SEMPERIAN

PPP INVESTMENT PARTNERS

Annual Report

for the year ended 31 March 2022

Photo: Consort Healthcare (Fife) Limited

Semperian PPP Investment Partners Holdings Limited

Registered Number: 98327

Contents for the year ended 31 March 2022

Semperian PPP Investment Partners Holdings Limited

Directors and Advisors for the year ended 31 March 2022

Chairman

W R Doughty	Chairman (appointed 18 November 2021)

Directors

A E Birch	Executive
J M Simpson	Executive
W R Doughty	Non-Executive
P Shukla	Non-Executive
M T Smith	Non-Executive (appointed 22 March 2022)
A L Tennant	Non-Executive
P G Dowdall	Non-Executive
C P Rule	Non -Executive
A C M Rhodes	Alternate to A E Birch
C J Simpson	Alternate to C P Rule and P G Dowdall

Company Secretaries

S Taberner

Crestbridge Corporate Services Limited

Registered Office

47 Esplanade

St Helier

JE1 0BD

Jersey

Legal advisors

Addleshaw Goddard LLP

Milton Gate

60 Chiswell Street

London

EC1Y 4AG

United Kingdom

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants

2 Glass Wharf

Bristol

BS2 0FR

United Kingdom

Directors' Report for the year ended 31 March 2022

The Directors present their annual report and the audited consolidated financial statements of Semperian PPP Investment Partners Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2022.

Principal Activity

The Company is a leading UK investor in the Public Private Partnership ("PPP") market. The Company's principal activity is to invest shareholder funds in a portfolio which is directly or indirectly involved in social infrastructure projects, with the majority of its investments situated within the United Kingdom. The portfolio comprises of a range of public and private partnerships covering six main sectors: accommodation, education, health, secured accommodation, utilities and transport. The Company was formed in August 2007. The Group results are set out on page 17.

Objectives

The Company aims to invest in and manage PPP assets to provide shareholders with a sustainable return which is closely correlated to the Retail Price Index and which generates returns at a premium to index linked gilts. The Company largely invests in PPP assets where the United Kingdom government, its agency or local authority, is typically the client under a long-term concession.

The Company focuses on providing quality operational management to ensure that its Public-Sector clients are provided with proactive and involved service providers, so that agreed service levels are met. For most assets, the Company sub-contracts its maintenance and service provision to external specialist facility managers for the life of the concession. Across the portfolio a team of national managers actively manage the relationship between the Public-Sector client and the service providers to ensure there is early identification and resolution of matters.

The Company's strategy of active operational management aims to ensure that the Group retains the skills and resources necessary to manage diversified portfolio risk.

Photo: Cruciform Services Limited

Financial Review and results for the year

The Group's consolidated profit before tax for the year is £212.5m (2021: £76.4m). The consolidated financial statements of the Group are reported under International Financial Reporting Standards (IFRS) as adopted by the European Union.

Services revenue shows an increase of 2.9% this year to £391.4m (2021: £380.3m). This increase is primarily due to inflationary rises. Service revenue is closely correlated to the Retail Price Index and other indices and is also sensitive to changes in contracted services that occur from time to time. A 1.2% increase in Services costs has been recognised in the same period, which has largely been driven by inflation.

In 2022, the discount rate applied in the valuation of the Group's associate investments has reduced to 6.21% (2021: 6.75%). The Group closely monitors the movement in market discount rates and considers its effect when applying criteria for identifying acquisition and divestment opportunities. The Group continues to apply a discounted cash flow methodology to value its investments. Discount rates for valuation purposes are obtained from third party independent sources. The value of the group's associate investments has been positively impacted by both the reduction in the discount rate used and the increases in RPI rates. The group recorded a positive movement in the fair value of associates of £129.3m (note 6) in the year, largely driven by these macroeconomic factors.

The Group manages a long-term cash hedging strategy to mitigate its sensitivity to changes in the cash flow requirements of its underlying debt servicing. This is achieved by entering into long term financial derivative contracts. The majority of the Group's derivative contracts are interest rate swaps (paying fixed interest and receiving variable interest which is determined by UK LIBOR or SONIA and Euro EURIBOR rates). Under IFRS the Group is required to value these derivative contracts at an arm's length market rate. A net gain (pre-tax) of £88.6m (2021: £67.7m gain) has been recognised in the year as a result of valuing these derivatives in line with current market expectations of movements in LIBOR or SONIA rates as at 31 March 2022.

Dividends

The Directors do not propose the payment of a dividend (2021: £nil).

Portfolio Performance

The Group's key performance measures are based on Financial and Non-financial performance indicators.

Financial KPIs (unaudited)

The key financial measurements used are net operating cash flow from investment activities, the nominal internal rate of return (IRR) of the investment portfolio and the average annual cash yield to date. Individual projects have specific key performance indicators (e.g. Unitary charge deductions) which are monitored at the asset level.

For the year ended 31 March 2022, the Group performance has achieved:

- Net operating cash inflow from investment activities of *£115.0m (2021: *£139.6m),
- Nominal IRR of 7.82% (2021: 7.62%),
- Annualised cash yield of 4.07% (2021: 7.10%),
- Minimal non-recoverable deductions across Group companies

* Excludes cash retained at the project level that is included in the Group Cash flow statement

The Group continues to meet the financial covenants contained within its long-term funding arrangements.

