:

Based on the buyback programme being in the best interests of the Company, and as an appropriate means of returning value whilst maximising sustainable long-term growth for shareholders, the Board authorised the initiation of a buyback programme of shares up to a maximum aggregate value of £15.0 million. The programme is authorised in increments in order for it to be monitored by the Board against the Company's cash position and share price.

During the year, the Company repurchased 13.6 million shares. Post year end, a further 3.4 million shares have been repurchased. All shares repurchased are held in treasury.

Key Board decision:

Strategic opportunities

On 11 August 2023, the Company announced that it had signed heads of terms with GCP Asset Backed in respect of a proposed combination of the Company with GCP Asset Backed (the "Scheme") and that it was in separate discussions with RM Infrastructure with the intention of agreeing a potential combination of the enlarged Company with RM Infrastructure.

Process:

On 6 September 2023, the Company announced that it had been unable to agree on structure and terms with RM Infrastructure in respect of a potential combination that was acceptable to both parties and, therefore, the Company notified RM Infrastructure of the termination of discussions on the matter.

A significant shareholder consultation exercise was undertaken for the Scheme with GCP Asset Backed.

The majority of the Company's shareholders recognised the Company's efforts to put forward constructive options that sought to accelerate: (i) the reduction of the Company's outstanding debt; (ii) the return of capital to shareholders; and (ii) the reset of return and risk being generated by the Company's portfolio of investments. The Board was made aware of a divergence of views regarding the merits of the Scheme amongst shareholders of GCP Asset Backed. The Board had no desire, if the Scheme was successful, to create an enlarged entity with a significant minority of investors opposed to it. The Board considered that such circumstances would risk the ability of the Scheme to achieve its intended purposes.

On 18 September 2023, the Company announced that it was no longer in discussions with GCP Asset Backed regarding the Scheme. As part of the heads of terms, the Investment Adviser underwrote the costs incurred by the Company of progressing the Scheme up to a capped amount, and therefore there was minimal cost to the Company and its shareholders for the consideration and development of the Scheme.

Outcomes:

Notwithstanding the cessation of the Scheme, the Company remains committed to delivering a strategy that accelerates the Company's capital reallocation. The Company's priorities for the use of its available cash reserves remain, in the first instance, a combination of reducing the Company's outstanding debt balance from the current £104.0 million; and buying back shares whilst the Company's share price trades at a material discount[1] to its NAV. Given these alternatives, the threshold for new investment activity remains a high hurdle.

The Board continues to work with the Investment Adviser to accelerate the return of capital to the Company in addition to scheduled amortisation through refinances, disposals and other means that may be available to the Company from time to time.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Key Board decision:

Electricity price hedging

At a Board meeting held in April 2023, the Investment Adviser recommended to the Board a new hedging policy for residual electricity price exposure. This recommended entering rolling seasonal commodity swap agreements to mitigate volatility in valuation caused by movements in electricity prices.

Process:

In recent years, the Company has increased its exposure to investments where the value of such investments was linked to merchant electricity prices, with valuations changing on a quarterly basis as power price forecasts were refreshed. Whilst recent changes to forecasts have benefited the Company, the volatility of such prices remains a risk to the Company.

Following the maturity of the electricity prices commodity swap agreement with Axpo Solutions AG entered into by the Company on 13 July 2022. For summer 2022 and winter 2022/23, on 15 February 2023, the Investment Adviser recommended that the Company enter into a new swap agreement for summer 2023, which expired on 30 September 2023. The Investment Adviser further recommended entering into a new swap agreement with Axpo Solutions AG for the 2023 winter season, and executed this trade on 28 September 2023, which is still in place at the date of the report.

The commodity swap agreement is a derivative financial instrument utilised for the purpose of hedging market price volatility.

Outcomes:

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

The Board therefore approved entering into the commodity swap agreements and adopted a hedging policy in April 2023.

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

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 that are beneficial to both parties. Borrower contact enables direct feedback and informs strategic decision making at the Board level.

How the Company engages

The Company has been able to advance a further £129.5 million to existing borrowers in the financial year under review with a further £0.1 million post year end.

The Investment Adviser is closely engaged with borrowers on an ongoing basis. Engagement takes the form of regular interaction with the borrowers by its dedicated portfolio management team. Refer to page 46 for further details and information on site visits carried out during the year.

The Board takes advantage of all available opportunities to engage with borrowers. This includes participating in site visits led by the Investment Adviser.

Stakeholders continued

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 the 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 101.

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 both service providers, refer to page 111 for further details.

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 UK 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 on the infrastructure sector through the Investment Adviser. 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 efforts 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 UK Government remains committed to its aggressive decarbonisation targets: net zero by 2050 and the decarbonisation of the electricity system by 2035. 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 indirectly 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 indirectly provides benefits to society through its investing activities, by contributing towards the generation of renewable energy and providing financing for infrastructure that has clear benefits to end users within society.

Investing in renewables, PPP/PFI and social housing projects indirectly creates job opportunities in supply chains that benefit local communities across the UK. Renewables projects not only have a positive impact on the environment but also have wider benefits for society, for example, improving local communities through Community Benefit Funds.

The Company's investments in supported living have helped fund many social housing properties across the UK, offering high-quality accommodation for people living with disabilities. The Investment Adviser has a particular focus on operating to the highest ethical standards in this area due to the vulnerability of some stakeholders.

Lenders

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

Why engage

The Company's facilities are used to make 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 a RCF. The Company, through its Investment Adviser, engages with its lenders on an ongoing basis.

The Company has in place a RCF of £190.0 million total commitments which will expire on 29 March 2024. The Investment Adviser on behalf of the Company has engaged positively with its lenders during the year. Post year end, in December 2023, the Company signed heads of terms for a new the debt facility at a reduced amount of £150.0 million, in line with the Board's stated intention of reducing Company leverage.

Given the transaction costs involved in renewing any debt facility, the existing facility has not been renewed ahead of expiry.

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.

Further details on the Company's RCF 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.

Approach to risk management

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

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. During the year, the Board continued to track its most material risks ('A' risks) on a risk matrix showing relative probability and impact. This allowed the Board to identify the twelve principal risks facing the Company as described on pages 80 to 87. During the year, risks relating to the share price discount[1] to NAV and the Company's strategic positioning were elevated to principal risks. Additional, less 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 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 and Administrator undertaken by a professional third party service provider.
- The contractual agreements with the Investment Adviser and other third party service providers, and their adherence and ongoing performance, are regularly reviewed by the Board and at least annually by the Management Engagement committee.

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.

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.

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's 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 considered.
- The Board of Directors directly or indirectly addresses 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 identifies, assesses and manages emerging risks, including climate change risk, is provided on page 88.

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 and 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. It also has responsibility for risk monitoring and risk measuring to ensure that the risk level complies with the Company's risk profile on an ongoing basis.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Risk management continued

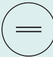
Principal risks and uncertainties

The principal risks faced by the Company detailed below are categorised under the headings of execution risk, portfolio risk, financial risk[1] and other risks.

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

This year, strategic positioning risk and share price discount or premium[2] to NAV risk have been elevated from 'A' risks to principal risks due to the level and persistence of the share price discount[2] to NAV. There have been no further movements between categories.

Category 1: Execution risk

Risk	Impact	How the risk is managed	Change in residual risk over the year
1 **Investment due diligence** Investment due diligence may not reveal all the facts relevant to 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, forestry and electric vehicles. **Link to strategy:**	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.	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.	 **Stable** The current macro-economic environment is uncertain, and the future outlook for inflation and interest rates is difficult to predict with accuracy. The war in Ukraine, along with unrest in the Middle East post year end has caused volatility in energy prices, however the Board does not intend to increase this risk from its existing heightened level.
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 a transaction. This is a risk when raising capital and when reinvesting capital repaid to the Company under existing loan agreements. **Link to strategy:**	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.	The Investment Adviser is constantly engaging with the market, seeking new deals, and building a specifically identified investment pipeline before the Company seeks to raise additional capital in order to ensure that it is deployed in a timely fashion. Consideration is also given to any scheduled capital repayments.	**Decreased** The Company made limited new loans of £9.2 million in the year. Portfolio investments of £129.5 million focused on restructuring and management. This was offset by repayments of £128.0 million, giving a net investment in the existing portfolio of £1.5 million. The Company maintains an attractive pipeline of investments at returns that would be accretive to dividend coverage and that reflect the current market pricing. However, the Company recognises that the use of cash resources for pipeline investments must be weighed against repayment of the Company's RCF or, whilst the Company's share price trades at a material discount[2] to the NAV, buying back shares.

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.
2. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Key to strategy references

Dividend income
Diversification
Capital preservation

Category 1: Execution risk continued

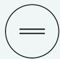
Risk	Impact	How the risk is managed	Change in residual risk over the year
3 **Reliance on the Investment Adviser** The Company is heavily reliant on third party service providers to carry out its main functions. In particular, the Company depends on the Investment Adviser and the expertise of its key 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 have a negative impact on the performance of both the Investment Adviser and the Company. The Company is also reliant on the effectiveness of the Investment Adviser's control environment. **Link to strategy:**	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.	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 the ongoing performance of the Investment Adviser and the Audit and Risk committee conducts an annual control review. 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 the role and proper training is provided for continued professional development. The Investment Adviser obtains assurance of its controls processes annually through the completion of an ISAE 3402 audit by external auditor Deloitte LLP.	**Increased** The Investment Adviser continues to provide adequate resources and act with due skill, care and diligence in its responsibilities as Investment Adviser and AIFM to the Company. The Company's shares are trading at a significant discount[1] to NAV, in line with the wider market, which means that new investment deals are not being actively pursued. The Investment Adviser is following the Board's policy of paying down debt and buying back shares to narrow this discount before considering new investments. The relationship between the Investment Adviser and the Board remains strong, open and collaborative and the Directors gain additional comfort from the fact that the Investment Adviser is part of the wider ORIX Corporation group, a global financial services company.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Risk management continued

Principal risks and uncertainties continued

Category 2: Portfolio risk

Risk	Impact	How the risk is managed	Change in residual risk over the year
4 **Changes in laws, regulations and/or UK Government policy impacting on investments** Changes in laws, regulations and/or UK Government policy, in particular those relating to the PPP/PFI and renewable energy markets, may have an adverse effect on the Company. **Link to strategy:** 1 2 3	Potential adverse effect on the performance of the Company's investment portfolio and the returns achieved by the Company. Price capping or other intervention in the energy market may impact returns. 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.	Any changes in laws, regulations and/or policy, or the application thereof, are monitored by the Board on an ongoing basis. The Investment Adviser engages with industry bodies to understand and influence Government policy options. 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, despite potential short-term intervention in the energy market, 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.	 **Stable** The implementation of the Electricity Generator Levy in January 2023 has impacted the short-term profitability of certain assets in the portfolio. The levy will be in place until 31 March 2028. Longer term, the UK Government has confirmed that offering contracts-for-difference is the Government's main mechanism to support new low-carbon electricity generation projects in the UK. Whilst the most recent auction failed to secure any bids to build new offshore wind capacity, lower offshore wind capacity in the UK is likely to lead to higher prices in the medium to long term, which will benefit the existing portfolio.
5 **Performance of, and reliance on, subcontractors** 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. **Link to strategy:** 1 3	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.	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 through diversification.	**Stable** 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. Notwithstanding these issues, there has been no evidence of insolvency indicators in the subcontractor group.

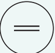
Key to strategy references

1 Dividend income

2 Diversification

3 Capital preservation

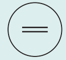
Category 2: Portfolio risk continued

Risk	Impact	How the risk is managed	Change in residual risk over the year
6 **Technological, operational or construction issues** 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. Operational risks also include cyber risks. 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. **Link to strategy:** 1 3	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.	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 unforeseen events. The Board ensures that the Company has security over the assets against which it is lending, so in the instance of a borrower default it can enforce security over the assets and implement performance improvement plans. The Investment Adviser's dedicated portfolio management team monitors the performance of investments on an ongoing basis. Monitoring takes 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.	 **Stable** The Company continues to face challenges in its gas-to-grid anaerobic digestion projects in Scotland. This year, upgrades have been made to enhance site resilience to storm damage, addressing previous issues. The Investment Adviser collaborated with landlords and operators to implement a more reliable biogas injection method into the local gas grid. Construction exposure was 1% at 30 September 2023 (30 September 2022: 1%).

Risk management continued

Principal risks and uncertainties continued

Category 3: Financial risk

Risk	Impact	How the risk is managed	Change in residual risk over the year
7 **Valuation** 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. 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. **Link to strategy:** 3	Such changes to valuations may negatively impact the value of the Company's investment portfolio. 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. Errors may occur in the calculation of an investment valuation with a potential corresponding impact upon the Company's published financial statements.	The Company's infrastructure investments are generally low volatility investments with stable, pre-determined, very long-term, public sector backed revenues. Nearly half of the Company's investment portfolio is exposed to some form of inflation protection mechanism. The Company's investments are valued by an independent Valuation Agent 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 premium to the risk-free rate that offers protection in the event of rate rises. 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.	 **Stable** The Company is exposed to a number of shareholder interests, c.9% 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. There is uncertainty regarding potential future Government intervention in the energy market, therefore forecast power prices may not be realisable in reality. Consequently, there is a greater element of subjectivity in the year-end valuation. This uncertainty, together with higher interest rates and the pricing of transactions in the market, has led the independent Valuation Agent to increase the discount rates on certain portfolio assets during the year.

Key to strategy references

Dividend income

2 Diversification

3 Capital preservation

Category 3: Financial risk continued

Risk	Impact	How the risk is managed	Change in residual risk over the year
8 **Company liquidity and balance sheet risk** The Company requires cash flows from investment income and loan repayments to fund its investment activities. 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 facility will be available to the Company on commercially acceptable terms or at all. **Link to strategy:** 1	If the Company is 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 its operating results.	The RCF is 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 capability to plan in advance the sale of assets if required for liquidity purposes.	**Decreased** 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. The Company refinanced two existing loan notes secured against two waste-wood biomass projects. This refinancing generated £50.0 million of net cash proceeds that were used to repay the Company's RCF, which along with other routine repayments, provided additional liquidity in the year. The Investment Adviser has liaised with the existing lending group and post year end, in December 2023, signed heads of terms with Lloyds, AIB, Mizuho and Clydesdale for a new reduced facility of £150.0 million in line with the Board's stated intention to reduce leverage by the end of 2024.

Risk management continued

Principal risks and uncertainties continued

Category 4: Other risks

Risk	Impact	How the risk is managed	Change in residual risk over the year
9 **Litigation or legal risk** Litigation or legal action either by the Company or against it or its assets, which involve legal costs, management time and resources with potential asset impairment consequences, notwithstanding possible mitigation through insurance schemes. The Company is required to disclose material litigation to shareholders and/or the Company's regulators. **Link to strategy:** 1 3	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.	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. Insurance regarding representations and warranties is considered on its merits by the Investment Adviser for each transaction.	**Stable** Previously disclosed litigation and regulatory proceedings regarding a number of solar assets have continued to progress during the year. Further details are set out in the Investment Adviser's report on page 27.
10 **Geopolitical** Risk of a sustained shift in the geopolitical environment. For instance, international conflict, a winding back of globalisation, trade wars and the desire to be more self-sufficient in energy, and increased migrant flows. **Link to strategy:** 1 2 3	Impacts on supply chains, inflation, interest rates, and 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.	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.	**Stable** Although the geopolitical landscape remains turbulent, with the ongoing war in Ukraine and increased unrest in the Middle East post year end driving higher energy prices and inflation, the Board does not consider that this risk needs to be increased from its existing heightened level. The Board, along with the Investment Adviser, continues to closely monitor the impact of these issues on the portfolio.

Key to strategy references

1 Dividend income

2 Diversification

3 Capital preservation

Category 4: Other risks continued

Risk	Impact	How the risk is managed	Change in residual risk over the year
11 Share price discount or premium[1] to NAV The Company's share price discount[1] to NAV will persist and widen to a significant level, or will remain at an insufficiently large or consistent premium[1]. **Link to strategy:** 1 2 3	A significant discount[1] may prevent the Company raising more capital. If the Company was unable to secure further capital for investment, this may adversely affect the Company's ability to achieve its investment policy and strategy and/or maintain a diversified portfolio of investments.	The level of discount[1] that the Company's shares are trading at has meant that buybacks have become an attractive option from an investment point of view relative to other opportunities. Consequently, during the period, the Company has commenced a share buyback programme of shares up to an aggregate value of £15.0 million. The decision to buy back shares is subject to ongoing evaluation by the Board of the Company's share price, the investment pipeline and the available cash resources of the Company. The level of discount[1] relative to the NAV per share is closely monitored by the Board.	**New** The Company's shares have traded at an average discount[1] of 14.3% during the year and an average premium[1] of 7.9% since IPO. The level of share price discount[1] is being closely monitored by the Board. The Company has undertaken a share repurchase scheme as part of its ongoing investment strategy, particularly given the high discount[1] to NAV it has experienced. These purchases are an attractive use of shareholders' funds relative to the pipeline of potential new investments, and they are expected to enhance earnings per share and dividend cover going forward.
12 Strategic positioning The Company's shares are trading at a persistent discount[1] to the NAV. In this environment there is a strong argument to prioritise de-levering and buying back shares over making any new investments. The Board has to determine the right balance and set the strategy accordingly. Shareholders may disagree with the strategy, or it may not work as intended. **Link to strategy:** 1 2 3	Implementation of the wrong strategy or poor execution of it will damage sentiment in the Company, exacerbating the issue with the discount[1].	The Board is prioritising the allocation of capital to pay down the balance drawn under its RCF alongside the buyback of shares. Select sales of portfolio assets are under consideration. At the same time, the Investment Adviser continues to develop a pipeline of new investment opportunities and is considering the refinance of existing positions to improve returns and/or reduce risk, whilst acknowledging the current high hurdle for new investment.	**New** This risk has been elevated from an "A" risk to a principal risk due to the level and persistence of the share price discount[1] to NAV at the year end, refer to risk 11 above.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

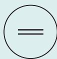
Risk management continued

Principal risks and uncertainties continued

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 a lack of data to assess and to base the risk response on. The relevant emerging risks for the Company are described below. Emerging risks is an area that the Board will continue to consider.

Emerging risks

Risk	Impact	How the risk is managed	Change in residual risk over the year
1 **Climate change** **a) Physical** Higher frequency and severity of extreme weather conditions, for example intense heat waves, storm surges and higher water levels on coasts.	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.	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.	 **Stable** 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, the ESG committee and the Investment Adviser. During the year, the Investment Adviser carried out a climate risk assessment for each underlying portfolio asset to assess the actual and potential impacts of climate-related risks and opportunities across the portfolio. The analysis considered both physical and transition risks for each asset. Further information is given on pages 62 to 65.
2 **Climate change** **b) Transition** 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.	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.	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.	**Stable** Government climate policy, transition planning frameworks, and standards of best practice are all nascent and will continue to evolve for some time. The ESG 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.

Key to strategy references

Dividend income

Diversification

Capital preservation

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 RCF, including the refinancing of the current facility before its scheduled maturity in March 2024 (refer to note 15), in line with heads of terms signed post year end, hedging arrangements, cash flow forecasts and stress scenarios.

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 may 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 80 to 87, that could materially affect the cash flows of the underlying projects that support the Company's investments. This included an assessment of the impact of the new risks; share price discount or premium[1] to NAV and strategic positioning, on the viability of the Company.

The potential impact of a further increase in power prices and, in particular, the consequent cash requirements of the Company's hedging programme, has been considered in the context of each project in the portfolio.

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 UK 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 by 3% over the all-in margin or operating expenses of 50%;
- the impact of a significant proportion of the portfolio, 50%, not yielding, which is a worst case scenario and would require a number of the principal risks materialising in parallel; and
- the potential impact of a short-term increase in electricity prices over the period to maturity of the financial derivatives by a 99% worst case scenario 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 RCF is refinanced in advance of the date of expiry and it remains in place to provide short-term finance.

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 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 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:

Andrew Didham
Chairman

12 December 2023

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Governance

What's in this section

Board of Directors
Pages 92 and 93

The Investment Adviser
Pages 94 to 97

Board leadership and purpose
Pages 98 and 99

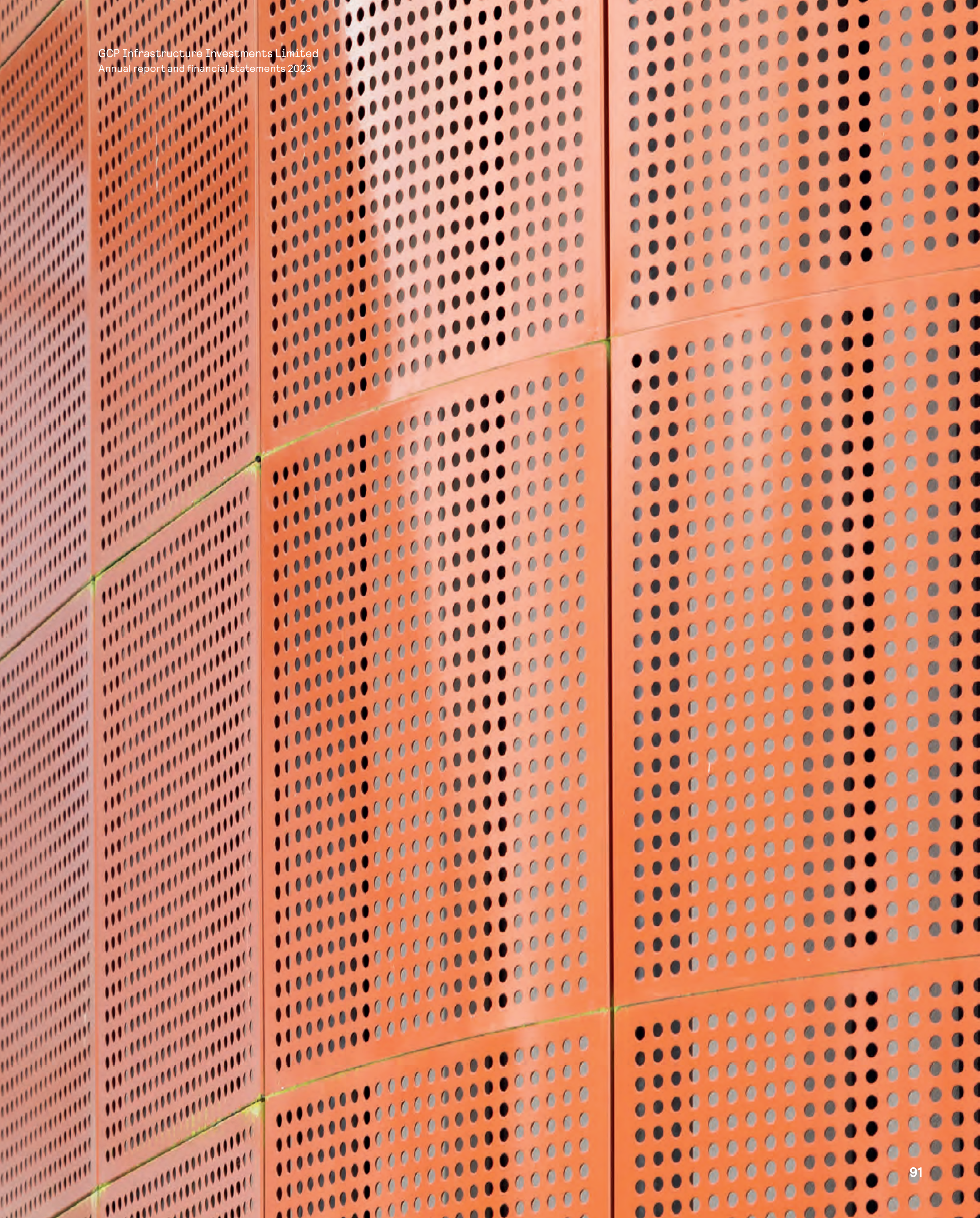
Division of responsibilities
Pages 100 to 103

Composition, succession and evaluation
Pages 104 to 107

Audit, risk and internal control
See the Audit and Risk committee report on pages 108 to 111, risk management disclosures on pages 78 to 89 and the financial statements on pages 120 to 154

Remuneration
See the Directors' remuneration report on pages 112 to 115

Directors' report
Pages 117 to 119



Board of Directors

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

Andrew Didham
FCA

Chairman and Chair of the Nomination committee

Andrew Didham, a UK resident, is a Fellow of the Institute of Chartered Accountants in England and Wales. A senior executive director with extensive board level experience in the Rothschild Banking group, Andrew 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 serves on the boards of IG Group Holdings plc and Shawbrook Group plc as a non-executive director and audit committee chairman. Within Rothschild, he remains an executive vice chairman, presently on a part-time basis. Formerly, he served as a non-executive director of Charles Stanley PLC and Jardine Lloyd Thompson Group plc and, prior to joining Rothschild & Co, 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.

Skills and experience:
Banker and Chartered Accountant with extensive board experience, strong leadership skills and a wealth of financial knowledge, particularly in relation to debt financing.

Date of appointment:
17 December 2021

Julia Chapman

Senior Independent Director

Julia Chapman, a Jersey resident, is a solicitor qualified in England, Wales and 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 AIF vehicles. Julia serves on the boards of two other Main Market listed companies, Henderson Far East Income Limited and BH Macro Limited, and of The International Stock Exchange (the shares of which are listed on its own exchange).

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
FCBI, 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, 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 LSE listed companies JTC plc, EPE Special Opportunities Limited, Foresight Enterprise VCT plc and TEAM plc.

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. Steven serves on the boards of three other Main Market listed companies: he is a non-executive director and chair of Blackstone Loan Financing Limited, a non-executive director and chair of the audit and risk committee of HarbourVest Global Private Equity Limited, and a non-executive director of Phoenix Spree Deutschland Limited. Prior to 2007, he was a director of Maples Group in 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

Chair of the Management Engagement committee and Chair of the ESG committee

Dawn Crichard, a Jersey resident, is a Fellow of the Institute of Chartered Accountants of England and Wales with over 25 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. Dawn also held the senior financial position for a substantial multinational family office business, including establishing and overseeing high value private expert funds. She is currently a non-executive director and chair of the audit committee for the funds of a Northern European private equity firm. 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, both operational and financial, within the commercial and funds sectors.

Date of appointment:
16 September 2019

Alex Yew

Non-executive Director

Alex Yew, a UK resident, has more than 25 years of experience as a lawyer, banker and investor. He is a qualified solicitor in Singapore, England and Wales. Alex currently holds a number of non-executive roles in infrastructure, energy and energy transition.

Prior to this, Alex was a senior adviser and a senior managing director at John Laing, an international investor in infrastructure and energy assets. Alex worked at John Laing for more than 14 years, during which time he held leadership positions in project finance, new markets, strategy and partnerships in European and Latin American markets. He was also a member of the senior leadership team and the investment committee. Prior to John Laing, Alex was a director in the infrastructure advisory team at CIBC World Markets in London. He was also a banker and lawyer in Southeast Asia.

Skills and experience:
Qualified solicitor with extensive international experience in finance law, banking and investing. Specialises in infrastructure, PPPs, renewable energy and energy transition.

Date of appointment:
1 November 2022

The Investment Adviser

At Gravis we don’t believe in a short-term approach to investment.

We are Gravis. We invent and manage funds that aim to give investors radically steady returns. We involve ourselves in long-term projects that offer a human dimension, investing in assets that will be needed for many years to come, such as renewable energy generation and social and economic infrastructure. Our investments are generally underpinned by dependable cash flows and generate long-term, predictable income.

Our long-term approach enables us to engage with our stakeholders on matters relating to the Principles for Responsible Investment. We recognise that applying the principles better aligns our investment activities with the broader interests of society, and we are committed to their adoption and implementation. This gives us the opportunity to drive positive change where possible.

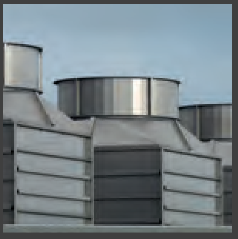
As a team, we have worked together over many years to build both our investment philosophy and a practical track record of performance. We have created funds that make infrastructure, real estate and asset backed investments that are accessible to a wide range of investors.

We are a multi-disciplined investment team with the capability to critically evaluate and execute investment opportunities. Individually, we 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 Asset Backed and advises Gravis Clean Energy Income, Gravis UK Listed Property, Gravis UK Infra and Gravis Digital Infra.

Managing assets of £3bn

Across a diverse range of sectors and structures. This includes our open-ended funds which are managed by Valu-Trac and advised by Gravis.



Experts in long term

We believe that investing with a focus on a positive long-term impact for people and the planet translates to steady returns.

Built to weather market cycles

Many of our investments are backed by central and local UK Government or long-term contracted cash flows.

Formed in 2008

At a time when institutions weren’t able to offer investors interest or security, we found a way to combine stability with returns. It’s shaped our approach ever since.

Investment team

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

Philip Kent
Chief Executive Officer

Philip Kent is the CEO 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 ten 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.

Anthony Curl
Chief Investment Officer

Anthony Curl is Chief Investment Officer at the Investment Adviser.

Background:
Anthony joined Gravis from Alpha Real Capital, where he was an investment committee member and, as co-head of long income, managed several investment teams. Having started his career in banking, Anthony has worked at asset managers such as BlackRock. He has also worked in the insurance sector, for example as portfolio manager of Friends Life's annuities book.

Skills and experience:
Significant experience across a range of public and private asset classes, including real assets and credit.

Ed Simpson
Director, Head of Energy and Infrastructure

Ed Simpson is Head of Energy and Infrastructure, overseeing all direct infrastructure and renewables investment activity.

Background:
Ed joined Gravis from Gresham House, where he was the co-manager of its sustainable infrastructure fund. He started his career in sustainable investment at Bridges Fund Management in 2008 and has also worked at the Carbon Trust and Downing. He has led investments in several key sustainable themes: decarbonisation (battery energy storage, peaking power plants, renewable energy generation: anaerobic digestion, hydro, solar and wind), digital infrastructure, modern methods of construction for housing, regeneration (biodiversity net gain habitat banks), vertical farming, waste and recycling solutions.

Skills and experience:
Qualified Chartered Accountant with extensive experience in the sustainable infrastructure sector, including renewables and asset backed transactions.

Max Gilbert
Investment Director

Max Gilbert is an Investment Director at the Investment Adviser and acts as adviser to the Company.

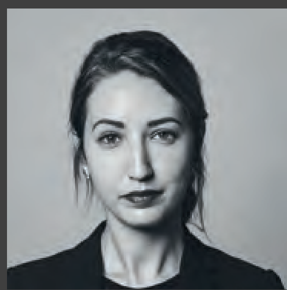
Background:
Max joined Gravis in 2018 having worked at Cambridge Associates, a global investment consultancy advising US and European pension funds on their private investments. He was responsible for consulting on potential new investments and detailed private fund due diligence, as well as ongoing investment monitoring.

Skills and experience:
Mechanical engineer by training with significant experience in the infrastructure sector, including infrastructure debt and renewables transactions.

The Investment Adviser continued

Investment and portfolio management

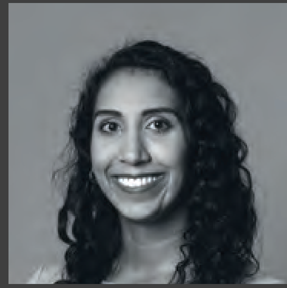
David Barley
Investment Director



Katia Brisson
Associate Director

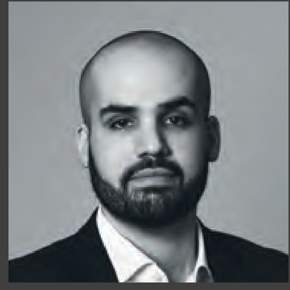
Ian Gaunt
Associate Director

Michael Horton
Associate



Bianca McMillian
Associate

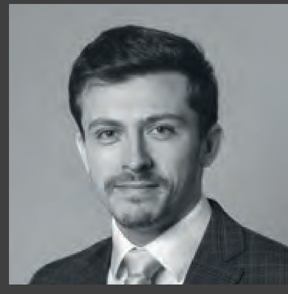
Robyn Olsen
Associate Director



Kwabena Oppong
Associate Director

Matteo Quatraro
Director,
Head of Portfolio

Benjamin Rider
Associate Director

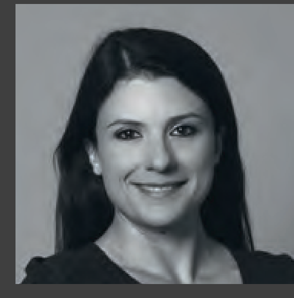


Tim Roberts
Associate

Ashley St. Louis
Associate

Financial and operations

Saira Johnston
Chief Financial Officer



Chloe Marlow
Director of
Investor Reporting

William Parry-Jones
Fund Financial Controller

Mary Tiernan
Investor Reporting
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 GRVS Capital Partners LLP (formerly 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.

Gravis is an independently managed business with ORIX Corporation as majority shareholder. ORIX are a global financial services company based in Japan. Their partnership has helped Gravis to expand into new markets, focus on returns for investors and ensure responsible investing remains a key focus.

Investment Advisory Agreement

The Company is party to an Investment Advisory Agreement dated 28 June 2010, as amended and restated most recently on 26 January 2023, 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.

During the year, the Investment Adviser received a fee of £83,000 in relation to its role as the Company's AIFM. The fee is increased annually at the rate of RPI.

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 ESG; 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 and are based on the Company's investment policy, the overall investment parameters set by the Board and 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 LSE'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.

Andrew Didham
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 and provisions of the AIC Code. The AIC Code addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions that are of specific relevance to investment companies such as the Company.

The Board considers that reporting against the principles and provisions of the AIC Code, which is endorsed by the FRC and supported by the JFSC, provides better and more relevant information for shareholders.

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 from the FRC website (**www.frc.org.uk**).

Statement of compliance with the AIC Code
During the year the Company complied with the principles and provisions of the AIC Code, except for the establishment of a Remuneration committee (provision 9.2). The Board fulfils the role of the Remuneration committee as it was agreed that the size and entirely non-executive nature of the Board does not warrant the establishment of a separate committee.
The Directors' remuneration consists of an annual fee and has no element of performance or equity-based compensation. The Directors' remuneration report is included on pages 112 to 115.

The Board and its purpose
The Board consists of six Directors, all of whom are non-executive and are considered independent. Biographical details of the Directors are shown on pages 92 and 93.

The Board is responsible for the long-term success and sustainability of the Company, as well as the effective stewardship of its affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy. 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.

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 112 to 115.

Appointments to the Board continue to be based on merit, regardless of gender, ethnic group or social 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 105.

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 and upon request from the Company Secretary.

The principal matters considered by the Board during the year included:

- Board succession planning;
- cash management;
- approval of potential investment and divestment decisions, delegated to the Investment committee for action and oversight;
- declaration of dividends and dividend strategy;
- electricity prices strategy and associated hedging;
- ESG matters;
- capital allocation;
- share buybacks; and
- strategic initiatives.

Board values and culture

Under the leadership of the Chairman, the Board operates with the core values of integrity and impartiality with the 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 40 to 69 for additional information on Company ESG initiatives.

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 annual performance evaluation process. 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.

The culture of the Company's service providers, including their policies, practices and behaviour, is considered by the Management Engagement committee during the annual review of the performance and continuing appointment of all 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[1]

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:
Andrew Didham

Julia Chapman

Dawn Crichard

Michael Gray

Steven Wilderspin

Alex Yew

Board committees

Audit and Risk committee	ESG committee	Investment committee	Management Engagement committee	Nomination 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.	**Purpose:** Developing the Company's ESG strategy and policy and ensuring it is integrated in the Company's policies and procedures.	**Purpose:** Considering new investment proposals received from the Investment Adviser based on the Company's investment policy and the overall investment parameters.	**Purpose:** Reviews the performance and continuing appointments of the Investment Adviser and other service providers.	**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

Audit and Risk committee	ESG committee	Investment committee	Management Engagement committee	Nomination committee
Chair: Steven Wilderspin Julia Chapman Dawn Crichard	Chair: Dawn Crichard Andrew Didham Julia Chapman Michael Gray Steven Wilderspin Alex Yew	Chair: Michael Gray Andrew Didham Alex Yew	Chair: Dawn Crichard Andrew Didham Julia Chapman Michael Gray Steven Wilderspin Alex Yew	Chair: Andrew Didham Julia Chapman Michael Gray
See Audit and Risk committee report on pages 108 to 111.	See sustainability section on pages 40 to 69.			See Nomination committee report on pages 104 to 107.

1. At the year end.

Committees

The structure includes an Audit and Risk committee, an Investment committee, a Management Engagement committee, a Nomination committee and an ESG 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 108 to 111.

Investment committee

The Investment committee comprises Michael Gray (Chair), Andrew Didham and Alex Yew, effective from 1 November 2022. Ian Reeves CBE was a member until he retired from the Board on 31 October 2022.

The Board has agreed terms of reference for the Investment committee which include meeting to consider new investment proposals received from the Investment Adviser based on the Company's investment policy and the overall investment parameters set by the Board. The committee met nine times during the year.

The committee reports upon request and otherwise on a quarterly basis to the Board, such that the Board can adequately monitor the implementation of the Company's investment policy. Opportunities that the committee believes would be beneficial to the Company but are outside the investment policy are referred to the Board.

The committee is also responsible for ensuring that investment proposals from the Investment Adviser have been properly prepared and comply with the Company's investment policy and strategy, include stakeholder and ESG considerations and that key conditions precedent are complied with for each transaction. The committee also approves 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 chaired by Dawn Crichard.

The Board has agreed terms of reference for the committee, which meets at least once a year and the chair of the committee provides progress reports at each quarterly Board meeting on the performance of the Investment Adviser and other third party service providers, the terms of their engagement, remuneration and their continued appointment.

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.

ESG committee

The Board has established an ESG committee comprising all the Directors, for the purpose of defining the Company's ESG strategy, overseeing the implementation and effectiveness of such a strategy and ensuring it is integrated into the Company's policies and procedures. The committee met once during the year and the chair of the committee provides progress reports at each quarterly Board meeting on matters initiated and under the supervision of the committee.

Further details on the Company's ESG activities are described in the sustainability section on pages 40 to 69.

Nomination committee

The membership and activities of the Nomination committee are described in its report on pages 104 to 107.

Committee membership changes during the year and post year end

As part of the Board's medium-term succession plan, a number of changes were made to the Board committees.

Ian Reeves CBE retired from the Board on 31 October 2022 and Alex Yew joined as a non-executive Director and became a member of the Investment committee, the Management Engagement committee and the ESG committee on 1 November 2022.

The Chairman of the Board

The Chairman, Andrew Didham, who is considered independent by the Board, is responsible for the leadership of the Board, including organising the Board's business and setting its agenda. He has no significant commitments other than those disclosed in his biography on page 92 and considers himself to have sufficient time to spend on the affairs of the Company.

Mr Didham is an executive vice chairman at Rothschild & Co, presently on a part-time basis. Rothschild & Co is engaged by the Company to provide ongoing investor relations support. The Company and Rothschild & Co maintain procedures to ensure that Mr Didham has no involvement in either the decisions concerning the engagement of Rothschild & Co or the provision of investor relations services to the Company.

The relationship between the Company and Rothschild & Co is not material in nature and is not considered to impair Mr Didham's independence. The fees paid to Rothschild & Co in the financial year ended 30 September 2023 represented 0.3% of the total expenses of the Company.

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.

Division of responsibilities continued

Meetings

The Board meets at least four times a year, and in addition, regular contact is kept between the Board, the Investment Adviser, the Administrator and the Company Secretary. The number of scheduled 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		ESG committee		Nomination committee	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Andrew Didham	4	4	—	—	9	9	1	1	1	1	2	2
Ian Reeves CBE[1]	1	1	—	—	1	1	—	—	—	—	1	1
Julia Chapman	4	4	4	4	—	—	1	1	1	1	2	2
Michael Gray	4	4	—	—	9	9	1	1	1	1	2	2
Steven Wilderspin	4	4	4	4	—	—	1	1	1	1	—	—
Dawn Crichard	4	4	4	4	—	—	1	1	1	1	—	—
Alex Yew[2]	3	3	—	—	8	8	1	1	1	1	—	—

1. Ian Reeves CBE retired from the Board on 31 October 2022. Prior to this, he was a member of the Investment committee, Management Engagement committee, the ESG committee and Nomination committee.
2. Alex Yew joined as a non-executive Director and became a member of the Investment committee, the Management Engagement committee and the ESG committee on 1 November 2022.

In total, there were twelve Board meetings and 17 committee meetings convened during the year. Eight of the Board meetings were ad-hoc and in respect of the approval of the half-yearly and annual financial statements, the share buyback programme and strategic initiatives.

The Investment Adviser, the Company Secretary and the Administrator 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 is set out in the risk management section on pages 78 to 89.

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 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.

Market Abuse Regulation

The EU Market Abuse Regulation came into effect on 3 July 2016 and was enshrined 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.

UK AIFM Regime

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

AIFM remuneration

The Investment Adviser is authorised as an AIFM by the FCA under the UK AIFM Regime. The Company has provided disclosures on its website, incorporating the requirements of the UK AIFM Regime.

The total annual remuneration paid to the Investment Adviser by the Company is disclosed in note 20 to the financial statements and further detail is provided on page 97.

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.

Composition, succession and evaluation

Nomination committee report

I am pleased to present the Nomination committee report for the year ended 30 September 2023.

Andrew Didham
Chair of the Nomination committee

The Nomination committee comprises Andrew Didham, Michael Gray and Julia Chapman. Ian Reeves CBE was a member until he retired from the Board on 31 October 2022.

Function of the Nomination committee

The Nomination committee is formally charged by the Board to regularly review the structure, size, composition and remuneration of the Board and make recommendations to the Board with regard to any changes to the Board, its individual committees and remuneration. It operates within clearly defined terms of reference which are available on the Company's website or from the Company Secretary upon request. 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, experience, skills, and promoting diversity of gender, social and ethnic backgrounds). During the year, the Nomination committee held two meetings. Attendance of members at those meetings is shown in the table on page 102. The other Directors and relevant third parties may be invited by the Nomination committee to attend meetings as and when appropriate.

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 92 to 93.

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.

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 Directors meet with relevant persons at the Investment Adviser and service providers. A programme of induction training is agreed with each new Director.

Director training

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

Diversity

Diversity, including, but not limited to, gender, social background, ethnicity, age, sexual orientation, disability and 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 composition of the Board satisfies the recommendation set by the FTSE Women Leaders Review (formerly known as the Hampton-Alexander Review) with 33% female Directors.

The committee notes the recommendations of the FTSE Women Leaders Review and the Parker Review on gender and diversity, as well as the FCA rules on diversity and inclusion on company boards. Namely, that from accounting periods starting on or after 1 April 2022:

a) at least 40% of individuals on the Board to be women;

b) at least one senior Board position to be held by a woman; and

c) at least one individual on the Board to be from a minority ethnic background.

The committee continues to develop its succession plan in line with these recommendations, noting that both (b) and (c) are currently satisfied through Julia Chapman's role as Senior Independent Director and the appointment of Alex Yew, who is from an Asian ethnic background, as a Director effective from 1 November 2022.

In accordance with Listing Rule 9 Annex 2.1, the tables below, in the prescribed format, show the gender and ethnic background of the Directors at the year end.

Gender identity or sex

	Number of Board members	Percentage on the Board	Number of senior positions on the Board
Men	4	67%	1
Women	2	33%	1
Not specified/prefer not to say	—	—	—

Ethnic background

	Number of Board members	Percentage on the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	5	83%	2
Mixed/multiple ethnic groups	—	—	—
Asian/Asian British	1	17%	—
Black/African/Caribbean/Black British	—	—	—
Other ethnic group, including Arab	—	—	—
Not specified/prefer not to say	—	—	—

The data in the above tables was collected through self-reporting by the Directors.

Composition, succession and evaluation continued

Nomination committee report continued

Board independence

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.

Overboarding

The Directors consider that as an investment company, the Company demands less time commitment than what would be required of an executive of an operating company. The Directors also believe that a formulaic approach to assessing whether a Director is able to effectively discharge their duties is not appropriate given the nature of the Company and directorships.

Prior to accepting the appointment as a Director of the Company, each Director must disclose existing significant commitments and confirm that they are able to allocate sufficient time to the business of the Company. In addition, the Company has an external directorship appointment policy whereby a Director must consult with, and seek prior approval from, the Chairman or the Senior Independent Director before committing to any new listed, conflicted, time consuming or otherwise material board appointments. The Director should promptly notify the Company Secretary of any new board appointments which they take on so that the appropriate records can be updated and any announcements per the Listing Rules can be made if required.

Prior to recommendation for re-election to the Board, each Director's continuing ability to meet the time requirements of the role is assessed by considering, amongst other things, their attendance at Board, committee and other ad hoc meetings and events of the Company that may be held during the year as well as the nature and complexity of other, both public and private, roles held.

The number of public company directorships held by Michael Gray has previously been noted by Institutional Shareholder Services ("ISS"), a proxy adviser which publishes voting recommendations for its clients in respect of listed issuers. ISS use a formulaic, standard approach for all listed issuers based on the number of external directorships and do not consider a director's abilities or experience or the workload of each directorship.

As detailed above, the Board has processes in place to mitigate instances of overboarding, such as the pre-approval of external directorships, and reviews each Director's continuing ability to meet the time requirements of the role.

The Board is satisfied with Michael Gray's commitment to the Company, particularly in his role as Chair of the Investment committee where he continues to make invaluable contributions using his experience and expertise in banking, finance and corporate governance, and has no concerns with his ability to meet the time requirements of the Company.

As shown in the table on page 102, Michael Gray attended 100% of the scheduled Board and committee meetings he was entitled to attend during the year.

Board tenure and succession planning

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.

Director recruitment

In consultation with the Nomination committee, in April 2022, the Board engaged Nurole Ltd ("Nurole"), an independent and reputable external consultant based in the UK, with no connection to the Company, its Directors or the Investment Adviser, to undertake a search process to identify potential candidates to replace Ian Reeves CBE. 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.

Nurole presented a list of 15 diverse potential candidates, which was short-listed by the Nomination committee to six. Those six were interviewed by video conference by the committee in July 2022. Of those, two were invited to a face-to-face meeting with both the Nomination committee and the Investment Adviser in September 2022. Following these interviews, the committee provided feedback to the rest of the Board and Alex Yew was selected, subject to regulatory approval and appropriate notice period being served. This was completed and Alex Yew was appointed as a Director effective 1 November 2022.

Following the transfer of Chairmanship from Ian Reeves CBE to Andrew Didham on 20 June 2022 and the appointment of Alex Yew, Ian Reeves CBE retired on 31 October 2022.

Performance evaluation

In accordance with the AIC Code, an external Board evaluation is carried out every three years, with intervening years seeing internal evaluations by means of a questionnaire.

During the year, the Board undertook an external performance evaluation, which was led by the Nomination committee and designed to assess the strengths and independence of the Board and the performance of its committees, the Chairman and individual Directors. The committee engaged Stephenson Executive Search Limited, a specialist consultancy firm independent of the Company and its Investment Adviser, to carry out the external evaluation. The results of the external evaluation were presented to the Nomination committee and subsequently to the Board, and regarded as satisfactory. The main findings related to the challenge of succession planning having regard for the interaction of Jersey legal requirements and the various rules and recommendations applicable to UK listed companies, along with the need to maintain an appropriate mix of talent and experience on the Board. A number of changes have been made to the composition of the Board and its committees in recent years as part of the Board's succession plan and further changes will be made to ensure best practice with the AIC Code and Board diversity recommendations and that the Board maintains the breadth of skills and experience required to manage the Company.

Appointment and re-election of Directors

All newly appointed Directors stand for election by shareholders at the next AGM following their appointment. Under the provisions of the Company's Articles, the Directors retire by rotation, with one-third of the Directors submitting themselves for re-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.

All of the Directors will be offering themselves for re-election at the forthcoming AGM on 14 February 2024.

Having considered the Directors' performance within the external Board performance evaluation process, the Board believes that it continues to be effective and the Directors bring extensive knowledge and commercial experience together with demonstrating a range of business, financial and asset management skills. The Board therefore believes that it would be in the Company's best interests for the Directors to be proposed for re-election at the AGM given their material level of contribution and commitment to the role and, hence, recommends that shareholders vote in favour of each Director's proposed re-election.

Terms of reference and policies

The committee reviews its policies and terms of reference at least annually and at such other times as required to ensure that it continues to operate effectively. All recommended updates were approved by the Board.

On behalf of the Board

Andrew Didham
Chair of the Nomination committee

12 December 2023

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 2023.

Steven Wilderspin FCA
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 2023, the committee comprised three Directors: Steven Wilderspin (Chair), who is a Chartered Accountant, Dawn Crichard, who is also a Chartered Accountant, and Julia Chapman, who is a qualified solicitor.

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 four times during the year ended 30 September 2023. Attendance of members at these meetings is shown in the table on page 102.

Financial reporting

The committee considered the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 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.

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 recommendations 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 independent Valuation Agent, the Investment Adviser and the Auditor, including the Auditor's valuation specialist;
- overseeing relations with the 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;
- developing the Company's risk management framework;
- reviewing the committee's own terms of reference; and
- reviewing the Company's cash management and treasury policy.

The Auditor is invited to attend the committee meetings where the audit plan, annual report and half-yearly reports are considered and has 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 June 2023 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 2023 to discuss their report, following the conclusion of the audit.

The Auditor explained the results of the 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 £169,000 (30 September 2022: £145,000). Non-audit fees amounted to £47,000 (30 September 2022: £47,000) 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 2023. 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 quality and 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 of good quality and has recommended the re-appointment of KPMG as the Company's Auditor at the 2024 AGM.

As with previous years, it has been decided that the Auditor would review the Company's half-yearly report and financial statements, but the Auditor would not be requested to perform any other non-audit services.

The Audit and Risk committee considers KPMG to be independent to 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.

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 2023 was £1.0 billion (30 September 2022: £1.1 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 19.3 to the financial statements.

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

The discount rates adopted to determine the valuation are selected and recommended by the independent 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 19.3 to the financial statements.
The resulting valuation is sensitive to the discount rate selected, in addition to other key assumptions which affect forecast future cash flows, such as future inflation rates and forecast electricity prices. The independent Valuation Agent is experienced and active in the area of valuing these investments and adopts discount rates it believes are appropriate using its extensive experience.

In particular, the committee considered the effect of electricity prices on the valuation of investments. Additional disclosures in relation to the impact can be seen in the Investment Adviser's report on pages 33 and 34. 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.9% of the portfolio by value. The committee was satisfied that the range of discount rates was appropriate for the valuation carried out by the independent Valuation Agent.

As detailed in the investment portfolio section on page 32, there have been certain investments subject to upward and downward revaluations equivalent to 2.81 and 8.39 pence per share respectively during the year. These revaluations were discussed and agreed with the independent Valuation Agent and the Investment Adviser.

The upward revaluations predominantly comprise revisions to inflation forecasts and principal indexation applied to the valuation of the portfolio. The majority of the downward revaluation is a direct result of discount rate changes, lower electricity prices and power generation, and the application of the Electricity Generator Levy to the renewable portfolio. Further information on valuation movements is given on page 32.

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 continued the hedging programme to reduce volatility in the portfolio. Further information is presented in note 18 to the financial statements.

Other matters considered

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

Risk management

During the year, the committee continued developing and reviewing its new risk management framework and procedures. A full business risk assessment was conducted by the committee and considered by the Board in October 2023. The committee also considered the presentation of risk-related matters in the annual report and financial statements, as disclosed on pages 78 to 89.

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 89 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 volatile electricity prices, prepared by the Investment Adviser.

The committee considered the viability statement prepared by the Investment Adviser, which included consideration of the availability of the Company's credit facilities, hedging arrangements, cash flow forecasts and stress scenarios. The Auditor was provided with the assessments and relevant supporting papers as part of their audit of the annual report. The 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, 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 October 2023 to discuss their control systems and their operations, including a review of relevant policies and procedures.

The committee concluded that the Company's internal controls remain adequate and effective.

Details of the Company's internal control review and risk management process are outlined on page 79.

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

12 December 2023

Remuneration

Directors' remuneration report

The Directors are pleased to present their report on remuneration for the year ended 30 September 2023.

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

The annual report on remuneration provides details on remuneration in the year. Although it is not a requirement under Jersey Company Law to have the Directors' remuneration report or the Directors' remuneration policy approved by shareholders, the Board believes that as a company whose shares are traded on the LSE, it is good practice for the Company to do so.

The Directors' remuneration report will be put to a shareholder vote every year. Accordingly, an ordinary resolution will be put to shareholders at the 2024 AGM to receive and approve the Directors' remuneration report.

The Directors' remuneration policy will be put to a shareholder vote at least every three years and in any year if there is to be a change in the Directors' remuneration policy. The remuneration policy was approved by shareholders in 2022, and as there will be no change in the way in which the policy will be implemented during the course of the next financial year, there is no requirement for the policy to be put to shareholders at this year's AGM.

This report is not subject to audit.

Voting at Annual General Meeting

The Directors' remuneration report for the year ended 30 September 2022 was approved by shareholders at the 2023 AGM and the votes cast by proxy were as follows:

	Directors' remuneration report	
	Number of votes cast	% of votes cast
For	539,999,949	99.52
Against	2,627,862	0.48
Total votes cast	**542,627,811**	**100.00**
Number of votes withheld	44,098	—

Directors' remuneration

The remuneration paid to the Directors during the year ended 30 September 2023 (and prior year) is set out in the table below and on page 113:

30 September 2023	Directors' fees (base fee) £'000	Chairman/ Senior Independent Director fee £'000	Management Engagement committee Chair fee £'000	ESG committee Chair fee £'000	Audit and Risk committee fees £'000	Investment committee fees £'000	Other fees £'000	Total £'000
Andrew Didham	47	32	—	—	—	13	—	**92**
Ian Reeves CBE[1]	4	—	—	—	—	1	—	**5**
Julia Chapman	47	3	—	—	8	—	—	**58**
Michael Gray	47	—	—	—	—	25	—	**72**
Steven Wilderspin	47	—	—	—	23	—	—	**70**
Dawn Crichard	47	—	3	12	8	—	—	**70**
Alex Yew[2]	43	—	—	—	—	12	—	**55**
Total	**282**	**35**	**3**	**12**	**39**	**51**	**—**	**422**

1. Ian Reeves CBE retired from the Board on 31 October 2022. Prior to this, he was a member of the Investment committee, Management Engagement committee, the ESG committee and Nomination committee.
2. Alex Yew joined as a non-executive Director and became a member of the Investment committee, the Management Engagement committee and the ESG committee on 1 November 2022.

30 September 2022	Directors' fees (base fee) £'000	Chairman/ Senior Independent Director fee £'000	Management Engagement committee Chair fee £'000	ESG committee Chair fee £'000	Audit and Risk committee fees £'000	Investment committee fees £'000	Other fees £'000	Total £'000
Andrew Didham[1]	36	8	—	—	—	9	9	62
Ian Reeves CBE	45	22	—	—	—	12	—	79
Julia Chapman[2]	45	3	—	—	5	3	—	56
Michael Gray	45	—	—	—	—	24	—	69
Steven Wilderspin	45	—	—	—	22	—	—	67
Dawn Crichard	45	—	2	5	7	—	—	59
Paul De Gruchy[3]	10	—	—	—	2	—	—	12
Total	**271**	**33**	**2**	**5**	**36**	**48**	**9**	**404**

1. Andrew Didham joined as a Director of the Company and member of the Investment committee on 17 December 2021 and assumed the role of Chairman and Chair of the Nomination committee on 20 June 2022.
2. Julia Chapman stepped down from the Investment committee and joined the Audit and Risk committee on 17 December 2021.
3. Paul De Gruchy retired as a Director of the Company and as Chair of the Management Engagement committee on 17 December 2021.

Directors' expenses for the year totalled £10,000 (30 September 2022: £17,000). In addition, to provide for adequate handover of duties and allow Andrew Didham to familiarise himself with the Company until he was appointed to the Board on 17 December 2021, it was agreed that Mr Didham should attend Board and committee meetings in an observer capacity. Mr Didham was paid a fee totalling £nil in relation to this (30 September 2022: £9,000). 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.

During the year, the Board approved an increase to Directors' remuneration. In a period of higher inflation (12 month CPI at 30 September 2022 of 10.1%), the increase in Directors' remuneration was set to 5.15%, with effect from 1 October 2022. The Board believes this increase reflects the increased complexity, the reality of time commitments needed, and the skill sets required and expected as a non-executive Director.

Additionally, an increase was made to the fee payable to the Chair of the ESG committee, increasing from £5,000 per annum to £12,000 per annum with effect from 1 October 2022. This increase reflected the considerable amount of work undertaken by the ESG committee Chair and the anticipated work that will be needed on sustainability matters going forward as ESG disclosure continues to grow in importance. The increased remuneration amounts are shown in the table on page 112.

Remuneration continued

Directors' remuneration report continued

Directors' remuneration continued

Post year end, on 1 November 2023, having regard to the significant additional workload relating to various strategic initiatives during the year and against 12 month CPI of 6.7% at September 2023, the Board approved an increase in Directors' remuneration of 5.0% effective from 1 October 2023 and shown on page 116.

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

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 return[1] and total NAV[1] return 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 2023, total shareholder return[1] was -25.2%, compared with the Sterling Corporate Bond Index which was 0.9%.

Cumulative performance to 30 September 2023

Period	Three months	**One year**	Three years	Five years	Since launch
GCP Infra (share price)	(11.6%)	**(25.2%)**	(28.4%)	(24.2%)	57.1%
GCP Infra (net asset value)	1.4%	**3.7%**	28.7%	36.6%	169.5%
Sterling Corporate Bond Index	(1.0%)	**0.9%**	0.1%	16.3%	94.1%

Annual performance to 30 September 2023

Period	**Year ended 30 September 2023**	Year ended 30 September 2022	Year ended 30 September 2021	Year ended 30 September 2020	Year ended 30 September 2019
GCP Infra (share price)	**(25.2%)**	3.8%	(7.9%)	(2.0%)	8.0%
GCP Infra (net asset value)	**3.7%**	15.8%	7.2%	(0.1%)	6.3%
Sterling Corporate Bond Index	**0.1%**	(24.0%)	0.1%	4.6%	11.1%

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

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Relative importance of the spend on pay

The table below sets out, in respect of the financial years ended 30 September 2023 and 30 September 2022:

a) total income;

b) the remuneration paid to the Directors;

c) the distributions made to shareholders by way of a dividend; and

d) share repurchases.

	30 September 2023 £'000	30 September 2022 £'000	Change %
Total income	**51,705**	157,485	(67.1%)
Directors' remuneration[1]	**422**	404	4.5%
Dividends paid to shareholders	**61,785**	61,826	0.0%
Share repurchases	**10,603**	—	100.0%

1. Excluding Directors' expenses.

Directors' interests

Directors, together with their family members, had the following interests in the shares of the Company:

	30 September 2023 Number of shares held	30 September 2022 Number of shares held
Andrew Didham	**93,024**	73,165
Dawn Crichard	**75,261**	75,261
Steven Wilderspin	**15,000**	15,000
Julia Chapman	**60,446**	—
Alex Yew	**20,000**	10,000[1]

1. Alex Yew's indirect holding prior to joining the Board on 1 November 2022.

Post year end, Andrew Didham, Alex Yew and Dawn Crichard, together with their family members, purchased a further 39,872, 20,000 and 5,202 shares respectively.

Remuneration continued

Directors' remuneration policy

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 Directors' fees are taken into consideration by the Board when reviewing the Directors' remuneration policy and associated Directors' fees.

Directors' fee levels

The Board has set different fee levels to reflect the workload, responsibilities and time commitment of the various roles held by Board members. The current cumulative cap on Directors' fees is £500,000. The fee levels in respect of the year ended 30 September 2023 and the expected fee levels in respect of the year ending 30 September 2024 are as follows:

Fee level	30 September 2023	30 September 2024
Base fee	47,300	49,660
Chairman's fee	31,500	33,000
Senior Independent Director's fee	3,200	3,400
Chair of the Audit and Risk committee	23,100	24,000
Chair of the Investment committee	25,200	26,400
Chair of the Management Engagement committee	3,200	3,400
Chair of the ESG committee (previously the ESG independent Director representative fee)	12,000	12,600
Member of the Audit and Risk committee	7,400	8,000
Member of the Investment committee	12,600	13,200

Approval

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

Andrew Didham
Chairman

12 December 2023

Directors' report

The Directors are pleased to present their report for the year ended 30 September 2023.

Principal activity and business review

The strategic report on pages 10 to 89 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 92 to 116 forms part of this Directors' report.

Directors

The Directors in office during the year and at the date of this report and their biographical details are shown on pages 92 to 93.

Details of the changes in Directors can be found on page 101.

Details of the Directors' terms of appointment can be found in the corporate governance statement on pages 90 to 116.

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.

Director 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 an interest that might conflict with the interests of the Company. 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.

Share capital

At the Annual General Meeting held on 15 February 2023, the Company was granted the authority to allot ordinary shares up to 10% of its total issued share capital at that date on a non-pre-emptive basis, amounting to 88,479,766 ordinary shares. No ordinary shares have been allotted under this authority during the year. The Company will be seeking shareholder approval at the Company's AGM, scheduled to be held on 14 February 2024, to renew this authority.

Details of the movements in share capital during the year are set out in the statement of changes in equity on page 130 and in note 16 to the financial statements.

Furthermore, at the 2023 AGM, the Company was granted the authority to purchase up to 14.99% of the Company's ordinary share capital in issue at the date on which the notice of the AGM was published, 9 January 2023, amounting to 132,631,170 ordinary shares. This authority will expire at the conclusion of, and renewal will be sought at, the AGM to be held on 14 February 2024.

During the year, the Company repurchased under this authority a total of 13.6 million shares at a weighted average price of 78.16 pence per share, a discount[1] to the prevailing NAV. The Company may hold any ordinary shares that it purchases in treasury or cancel them, in accordance with the Articles and Companies Law. The Directors believe that it is desirable for the Company to have this choice. Holding the shares purchased in treasury gives the Company the ability to re-sell or transfer them quickly and cost effectively and provides the Company with additional flexibility in the management of its capital base.

The decision to cancel any shares purchased by the Company or hold such shares in treasury will be made by the Directors at the time of purchase, on the basis of the Company's and shareholders' best interests.

At 30 September 2023, the Company's issued share capital comprised 884,797,669 ordinary shares of no par value, 13,565,019 of which are held in treasury. The total voting rights of the Company at 30 September 2023 were 871,232,650, being the issued share capital minus the shares held in treasury.

Post year end to the date of this report, the Company has repurchased an additional 3,420,000 ordinary shares. Therefore, the total voting rights of the Company at the date of this report are 867,812,650. All shares repurchased are held in treasury.

At general meetings of the Company, every ordinary shareholder shall have one vote in respect of every ordinary share.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Directors' report continued

Dividends

Details of dividends paid and declared during the year are set out in note 9.

The Company offers a scrip dividend alternative under which shareholders elect 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 is 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.

As a result of the Company's ordinary shares trading at a discount[1] to the prevailing NAV, the Board has exercised its discretion to suspend the scrip dividend alternative since 1 July 2022.

The Board will keep under consideration the offer of a scrip dividend alternative in respect of future quarterly dividends if the Company's ordinary shares trade at a premium[1] to the prevailing published NAV at the relevant time.

Greenhouse gas emissions reporting

Refer to the sustainability report on pages 66 to 67 for information on the Company's climate-related emissions.

Significant voting rights

At 30 September 2023, 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
Rathbones Investment Management	70,362,321	8.07
Fidelity International	65,391,654	7.50
Valu-Trac Investment Management Limited	42,507,604	4.87
West Yorkshire Pension Fund	38,344,860	4.40
Quilter Cheviot Investment Management	35,478,885	4.07
Investec Wealth & Investment	34,414,709	3.95
Rowan Dartington	28,247,177	3.24
Close Brothers Asset Management	27,370,748	3.14
Transact	26,489,084	3.04
Hargreaves Lansdown	26,315,471	3.02

The Company has not been informed of any changes to the interests between 30 September 2023 and the date of this report.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

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 necessary 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 2024 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 is disclosed as loan interest capitalised 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:

Andrew Didham
Chairman

12 December 2023

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 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 on the Board at the date of this report, whose names are set out on page 100, 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

Andrew Didham
Chairman

12 December 2023

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 2023, 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 2023, 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; 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 the FRC Ethical Standard 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 judgement, 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 2022):

Key audit matters	The risk	Our response
Valuation of financial assets at fair value through profit or loss £1,046,568,000 or 98.3% of total assets (30 September 2022: £1,087,331,000 or 98.5% of total assets). Refer to the Audit and Risk committee report (pages 108 to 111), note 2.2 – significant accounting judgements and estimates, and note 11 - financial assets at fair value through profit or loss and note 19 – financial instruments.	**Basis:** 98.3% of the Company's total assets are 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.	**Our audit procedures included:** Internal controls: We tested the design, implementation and operating effectiveness of the controls adopted by the Company over the valuation of the Investments. 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. 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. 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.

Independent Auditor's report continued

To the members of GCP Infrastructure Investments Limited

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

Key audit matters	The risk	Our response
	Risk: There is a risk of error associated with: — 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. 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.	**Our audit procedures included: continued** Challenging managements' 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: — 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 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. 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.

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

Materiality for the financial statements as a whole was set at £11,200,000, determined with reference to a benchmark of total assets of £1,064,275,000, of which it represents approximately 1.0% (30 September 2022: 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 2022: 75%) of materiality for the financial statements as a whole, which equates to £8,400,000. 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 £560,000, 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 the 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;
- availability of credit facilities and the ability of the Company to comply with debt covenants;
- the ability to successfully refinance or repay debt which is due to mature; and
- the recoverability of financial assets subject to credit risk.

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.

Our procedures also included:

- we performed enquiries of the Investment Adviser and Directors of the Company in relation to the existing credit facility and the current status of plans to repay or renew this facility;
- we inspected signed heads of terms with lenders for a new credit facility at a reduced amount of £150 million to replace the existing credit facility;
- we inspected a draft credit facility agreement with lenders to assess the progress of the credit renewal negotiations and the terms of the draft credit facility agreement for any restrictions on the use of funds and non-standard terms which may impact the going concern conclusion; and
- we assessed the completeness of the going concern disclosures in the financial statements.

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.

Independent Auditor's report continued

To the members of GCP Infrastructure Investments Limited

Fraud and breaches of laws and regulations – ability to detect continued

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.

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 Going Concern Assessment and Viability Statement (page 89) 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 Going Concern Assessment and Viability Statement (page 89) 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 Going Concern Assessment and Viability Statement, set out on page 89, 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 and Risk 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 122, 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.

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 Recognised Auditors Jersey

12 December 2023

Statement of comprehensive income

For the year ended 30 September 2023

	Notes	**Year ended 30 September 2023 £'000**	Year ended 30 September 2022 £'000
Income			
Net income/gains on financial assets at fair value through profit or loss	3	**29,301**	157,039
Net gains on derivative financial instruments at fair value through profit or loss	3	**12,860**	386
Other income	3	**9,544**	60
Total income		**51,705**	157,485
Expenses			
Investment advisory fees	20	**(8,670)**	(8,558)
Operating expenses	5	**(2,752)**	(3,892)
Total expenses		**(11,422)**	(12,450)
Total operating profit before finance costs		**40,283**	145,035
Finance costs	6	**(9,378)**	(4,716)
Total profit and comprehensive income for the year		**30,905**	140,319
Basic and diluted earnings per share (pence)	10	**3.50**	15.88

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

The accompanying notes on pages 132 to 154 form an integral part of these financial statements.

Statement of financial position
As at 30 September 2023

	Notes	As of 30 September 2023 £'000	As of 30 September 2022 £'000
Assets			
Cash and cash equivalents	14	**16,867**	15,981
Other receivables and prepayments	12	**575**	185
Derivative financial instruments at fair value through profit or loss	18	**265**	—
Financial assets at fair value through profit or loss	11, 19	**1,046,568**	1,087,331
Total assets		**1,064,275**	1,103,497
Liabilities			
Other payables and accrued expenses	13	**(4,048)**	(3,570)
Derivative financial instruments at fair value through profit or loss	18	**—**	(3,861)
Interest bearing loans and borrowings	15	**(103,674)**	(98,009)
Total liabilities		**(107,722)**	(105,440)
Net assets		**956,553**	998,057
Equity			
Share capital	16	**8,712**	8,848
Share premium	16	**861,118**	871,606
Capital redemption reserve	17	**101**	101
Retained earnings		**86,622**	117,502
Total equity		**956,553**	998,057
Ordinary shares in issue (excluding treasury shares)	16	**871,232,650**	884,797,669
NAV per ordinary share (pence per share)		**109.79**	112.80

The financial statements were approved and authorised for issue by the Board of Directors on 12 December 2023 and signed on its behalf by:

Andrew Didham
Chairman

Steven Wilderspin FCA
Director

The accompanying notes on pages 132 to 154 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 30 September 2023

	Notes	Share capital £'000	Share premium[1] £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2021		8,822	868,867	101	39,009	916,799
Total profit and comprehensive income for the year		—	—	—	140,319	140,319
Equity shares issued	16	26	2,793	—	—	2,819
Share issue costs	16	—	(54)	—	—	(54)
Dividends	9	—	—	—	(61,826)	(61,826)
At 30 September 2022		8,848	871,606	101	117,502	998,057
Total profit and comprehensive income for the year		**—**	**—**	**—**	**30,905**	**30,905**
Share repurchases	16	**(136)**	**(10,467)**	**—**	**—**	**(10,603)**
Share repurchase costs	16	**—**	**(21)**	**—**	**—**	**(21)**
Dividends	9	**—**	**—**	**—**	**(61,785)**	**(61,785)**
At 30 September 2023		**8,712**	**861,118**	**101**	**86,622**	**956,553**

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 132 to 154 form an integral part of these financial statements.

Statement of cash flows

For the year ended 30 September 2023

	Notes	**Year ended 30 September 2023 £'000**	Year ended 30 September 2022 £'000
Cash flows from operating activities			
Total operating profit before finance costs		**40,283**	145,035
Adjustments for:			
Loan interest income	3	**(80,750)**	(74,479)
Net losses/(gains) on financial assets at fair value through profit or loss	3	**51,449**	(82,560)
Net gains on derivative financial instruments at fair value through profit or loss	3	**(12,860)**	(386)
(Decrease)/increase in other payables and accrued expenses		**(33)**	357
Increase in other receivables and prepayments		**(390)**	(69)
Total		**(2,301)**	(12,102)
Loan interest received	3	**58,791**	52,079
Purchase of financial assets at fair value through profit or loss	11	**(66,739)**	(39,917)
Repayment of financial assets at fair value through profit or loss	11	**78,012**	154,101
Proceeds/(settlement) on derivative financial instruments at fair value through profit or loss	3	**8,734**	(16,604)
Net cash flows generated from operating activities		**76,497**	137,557
Cash flows from financing activities			
Proceeds from revolving credit facility	15	**55,000**	11,000
Repayment of revolving credit facility	15	**(50,000)**	(77,000)
Share issue costs	16	**—**	(54)
Share repurchases		**(10,090)**	—
Share repurchase costs		**(20)**	—
Dividends paid	9	**(61,785)**	(59,007)
Finance costs paid		**(8,716)**	(3,985)
Net cash flows used in financing activities		**(75,611)**	(129,046)
Increase in cash and cash equivalents		**886**	8,511
Cash and cash equivalents at beginning of the year		**15,981**	7,470
Cash and cash equivalents at end of the year	14	**16,867**	15,981
Net cash flows used in operating activities includes:			
Loan fee income	3	**9,143**	51
Deposit interest received	3	**401**	9

The accompanying notes on pages 132 to 154 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 30 September 2023

1. General information

GCP Infrastructure Investments Limited 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 LSE.

The Company makes infrastructure investments, typically by acquiring interests in 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 year the Company has applied amendments to IFRS issued by the IASB. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements.

This incorporated:

- onerous contracts – cost of fulfilling a contract (amendments to IAS 37);
- annual improvements to IFRS standards;
- disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2); and
- definition of accounting estimates (amendments to IAS 8).

The adoption of the changes to accounting standards has had no material impact on these or prior periods' financial statements.

There are amendments to IFRS that will apply from 1 January 2024 as follows:

- classification of liabilities as current or non-current (amendments to IAS 1); and
- non-current liabilities with covenants (amendments to IAS 1).

The Directors do not anticipate that the adoption of these will have a material impact on the financial statements. Other than those detailed 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.

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, which is Pound Sterling.

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

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 Investment Adviser has prepared cash flow forecasts which were challenged and approved by the Directors and included consideration of: cash flow forecasts and stress scenarios, including:

- the potential impact of continuing volatility in power prices and, in particular, the consequent cash requirements of the Company's hedging programme;
- revenues and costs incurred by the Company and how these may change in the future given the variables to which they are exposed; and
- the availability of the Company's RCF.

The Company has in place a RCF which is due to expire in March 2024. The Investment Adviser has liaised with the existing lending group and post year end, in December 2023, signed heads of terms with Lloyds, AIB, Mizuho and Clydesdale for a new reduced facility of £150.0 million in line with the Board's stated intention to reduce leverage by the end of 2024.

The Directors are therefore satisfied that the Company will be able to refinance its RCF as it has done in previous years and that the refinance does not cause significant doubt from a going concern perspective.

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.

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).

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 2023 £'000	30 September 2022 £'000
Channel Islands	**401**	9
United Kingdom	**51,304**	157,476
Total	**51,705**	157,485

Significant shareholders are disclosed in the Directors' report on page 118.

3. Operating income

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

	30 September 2023 £'000	30 September 2022 £'000
Interest on cash and cash equivalents	**401**	9
Loan fee income	**9,143**[1]	51
Other income	**9,544**	60
Net changes in fair value of financial instruments at fair value through profit or loss	**42,161**	157,425
Total	**51,705**	157,485

1. Includes prepayment fees of £8,715,000 and restructuring fee income of £375,000.

Notes to the financial statements continued

For the year ended 30 September 2023

3. Operating income continued

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 2023 £'000	30 September 2023 £'000	30 September 2022 £'000	30 September 2022 £'000
Loan interest received	**58,791**		52,079	
Loan interest capitalised	**21,959**		22,400	
Total loan interest income		**80,750**		74,479
Unrealised gains on financial assets at fair value through profit or loss	**15,017**		89,606	
Unrealised losses on financial assets at fair value through profit or loss	**(66,603)**		(12,540)	
Total net unrealised (losses)/gains on financial assets at fair value through profit or loss	**(51,586)**		77,066	
Net realised gains on disposal of financial assets at fair value through profit or loss	**137**		5,494	
Total net (losses)/gains on financial assets at fair value through profit or loss		**(51,449)**		82,560
Total net income/gains on financial assets at fair value through profit or loss		**29,301**		157,039
Unrealised gains on derivative financial instruments at fair value through profit or loss	**4,126**		16,990	
Realised gains/(losses) on settlement of derivative financial instruments at fair value through profit or loss	**8,734**		(16,604)	
Total net gains on derivative financial instruments at fair value through profit or loss		**12,860**		386
Net changes in fair value of financial instruments at fair value through profit or loss		**42,161**		157,425

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.

Gains or losses on disposal of financial assets at fair value through profit or loss represent the difference between the proceeds received on the repayment of loan notes and the carrying value of loan notes at the time of sale or disposal. Net gains or losses on disposal of financial assets at fair value through profit or loss are 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 difference between 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 the 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 2023 £'000	30 September 2022 £'000
Audit fees	**169**	145
Non-audit fees – review of half-yearly report and financial statements	**47**	47
Total	**216**	192

5. Operating expenses

	30 September 2023 £'000	30 September 2022 £'000
Corporate administration and Depositary fees	**1,034**	1,021
Legal and professional fees	**18**	1,019
Independent Valuation Agent fees	**260**	290
Directors' remuneration and expenses[1]	**432**	421
Advisory fees	**114**	96
Registrar fees	**74**	69
Other expenses	**820**	976
Total	**2,752**	3,892

1. Refer to note 7 for further information.

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 and amended and restated on 20 November 2023. 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 £735,000 (30 September 2022: £727,000), of which £182,000 remains payable at year end (30 September 2022: £187,000).

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 £299,000 (30 September 2022: £294,000) of which £74,000 remains payable at year end (30 September 2022: £76,000).

Accounting policy

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

6. Finance costs

	30 September 2023 £'000	30 September 2022 £'000
Finance costs	**9,378**	4,716

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.

Notes to the financial statements continued

For the year ended 30 September 2023

7. Directors' remuneration

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

	30 September 2023 £'000	30 September 2022 £'000
Andrew Didham	**92**	62
Ian Reeves CBE[1]	**5**	79
Julia Chapman	**58**	56
Michael Gray	**72**	69
Steven Wilderspin	**70**	67
Dawn Crichard	**70**	59
Paul De Gruchy[2]	**—**	12
Alex Yew[3]	**55**	—
	422	404
Directors' expenses	**10**	17
Total	**432**	421

1. Ian Reeves CBE stepped down as Chairman of the Company effective from 20 June 2022 and retired from the Board on 31 October 2022.
2. Paul De Gruchy retired as a Director of the Company on 17 December 2021.
3. Alex Yew joined as a non-executive Director and became a member of the Investment committee, the Management Engagement committee and the ESG committee on 1 November 2022.

Full details of the Directors' remuneration policy can be found on page 116.

8. Taxation

Profits arising in the Company for the year ended 30 September 2023 are subject to tax at the standard rate of 0% (30 September 2022: 0%) in accordance with the Income Tax (Jersey) Law 1961, as amended.

9. Dividends

Dividends for the year ended 30 September 2023 were 7.0 pence per share (30 September 2022: 7.0 pence per share) as follows:

Quarter ended	Dividend	Pence	30 September 2023 £'000	30 September 2022 £'000
Current year dividends				
30 September 2023	2023 fourth interim dividend	1.75	**—**	—
30 June 2023	2023 third interim dividend	1.75	**15,365**	—
31 March 2023	2023 second interim dividend	1.75	**15,452**	—
31 December 2022	2023 first interim dividend	1.75	**15,484**	—
Total		7.0	**46,301**	—
Prior year dividends				
30 September 2022	2022 fourth interim dividend	1.75	**15,484**	—
30 June 2022	2022 third interim dividend	1.75	**—**	15,474
31 March 2022	2022 second interim dividend	1.75	**—**	15,464
31 December 2021	2022 first interim dividend	1.75	**—**	15,449
Total		7.0	**15,484**	46,387
30 September 2021	2021 fourth interim dividend	1.9	**—**	15,439
Dividends in statement of changes in equity			**61,785**	61,826
Dividends settled in shares[1]			**—**	(2,819)
Dividends in cash flow statement			**61,785**	59,007

On 2 November 2023, the Company declared a fourth interim dividend of 1.75 pence per share amounting to £15.2 million, which was paid on 5 December 2023 to ordinary shareholders on the register at 10 November 2023.

For the forthcoming financial year, the Directors have concluded the Company will target[2] a dividend of 7.0 pence per share.

The Board, at its discretion, has suspended the scrip dividend alternative as a result of the likely discount between any scrip dividend reference price of the shares and the NAV per share of the Company. The Board intends to keep the offer of future scrip dividends under review.

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, buybacks, 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.

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.

Notes to the financial statements continued

For the year ended 30 September 2023

10. Earnings per share

Basic and diluted earnings per share are calculated by dividing total profit and comprehensive income 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 £'000	Weighted average number of ordinary shares	Pence per share
Year ended 30 September 2023			
Basic and diluted earnings per ordinary share	**30,905**	**881,850,353**	**3.50**
Year ended 30 September 2022			
Basic and diluted earnings per ordinary share	140,319	883,394,897	15.88

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 2023 £'000	30 September 2022 £'000
Opening balance	**1,087,331**	1,096,555
Purchases of financial assets at fair value through profit of loss	**138,698**	127,380
Repayments of financial assets at fair value through profit of loss	**(128,012)**	(219,164)
Net realised gains on disposal of financial assets at fair value through profit or loss[1]	**137**	5,494
Unrealised gains on financial assets at fair value through profit or loss[2]	**15,017**	89,606
Unrealised losses on financial assets at fair value through profit or loss	**(66,603)**	(12,540)
Closing balance	**1,046,568**	1,087,331

1. The £137,000 in the current year related to principal indexation.
2. Includes principal indexation of £4.0 million (30 September 2022: £1.9 million) applied to certain loans.

All portfolio assets are held as security against the RCF (refer to note 15).

The tables below show the reconciliation of purchases and repayments of financial assets at fair value through profit or loss to the statement of cash flows:

Purchases	30 September 2023 £'000	30 September 2022 £'000
Purchases of financial assets at fair value through profit or loss	**(138,698)**	(127,380)
Loan interest capitalised	**21,959**	22,400
Non-cash internal transfers	**50,000**[1]	65,063
Purchases of financial assets at fair value through profit or loss in statement of cash flows	**(66,739)**	(39,917)

Repayments	30 September 2023 £'000	30 September 2022 £'000
Repayments of financial assets at fair value through profit or loss	**128,012**	219,164
Non-cash internal transfer	**(50,000)**[1]	(65,063)
Repayments of financial assets at fair value through profit or loss in statement of cash flows	**78,012**	154,101

1. The non-cash items relate to the repayment of loans as part of the refinance of two biomass projects, refer to pages 17 and 21 for further information.

Accounting for subsidiaries

The Company's investments are made through a number of SPVs (refer to note 24) 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 (37.2%), GCP Rooftop Solar Finance plc (30.8%) and FHW Dalmore (Salford Pendleton Housing) plc (13.6%).

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 control in 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.

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.

Notes to the financial statements continued

For the year ended 30 September 2023

11. Financial assets at fair value through profit or loss continued

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.

Principal indexation is applied to certain loan notes where applicable. The indexation is a contractually allowable inflationary adjustment to loan principal calculated where permitted by a predefined mechanism in a loan agreement. The effect of the adjustment is to increase or decrease the fair value of certain loan notes in line with the indexation factor which takes account of the rate of inflation against a stipulated inflation threshold of each relevant loan.

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 independent 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.

12. Other receivables and prepayments

	30 September 2023 £'000	30 September 2022 £'000
Other receivables and prepayments	**575**	185

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 2023 £'000	30 September 2022 £'000
Investment advisory fees	**2,132**	2,234
Other payables and accrued expenses	**1,916**	1,336
Total	**4,048**	3,570

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 financial institutions at the year end is shown in the table below:

	30 September 2023 £'000	30 September 2022 £'000
Barclays account	**8,482**	8
BNYM account	**—**	511
Lloyds Money Market Call account	**—**	11,977
RBSI Capital and Interest account[1]	**4,435**	—
RBSI Cash Management account	**3,950**	3,485
Total	**16,867**	15,981

1. The £4.435,000 in the current year relates to Capital and interest received on 29 September 2023, which was transferred to the Barclays account on 2 October 2023.

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 the higher of £4.0 million or one quarter of the Company's running costs. Any excess uninvested/surplus cash is held at other financial institutions with minimum credit ratings described above. The maximum amount to be held at any one of these other financial institutions is £25.0 million or 25% of total cash balances, whichever is the larger. 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 financial institutions 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.

15. Interest bearing loans and borrowings

	30 September 2023 £'000	30 September 2022 £'000
Revolving credit facility	**104,000**	99,000
Unamortised arrangement fees	**(326)**	(991)
Total	**103,674**	98,009

The table below analyses the movement for the year:

	30 September 2023 £'000	30 September 2022 £'000
Balance at the start of the year	**98,009**	163,412
Changes from cash flows		
Proceeds from revolving credit facility	**55,000**	11,000
Repayment of revolving credit facility	**(50,000)**	(77,000)
Loan arrangement fees	**—**	(54)
Non-cash changes		
Amortisation of loan arrangement fees	**665**	651
Balance at the end of the year	**103,674**	98,009

Notes to the financial statements continued

For the year ended 30 September 2023

15. Interest bearing loans and borrowings continued

Revolving credit facility

The Company entered into a RCF agreement dated 29 March 2021, as amended and restated on 29 June 2021, and with an additional commitment side letter dated 24 February 2022, with RBSI, Lloyds, AIB, Mizuho and Clydesdale. The RCF has £190.0 million total commitments and will expire on 29 March 2024. The Investment Adviser has liaised with the existing lending group and post year end, in December 2023, signed heads of terms with Lloyds, AIB, Mizuho and Clydesdale for a new reduced facility of £150.0 million in line with the Board's stated intention to reduce leverage by the end of 2024.

The current facility is secured against the portfolio assets held by the Company of £1.0 billion and cash and cash equivalents of £16.9 million. The interest on amounts drawn is charged at SONIA plus 2.00% per annum and a commitment fee of 0.70% is payable on the undrawn amounts. At 30 September 2023, the total amount drawn on the RCF was £104.0 million (30 September 2022: £99.0 million). All amounts drawn under the RCF are to be used in or towards the making of investments in accordance with the Company's investment policy. The facility provides 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.

The RCF includes loan to value[1] and interest cover[1] 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 2023.

Leverage

For the purposes of the UK AIFM Regime, 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 NAV and is calculated under the gross and commitment methods, in accordance with the UK AIFM Regime.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the UK AIFM Regime, at 30 September 2023; the figures are as follows:

Leverage exposure	Maximum limit	**30 September 2023 Actual exposure**	30 September 2022 Actual exposure
Gross method	1.20	**1.10**	1.10
Commitment method	1.20	**1.11**	1.12

The leverage figures disclosed above represent leverage calculated under the UK AIFM Regime methodology as follows:

	30 September 2023 Gross £'000	**30 September 2023 Commitment £'000**	30 September 2022 Gross £'000	30 September 2022 Commitment £'000
Financial assets at fair value through profit or loss	**1,046,568**	**1,046,568**	1,087,331	1,087,331
Cash and cash equivalents	**—**	**16,867**	—	15,981
Derivative financial instruments at fair value through profit or loss[2]	**2,324**	**2,324**	15,235	15,235
Total exposure under the UK AIFM Regime	**1,048,892**	**1,065,759**	1,102,566	1,118,547
Total shareholders' funds (net assets)	**956,553**	**956,553**	998,057	998,057
Leverage (ratio)	**1.10**	**1.11**	1.10	1.12

The Company's leverage limit under the UK AIFM Regime 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 RCF.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.
2. Refer to note 18 for further information on derivative financial instruments at fair value through profit or loss.

16. Authorised and issued share capital

Share capital	30 September 2023 Number of shares	30 September 2023 £'000	30 September 2022 Number of shares	30 September 2022 £'000
Ordinary shares issued and fully paid				
Opening balance	**884,797,669**	**8,848**	882,210,228	8,822
Equity shares issued through:				
Dividends settled in shares[1]	**—**	**—**	2,587,441	26
Total shares in issue	**884,797,669**	**8,848**	884,797,669	8,848
Treasury shares				
Opening balance	**—**	**—**	—	—
Shares repurchased	**(13,565,019)**	**(136)**	—	—
Total shares repurchased and held in treasury	**(13,565,019)**	**(136)**	—	—
Total ordinary share capital excluding treasury shares	**871,232,650**	**8,712**	884,797,669	8,848

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.

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 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.

Share premium	30 September 2023 £'000	30 September 2022 £'000
Premium on ordinary shares issued and fully paid		
Opening balance	**871,606**	868,867
Premium on equity shares issued through:		
Dividends settled in shares[1]	**—**	2,793
Share issue costs charged to premium	**—**	(54)
Share repurchases[2]	**(10,467)**	—
Share repurchase costs[2]	**(21)**	—
Total	**861,118**	871,606

1. The dividends settled in shares are where shareholders have elected to take the scrip dividend alternative.
2. At 30 September 2023, £10,089,000 of consideration (£9,961,000 of share premium and £128,000 of share capital) in respect of share repurchases had been paid, with £513,000 (£505,000 of share premium and £8,000 of share capital) outstanding. At the same date, £20,000 of ordinary share repurchase costs had been paid, with £1,000 outstanding.

Share premium represents amounts subscribed for share capital in excess of the nominal value less associated costs of the issue, less dividend payments charged to premium as and when appropriate. Share premium is a distributable reserve in accordance with Jersey Company Law.

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.

Notes to the financial statements continued

For the year ended 30 September 2023

17. Capital redemption reserve

	30 September 2023 £'000	30 September 2022 £'000
Capital redemption reserve	**101**	101

The Company is required by Jersey Company Law to establish and maintain this reserve on the redemption of its own shares.

18. Derivative financial instruments at fair value through profit or loss

On 13 July 2022, the Company entered into a new commodity swap agreement with Axpo Solutions AG under the 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, in cases where the Company has stepped into projects and/or has direct exposure through its investment structure. The commodity swap agreement expired on 31 March 2023 and was settled in April 2023 in line with the contractual terms.

On 15 February 2023, the Company entered into a new a commodity swap agreement with Axpo Solutions AG under the same terms which expired on 30 September 2023. On 28 September 2023, the Company entered into a new commodity swap agreement with Axpo Solutions AG under the same terms, which is due to expire on 31 March 2024.

The Company has been granted a credit line of £50.0 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	Notional quantity per hour
Commodity swap – electricity/baseload 'winter 2023/24'	31 March 2024	21,960 MWh	5 MW
Commodity swap – electricity/baseload 'summer 2023'	30 September 2023	4,320 MWh	6 MW
Commodity swap – electricity/baseload 'winter 2022/23'	31 March 2023	26,208 MWh	6 MW

		30 September 2023 £'000	30 September 2022 £'000
Fixed			
Fixed price:			
Winter 2022/23 (maturity 31 March 2023)	£434.0/MWh	**—**	11,374
Summer 2023 (maturity 30 September 2023)	£140.50/MWh	**607**	—
Winter 2023/24 (maturity 31 March 2024)	£106.5/MWh	**2,339**	—
Floating			
Commodity Reference Price Index: summer 2023	Electricity N2EX UK Power Index Day Ahead	**(357)**	(15,235)
Commodity Reference Price Index: winter 2023/24	Electricity N2EX UK Power Index Day Ahead	**(2,324)**	—
Fair value		**265**	(3,861)

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 gains/(losses) on derivative financial instruments at fair value through profit or loss.

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.

	Notes	**30 September 2023 £'000**	30 September 2022 £'000
Financial assets			
Cash and cash equivalents	14	**16,867**	15,981
Other receivables and prepayments	12	**575**	185
Financial assets at amortised cost		**17,442**	16,166
Financial assets at fair value through profit or loss	11	**1,046,568**	1,087,331
Derivative financial instruments at fair value through profit or loss	18	**265**	—
Total		**1,064,275**	1,103,497
Financial liabilities			
Other payables and accrued expenses	13	**(4,048)**	(3,570)
Interest bearing loans and borrowings	15	**(103,674)**	(98,009)
Financial liabilities measured at amortised cost		**(107,722)**	(101,579)
Derivative financial instruments at fair value through profit or loss	18	**—**	(3,861)
Total		**(107,722)**	(105,440)

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 the RCF, 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 also given to the alternatives of share buybacks and a reduction in leverage.

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, the Company remains modestly geared with loan to value[1] of 11% (30 September 2022: 10%).

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. Further, the Company is exposed to a number of shareholder interests, c.9% 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.

1. APM – for definition and calculation methodology, refer to the APMs section on pages 155 to 157.

Notes to the financial statements continued

For the year ended 30 September 2023

19. Financial instruments continued

19.2 Financial risk management objectives continued

Geopolitical and market uncertainties

There has been significant political and economic uncertainty this year post year end, driving high inflation and a cost-of-living crisis. The Company's infrastructure investments are generally low-volatility investments with stable, pre-determined, very long-term, public sector backed revenues; 41% of the Company's investment portfolio is exposed to some form of inflation protection mechanism.

The war in Ukraine continues to be monitored by the Board and the Investment Adviser for any potential impacts on the Company. The uncertainty around the conflict, and the associated global response through sanctions, has resulted in increased market volatility, in particular in energy and commodity markets. The Israel-Hamas war post year end has created further uncertainty and therefore additional volatility in short-term power prices.

In November 2022, the UK Government announced the introduction of an Electricity Generator Levy to tax certain renewable energy generating assets from 1 January 2023. The impacts of this levy were initially estimated and reported in the 2022 annual report, with the actual levy applied to the valuation of the portfolio once full details were published by the UK Government in December 2022. Whilst the levy will impact the profitability potential of certain investments, it does not adversely impact their viability and these assets still benefit from increased output over and above the original forecasts.

Climate risk

For the second consecutive year, the Investment Adviser carried out a climate risk assessment for each underlying portfolio asset to assess the actual and potential impacts of climate-related risks and opportunities across the portfolio. The analysis considered both physical and transition risks for each asset. The data collated was based upon publicly available data on flood risk and EPC ratings, supplemented by inputs from the Investment Adviser's portfolio management team and its investment management team. Further information is given on pages 62 to 65. Based on the climate risk analysis undertaken, the Investment Adviser does not currently propose to make any material changes to financial forecasts due to climate risk.

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 independent Valuation Agent.

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 independent 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 independent 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 independent 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 independent Valuation Agent will also consider long-term assumptions that have a direct impact on valuation, such as electricity prices, inflation and availability. Given fluctuating electricity prices, the Investment Adviser has continued with a hedging programme to reduce volatility in the portfolio. Further information can be found on page 35.

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 2023 **Change in discount rates**	**0.50%**	**0.25%**	**—**	**(0.25%)**	**(0.50%)**
Value of financial assets at fair value (£'000)	**1,016,759**	**1,031,449**	**1,046,568**	**1,062,134**	**1,078,166**
Change in valuation of financial assets at fair value through profit or loss (£'000)	**(29,809)**	**(15,119)**	**—**	**15,566**	**31,598**

At 30 September 2023, the discount rates used in the valuation of financial assets ranged from 6.58% to 13.00%, with a rate of 20.00% being applied to one financial asset due to changes in the perceived risk associated with one project, representing 0.58% of the portfolio.

30 September 2022 Change in discount rates	0.50%	0.25%	—	(0.25%)	(0.50%)
Value of financial assets at fair value (£'000)	1,056,545	1,071,707	1,087,331	1,103,437	1,120,047
Change in valuation of financial assets at fair value through profit or loss (£'000)	(30,786)	(15,624)	—	16,106	32,716

At 30 September 2022, the discount rates used in the valuation of financial assets ranged from 6.08% 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 independent Valuation Agent takes into account when valuing the financial assets. Interest rate risk is incorporated by the independent Valuation Agent into the discount rate applied to the financial assets at fair value through profit or loss. Discount rate sensitivity analysis is disclosed in note 19.3.

Future cash flows

The Company primarily invests, through its SPVs, 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 2023, the Company had not entered into any interest rate swap contracts (30 September 2022: none).

Exposure

The Company had exposure to Sterling LIBOR on certain investments in the portfolio. During the prior year, the Company transitioned all relevant debt instruments in the portfolio impacted by the discontinuation of LIBOR from 1 January 2022 to the replacement reference rate SONIA.

Notes to the financial statements continued

For the year ended 30 September 2023

19. Financial instruments continued

19.4 Interest rate risk continued

Borrowings

During the year, the Company made use of its RCF to finance investments made by the Company. Details of the RCF are given in note 15.

The drawn amount under the RCF at 30 September 2023 was £104.0 million (30 September 2022: £99.0 million).

The following tables show an estimate of the sensitivity of the drawn amounts under the RCF to interest rate changes of 100, 200 and 300 basis points in a twelve month period, with all other variables being held constant.

30 September 2023 Change in interest rates	3.0%	2.0%	1.0%	—	(1.0%)	(2.0%)	(3.0%)
Value of interest expense (£'000)	**10,594**	**9,554**	**8,514**	**7,474**	**6,434**	**5,394**	**4,354**
Changes in interest expense (£'000)	**3,120**	**2,080**	**1,040**	**—**	**(1,040)**	**(2,080)**	**(3,120)**

30 September 2022 Change in interest rates	3.0%	2.0%	1.0%	—	(1.0%)	(2.0%)	(3.0%)
Value of interest expense (£'000)	7,118	6,128	5,138	4,148	3,158	2,168	1,178
Changes in interest expense (£'000)	2,970	1,980	990	—	(990)	(1,980)	(2,970)

Other financial assets and liabilities

Bank deposits and payables and accrued expenses are exposed to and affected by fluctuations in interest rates. However, the impact of interest rate risk on these assets and liabilities is not considered material.

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 £1,064 million (30 September 2022: £1,103 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 the higher of £4.0 million or the value of one quarter of the Company's running costs. Any excess uninvested/surplus cash is held at other financial institutions with the minimum credit ratings described above. The maximum amount to be held at any one of these other financial institutions is £25.0 million or 25% of total cash balances, whichever is the larger. It is also recognised that with the advent of ring-fenced banking, it has become more difficult to interact with sufficiently well-rated counterparty 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 in the Company's 2022 annual report, there has been an increase in the volatility of electricity market prices. These dynamics have resulted in the collapse of some energy suppliers. The Company has exposure to certain electricity suppliers through offtake arrangements with renewables project borrowers. To date, the Company has not directly 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 independent 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 13 July 2022, 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. This commodity swap agreement expired on 30 September 2023 and was fully settled in October 2023 in line with the contractual terms. On 28 September 2023, the Company entered into a new a commodity swap agreement with Axpo Solutions AG under the same terms.

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, the Company's exposure to credit risk relating to the commodity swap agreement is £265,000 as the arrangement is an asset. Axpo Solutions AG is a Swiss-based energy supply and trading business and, together with its partners, operates over 100 power stations as the largest renewable generator in Switzerland. The business has over 5,000 employees and operates in 30 countries. Axpo Solutions AG is wholly owned by the cantons and cantonal utilities of North-eastern Switzerland. The Directors are satisfied that the credit risk associated with Axpo Solutions AG as a counterparty is minimal and remains within the Company's risk appetite.

Further information on derivative financial instruments is given in note 18.

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.

Notes to the financial statements continued

For the year ended 30 September 2023

19. Financial instruments continued

19.6 Liquidity risk continued

The following table analyses all of the Company's assets and liabilities into relevant maturity groupings based on the remaining period from 30 September 2023 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.

30 September 2023	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	Total £'000
Non derivative financial assets					
Cash and cash equivalents	16,867	—	—	—	16,867
Other receivables and prepayments	—	—	575	—	575
Financial assets at fair value through profit or loss	—	3,498	107,523	1,785,689	1,896,710
Derivative financial assets at fair value through profit or loss					
Inflows	607	—	2,339	—	2,946
Outflows	(357)	—	(2,324)	—	(2,681)
Total financial assets	17,117	3,498	108,113	1,785,689	1,914,417
Financial liabilities					
Other payables and accrued expenses	—	(4,048)	—	—	(4,048)
Interest bearing loans and borrowings	—	(2,040)	(105,951)	—	(107,991)
Total financial liabilities	—	(6,088)	(105,951)	—	(112,039)
Net exposure	17,117	(2,590)	2,162	1,785,689	1,802,378

30 September 2022	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	Total £'000
Financial assets					
Cash and cash equivalents	15,981	—	—	—	15,981
Other receivables and prepayments	—	—	185	—	185
Financial assets at fair value through profit or loss	11,828	60,122	125,801	1,732,787	1,930,538
Total financial assets	27,809	60,122	125,986	1,732,787	1,946,704
Non derivative financial liabilities at fair value through profit or loss					
Other payables and accrued expenses	—	(3,570)	—	—	(3,570)
Interest bearing loans and borrowings	—	(1,045)	(3,099)	(101,032)	(105,176)
Derivative financial liabilities					
Inflows	—	—	11,374	—	11,374
Outflows	—	—	(15,235)	—	(15,235)
Total financial liabilities	—	(4,615)	(6,960)	(101,032)	(112,607)
Net exposure	27,809	55,507	119,026	1,631,755	1,834,097

19.7 Fair values of financial assets and financial liabilities

Basis of determining fair value

Financial assets

Loan notes

The independent 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 independent 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. Further information on derivative financial instruments is given in note 18.

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:

	Fair value hierarchy	**30 September 2023 £'000**	30 September 2022 £'000
Financial assets at fair value through profit or loss			
Loan notes	Level 3	**1,046,568**	1,087,331
Derivative financial instruments at fair value through profit or loss	Level 2	**265**	—
Financial liabilities at fair value through profit or loss			
Derivative financial instruments at fair value through profit or loss	Level 2	**—**	(3,861)

Discount rates between 6.58% to 13.00%, with a rate of 20.00% being applied to one financial asset due to changes in the perceived risk associated with one project, representing 0.58% of the portfolio (30 September 2022: 6.08% and 10.38%) 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 year.

Notes to the financial statements continued

For the year ended 30 September 2023

19. Financial instruments continued

19.7 Fair values of financial assets and financial liabilities continued

Fair value measurements continued

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

	30 September 2023 £'000	30 September 2022 £'000
Opening balance	**1,087,331**	1,096,555
Purchases of financial assets at fair value through profit or loss[1]	**138,698**	127,380
Repayments of financial assets at fair value through profit or loss[1]	**(128,012)**	(219,164)
Net realised gains on disposal of financial assets at fair value through profit or loss	**137**	5,494
Unrealised gains on financial assets at fair value through profit or loss	**15,017**	89,606
Unrealised losses on financial assets at fair value through profit or loss	**(66,603)**	(12,540)
Closing balance	**1,046,568**	1,087,331

1. Refer to note 11 for a reconciliation to the statement of cash flows.

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.

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 £432,000 (30 September 2022: £421,000). At 30 September 2023, liabilities in respect of these services amounted to £106,000 (30 September 2022: £42,000).

At 30 September 2023, the Directors, together with their family members, held the following shares in the Company:

	30 September 2023		30 September 2022	
Director	Shares held	% of total voting rights	Shares held	% of total voting rights
Andrew Didham	**93,024**	**0.011**	73,165	0.008
Dawn Crichard	**75,261**	**0.009**	75,261	0.009
Julia Chapman	**60,446**	**0.007**	—	—
Alex Yew	**20,000**	**0.002**	10,000[1]	0.001
Steven Wilderspin	**15,000**	**0.002**	15,000	0.002

1. Alex Yew's indirect holding prior to joining the Board on 1 November 2022.

Andrew Didham is an executive vice chairman at Rothschild & Co, presently on a part-time basis. Rothschild & Co is engaged by the Company to provide ongoing investor relations support. The Company and Rothschild & Co maintain procedures to ensure that Mr Didham has no involvement in either the decisions concerning the engagement of Rothschild & Co or the provision of investor relations services to the Company.

Investment Adviser

The Company is party to an Investment Advisory Agreement with the Investment Adviser, which was most recently amended and restated on 26 January 2023, 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 UK AIFM Regime. The Company has provided disclosures on its website incorporating the requirements of the UK AIFM Regime. 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. The fee paid to the Investment Adviser for the year was £83,000 (30 September 2022: £74,000).

During the year, the Company expensed £8,670,000 (30 September 2022: £8,558,000) in respect of investment advisory fees, marketing fees and transaction management and documentation services, and £17,000 (30 September 2022: £16,000) in respect of expenses. At 30 September 2023, liabilities in respect of these services amounted to £2,132,000 (30 September 2022: £2,234,000).

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.

While not related parties under IAS 24 Related Party Disclosures, for transparency, the Investment Adviser has disclosed the shareholdings of key management personnel. At 30 September 2023, the key management personnel of the Investment Adviser, together with their family members, directly or indirectly held 1,017,800 ordinary shares in the Company, equivalent to 0.115% of the issued share capital (30 September 2022: 952,614 ordinary shares, 0.108% of the issued share capital).

21. Contingent liabilities

At 30 September 2023, there were £nil contingent liabilities (30 September 2022: £nil).

Notes to the financial statements continued

For the year ended 30 September 2023

22. Subsequent events after the report date

The Company declared, on 2 November 2023, a fourth interim dividend of 1.75 pence per ordinary share, amounting to £15.2 million, which was paid on 5 December 2023 to ordinary shareholders who were recorded on the register at the close of business on 10 November 2023.

Since the year end, one advancement of £0.1 million was made under an existing facility. The Company also received repayments totalling £5.6 million in respect of 14 investments.

Post year end, Andrew Didham, Alex Yew and Dawn Crichard, together with their family members, purchased a further 39,872, 20,000 and 5,202 shares in the Company, respectively.

Post year end, in December 2023, the Company signed heads of terms for a new debt facility of £150.0 million with Lloyds, AIB, Mizuho and Clydesdale.

Post year end, the Company repurchased a further 3.4 million ordinary shares, which are held in treasury.

23. Ultimate controlling party

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

24. 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.

Refer to note 11 for the details of contractual arrangements between the Company and the SPVs and to the risk disclosures in note 19 for details of events or conditions that could expose the Company to losses.

During the year and prior year, the Company did not provide financial support to the unconsolidated SPVs.

All of the below non-consolidated SPVs are incorporated and domiciled in the United Kingdom.

	30 September 2023		30 September 2022	
SPV company name	Ownership interest in loan notes	Classification[1]	Ownership interest in loan notes	Classification[1]
GCP Cardale PFI Limited	**100%**	**Subsidiary**	100%	Subsidiary
FHW Dalmore (Salford Pendleton Housing) plc	**13.6%**	**Associate**	13.6%	Associate
GCP Asset Finance 1 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Biomass 1 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Biomass 2 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Biomass 3 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Biomass 4 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Bridge Holdings Ltd	**100%**	**Subsidiary**	100%	Subsidiary
GCP Education 1 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Green Energy 1 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Healthcare 1 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Onshore Wind 3 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Programme Funding 1 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP RHI Boiler 1 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Rooftop Solar 5 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Rooftop Solar 6 plc	**37.2%**	**Associate**	38.8%	Associate
GCP Rooftop Solar Finance plc	**30.8%**	**Associate**	31.5%	Associate
GCP Social Housing 1 Limited	**100%**	**Subsidiary**	100%	Subsidiary
Gravis Asset Holdings Limited	**100%**	**Subsidiary**	100%	Subsidiary
Gravis Solar 1 Limited	**100%**	**Subsidiary**	100%	Subsidiary
Gravis Solar 2 Limited	**100%**	**Subsidiary**	100%	Subsidiary
GCP Geothermal Funding 1 Limited	**100%**	**Subsidiary**	100%	Subsidiary

1. Refer to note 11 for further details.

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 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 may not be directly comparable with measures used by other companies.

Adjusted earnings cover

Ratio of the Company's adjusted net earnings[1] 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 and; (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.

	30 Sep 2023 Pence	30 Sep 2022 Pence
Adjusted earnings per share[1]	**8.58**	8.30
Dividend per share	**7.0**	7.0
Times covered	**1.23**	1.19

Adjusted earnings per share

The Company's adjusted net earnings[1] divided by the weighted average number of shares.

	30 Sep 2023 £'000	30 Sep 2022 £'000
Adjusted net earnings[1]	**75,655**	73,254
Weighted average number of shares	**881,850,353**	883,394,897
Adjusted earnings per share (pence)	**8.58**	8.33

Adjusted loan interest capitalised

In respect of a period, a measure of loan interest capitalised adjusted for amounts subsequently paid as part of repayments.

	30 Sep 2023 £'000	30 Sep 2022 £'000
Capitalised (planned)	**18,253**	15,421
Capitalised (unscheduled)	**3,706**	6,979
Loan interest capitalised	**21,959**	22,400
Capitalised amounts subsequently settled as part of repayments	**(10,822)**	(13,408)
Adjusted loan interest capitalised	**11,137**	8,992

Adjusted loan interest received

In respect of a period, a measure of loan interest received adjusted for loan interest capitalised and subsequently paid as part of repayments or disposal proceeds.

	30 Sep 2023 £'000	30 Sep 2022 £'000
Loan interest received	**58,791**	52,079
Capitalised amounts settled as part of final repayment or disposal proceeds	**–**	9,727
Capitalised amounts subsequently settled as part of repayments	**10,822**	13,408
Adjusted loan interest received	**69,613**	75,214

Adjusted net earnings

In respect of a period, a measure of loan interest accrued[2] by the portfolio less total expenses and finance costs. This metric is used in the calculation of adjusted earnings cover[1].

	30 Sep 2023 £'000	30 Sep 2022 £'000
Total profit and comprehensive income/loss	**30,905**	140,319
Less: income/gains on financial assets at fair value through profit or loss	**(29,301)**	(157,039)
Less: gains on derivative financial instruments at fair value through profit or loss	**(12,860)**	(386)
Add: loan interest accrued[2]	**86,911**	90,360
Adjusted net earnings	**75,655**	73,254

Aggregate downward revaluations since IPO (annualised)

A measure of the Company's ability to preserve the capital value of its investments over the long term. It is calculated as total aggregate downward revaluations divided by total invested capital since IPO expressed as a time weighted annual percentage.

	30 Sep 2023 £'000	30 Sep 2022 £'000
Total aggregate downward revaluations since IPO	**(88,996)**	(37,254)
Total invested capital since IPO	**1,920,237**	1,713,053
Percentage (annualised)	**(0.36)**	(0.18)

1. APM – refer to relevant APM on this page for further information.
2. APM – refer to relevant APM on page 156 for further information.

Alternative performance measures continued

Average NAV
The average of the twelve net asset valuations calculated monthly over the financial year.

Cash earnings cover
Ratio of total net cash received per share to the dividend per share.

	30 Sep 2023 Pence	30 Sep 2022 Pence
Total net cash received per share[1]	**5.65**	6.72
Dividend per share	**7.00**	7.00
Times covered	**0.81**	0.96

Discount
The price at which the shares of the Company trade below the NAV per share.

Dividend yield
A measure of the quantum of dividends paid to shareholders relative to the market value per share. It is calculated by dividing the dividend per share for the year by the share price at the year end.

Earnings cover
Ratio of the Company's earnings per share to the dividend per share.

	30 Sep 2023 Pence	30 Sep 2022 Pence
Earnings per share	**3.50**	15.88
Dividend per share	**7.00**	7.00
Times covered	**0.50**	2.27

Interest cover
The ratio of total loan interest income to finance costs expressed as a percentage.

Loan interest accrued
The measure of the value of interest accruing on a loan in respect of a period, calculated based on the contractual interest rate stated in the loan documentation.

Loan interest accrued[3] differs from net income/gains on financial assets at fair value through profit or loss, as recognised under IFRS 9, as loan interest accrued[3] is not impacted by movements of:

- the impact of realised and unrealised gains and losses on financial assets at fair value through profit or loss;
- the impact of 'pull-to-par' in the unwinding of discount rate adjustments over time (where the weighted average discount rate used to value financial assets differs from the interest rate stated in the loan documentation);
- the impact of cash flows from loan interest received;
- the impact of loan interest capitalised; and
- the impact of loan principal indexation applied.

This metric is used in the calculation of adjusted net earnings[2].

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.

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 2023 £'000	30 Sep 2022 £'000
Ongoing charges		
Investment Adviser	**8,670**	8,558
Directors' fees	**432**	421
Administration expenses	**2,320**	3,471
Total expenses	**11,422**	12,450
Non-recurring expenses	**(127)**	(1,283)
Total	**11,295**	11,167
Average NAV[3]	**988,537**	974,319
Ongoing charges ratio	**1.1%**	1.1%

1. APM – refer to relevant APM on page 157 for further information.
2. APM – refer to relevant APM on page 155 for further information.
3. APM – refer to relevant APM on this page for further information.

Premium

The price at which the shares of the Company trade above the NAV per share.

Total expenses paid

In respect of the year, 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 2023 £'000	30 Sep 2022 £'000
Total expenses per statement of comprehensive income	**11,422**	12,450
Adjustment for expense accruals	**(406)**	(357)
Total expenses paid	**11,016**	12,093

Total net cash received

In respect of a period, the cash inflows from investments, comprising adjusted loan interest received[1] less total expenses paid and finance costs paid. This metric is used in the calculation of cash earnings cover[2].

	30 Sep 2023 £'000	30 Sep 2022 £'000
Adjusted loan interest received[1]	**69,613**	75,214
Total expenses paid[3]	**(11,016)**	(12,093)
Finance costs paid	**(8,716)**	(3,985)
Total net cash received	**49,881**	59,136

Total net cash received per share

The Company's total net cash received[1] divided by the weighted average number of shares.

	30 Sep 2023 £'000	30 Sep 2022 £'000
Total net cash received[3]	**49,881**	59,136
Weighted average number of shares	**881,850,353**	883,394,897
Total net cash received per share (pence)	**5.65**	6.72

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 page 155 for further information.
2. APM – refer to relevant APM on page 156 for further information.
3. APM – refer to relevant APM on this page for further information.

Glossary of key terms

Adjusted earnings cover
Refer to APMs section on pages 155 to 157

Adjusted loan interest capitalised
Refer to APMs section on pages 155 to 157

Adjusted loan interest received
Refer to APMs section on pages 155 to 157

Adjusted net earnings
Refer to APMs section on pages 155 to 157

Aggregate downward revaluations since IPO (annualised)
Refer to APMs section on pages 155 to 157

AGM
The Annual General Meeting of the Company

AIB
AIB Group (UK)

AIC
Association of Investment Companies

AIC Code
AIC Code of Corporate Governance

AIF
Alternative Investment Fund

AIFM
Alternative Investment Fund Manager

APMs
Alternative performance measures

Average life
The weighted average term of the loans in the investment portfolio

BNYM
Bank of New York Mellon

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

BPA-free
Bisphenol A free

Capture price
The actual electricity price achieved by a generator in the market

Cash earnings cover
Refer to APMs section on pages 155 to 157

CBFs
Community Benefit Funds

CfD
Contract-for-difference

CIF Law
Collective Investment Funds (Jersey) Law 1988

Clydesdale
Clydesdale Bank plc

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

Deferred shares
Redeemable deferred shares of £0.01 each in the capital of the Company arising from C share conversion

Discount
Refer to APMs section on pages 155 to 157

Dividend cover
Earnings (under IFRS, adjusted or cash) for the year compared to the dividend for the year

Dividend yield
Refer to APMs section on pages 155 to 157

Earnings cover
Refer to APMs section on pages 155 to 157

EEA
European Economic Area

EPC
Energy Performance Certificate

ESG
Environmental, social and governance

EU
European Union

FCA
Financial Conduct Authority

FiT
Feed-in tariff

FRC
Financial Reporting Council

FTE
Full-time equivalent

FY22
Full year 2022

FY23
Full year 2023

GB market
UK electricity market

GCP Asset Backed
GCP Asset Backed Income Fund Limited

GHG Protocol
Greenhouse gas protocol

GRESB
Global Real Estate Sustainability Benchmark

GWh
Gigawatt hours

IFRS
International Financial Reporting Standards

Interest cover
Refer to APMs section on pages 155 to 157

IPO
Initial public offering

IRR
Internal rate of return

ISDA
International Swaps and Derivatives Association

ISO
International Organisation for Standardisation

ISSB
International Sustainability Standards

Jersey Company Law
The Companies (Jersey) Law 1991 (as amended)

JFSC
Jersey Financial Services Commission

KPIs
Key performance indicators

KPMG
KPMG Channel Islands Limited

LIBOR
London Interbank offered rate

Lloyds
Lloyds Group plc

Loan interest accrued
Refer to APMs section on pages 155 to 157

Loan to value
Refer to APMs section on pages 155 to 157

LSE
London Stock Exchange

MEES
Minimum Energy Efficiency Standards

Mizuho
Mizuho Bank

MW
Megawatt

NAV
Net asset value

NAV total return
Refer to APMs section on pages 155 to 157

OBR
The Office for Budget Responsibility

Official List
The Official List of the FCA

Ongoing charges ratio
Refer to APMs section on pages 155 to 157

Ordinary shares
The ordinary share capital of the Company

PFI
Private finance initiative

PPA
Power purchase agreement

PPP
Public-private partnership

PPS
Pence per share

Premium
Refer to APMs section on pages 155 to 157

Project Company
A special purpose company which owns and operates an asset

Public sector backed
All revenues arising from UK central Government or local authorities or from entities themselves substantially funded by UK central Government or local authorities, 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

Pull-to-par
The effect on income recognised in future periods from the application of a new discount rate to an investment

RBSI
Royal Bank of Scotland International Limited

RCF
Revolving credit facility with RBSI, AIB, Lloyds, Clydesdale and Mizuho Bank

REGOs
Renewable Energy Guarantees of Origin

Glossary of key terms continued

RHI
Renewable heat incentive

RNS
Regulatory News Service

ROCs
Renewable obligation certificates

Rothschild & Co
NM Rothschild and Sons Ltd

RPs
Registered Providers

RSH
Regulator of Social Housing

SASB
Sustainability Accounting Standards Board

Scheme
Proposed combination of the Company with GCP Asset Backed (refer to page 4)

SEM
Irish Single Electricity Market

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

SFDR
The Sustainable Finance Disclosure Regulation

SONIA
Sterling Overnight Interbank Average rate

SPV
Special purpose vehicle through which the Company invests

Strike price
A pre-agreed electricity price level agreed by a generator as part of a CfD, reflecting the return needed to make that technology financially viable

TCFD
Task Force on Climate-related Financial Disclosures

The Company
GCP Infrastructure Investments Limited

TNFD
Taskforce on Nature-related Financial Disclosures

Total expenses paid
Refer to APMs section on pages 155 to 157

Total net cash received
Refer to APMs section on pages 155 to 157

Total shareholder return
Refer to APMs section on pages 155 to 157

UK Code
UK Corporate Governance Code published in 2018

UK AIFM Regime
Together, The Alternative Investment Fund Managers Regulations 2013 (as amended by The Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019) and the Investment Funds sourcebook forming part of the FCA Handbook, as amended from time to time

UK ETS
UK Emissions Trading Scheme

UN SDGs
United Nations Sustainable Development Goals

Weighted average annualised yield
Refer to APMs section on pages 155 to 157

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

UN SDGs and targets

SDG 3

Good health and well-being

UN SDG target 3.8

Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

SDG 4

Quality education

UN SDG target 4.1

By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

SDG 5

Gender equality

UN SDG target 5.5

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

SDG 7

Affordable and clean energy

UN SDG target 7.2

By 2030, increase substantially the share of renewable energy in the global energy mix.

SDG 8

Decent work and economic growth

UN SDG target 8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro, small and medium-sized enterprises, including through access to financial services.

SDG 9

Industry, innovation and infrastructure

UN SDG target 9.3

Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

UN SDG target 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

SDG 11

Sustainable cities and communities

UN SDG target 11.1

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

SDG 15

Life on land

UN SDG target 15.5

Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

SDG 17

Partnerships for the goals

UN SDG target 17.17

Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Shareholder information

Key dates for 2024

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

November
Payment of fourth interim dividend

December
Annual results announced

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.

Warning to users of this report

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Corporate information

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Jersey JE1 1ST

Contact: jerseyinfracosec@apexgroup.com
Corporate website: www.gcpinfra.com

Directors

Andrew Didham (Chairman)
Julia Chapman (Senior Independent Director)
Michael Gray
Steven Wilderspin
Dawn Crichard
Ian Reeves CBE (retired on 31 October 2022)
Alex Yew (appointed on 1 November 2022)

Administrator, Company Secretary and Registered Office of the Company

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St Helier
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Royal Bank of Scotland International Limited
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Link Market Services (Jersey) Limited
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Valuation Agent

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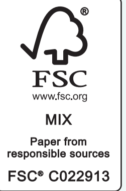
St Katharine's Way
London E1W 1DD



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