Non - Financial KPIs

Semperian is committed to ensuring the health, safety and wellbeing of its employees and continues to invest in ensuring they are able to perform their functions safely, fully equipped with the appropriate skills and knowledge. Annual internal and external health and safety performance monitoring and continual dedicated health, safety and environmental training is delivered to support this commitment. Semperian actively encourages and works with third party professional service companies to assist them to meet the high standards adopted by the Group. The Group aims to deliver services with no work related RIDDORS (Reporting of Injuries, Diseases and Dangerous Occurrences) and maintain an accident incident rate below the Industry Group average and Semperian Group target of less than 5.1 incidents per annum. The Group has had no workplace injuries or work-related illnesses notifiable under RIDDOR during the year (2021: none) and recorded no over 3-day recordable accidents (2021:1).

Corporate Structure and Governance

The Company is tax resident in the United Kingdom as befits its predominately United Kingdom based Public Sector asset portfolio and is registered in Jersey. The Group operates through a board of directors (“the Board”) supported by Remuneration, Audit and Investment Committees. Members of the Board and the Committees are appointed by shareholders with an interest of 10% or more in the Company.

The Board has an experienced operational management and finance team who monitor the Group and its subcontractors’ compliance with contracts as well as reporting financial and operational performance to the Board. Internal audit and risk management processes and systems are also in place to monitor, report and address any significant issues identified.

Stakeholder engagement and decision making

Investors, clients, contractors, the public, and employees are the Group’s main stakeholders. Decisions across the Group are made working in partnership with and considering the needs of these stakeholder Groups. Contracts set out the relationships with clients and contractors. Where services may impact the community or environment, these are considered with the client.

The employees of the Group are key to its success and have a major role in decision making. Employees are kept well informed, through meetings, training, conferences, manager discussions, emails and the intranet. Employee feedback is obtained throughout these channels as well as through periodic surveys and line manager one to ones. Employees’ performance is reviewed and discussed with them and a discretionary bonus scheme is in place for permanent employees.

Company Board directors and sub-board directors across the group have experience of working with the other key stakeholders, which assists them in identifying and considering the long-term consequences of principal decisions. The Group’s main board meeting is held on a quarterly basis. Additional main board meetings, Investment Committee and Audit Committee meetings are held as appropriate. The Group’s Executive Committee meets monthly and includes Company executive directors and other senior management. For the main board and executive meetings, reports covering health and safety matters, the operational and financial performance of the group and the relationships with the clients and main contractors are produced. The operational and financial teams make recommendations during these meetings, which are considered and reviewed along with the reports. Actions are agreed at these meetings and monitored.

Principal decisions of the Group are those that are key to the Group’s success. These include but are not limited to: decisions impacting the relationships between the parties, decisions impacting health and safety, and decisions impacting the return to the shareholders.

The principal decisions made by the Directors during the year ended 31 March 2022 were:

- Strategic decisions linked to acquisitions, business planning or budgets
- Acceptance or amendments to significant contracts
- The ongoing approach of the business to the Covid-19 pandemic in the UK
- The payment of dividends from subsidiaries

Stakeholder engagement and decision making (continued)

Subsidiary dividends are declared only after having had regard to the entity's ability to meet its working capital requirements. This ensures the stability of the subsidiary to allow it to continue providing services.

Current Outlook

The Group manages a substantial investment portfolio and actively manages the performance of the assets to maximise value derived from the portfolio. The Group retains a well-motivated highly skilled workforce and committed management team and is well positioned to continue the delivery of investors' expectations.

The Group continues to seek out acquisition opportunities to enhance returns and lengthen the unexpired contractual cashflows of the Group.

Post year end, the Group has completed the acquisition of a further 25% stake in the A1 D2D project. The acquisition takes the holding in the A1 D2D project from a 50% held associate to a 75% subsidiary for the 2023 financial statements. The acquisition was funded by a part drawdown on the Group's £75 million revolving credit facility as reflected within these consolidated accounts. £22 million of fixed rate debt funding was subsequently completed in April 2022 at a rate of 4.14%, repaying £22 million of the RCF balance drawn.

Also post year end, the Group entered into an agreement to buy DIF Capital Partners stake in three Irish roads; M3 (80%), M4 (80%), and M50 (50%). These are all major strategic routes around the Dublin area, complementing Semperian's existing investment in the M1 motorway north of Dublin. The acquisition will be funded by a combination of debt and equity. The M3 and M4 assets will be consolidated as subsidiaries in the 2023 financial statements and M50 treated as an associate at fair value. At the time of presenting these accounts, the transaction is subject to a number of conditions precedent across the three assets and has not yet completed.

Coronavirus (COVID-19)

The COVID-19 pandemic has resulted in measures being taken to contain the virus and the temporary closure of some businesses and public services.

The Group invests in and manages entities predominantly engaged in infrastructure projects under PFI contracts. The Group would therefore only be significantly impacted by the coronavirus outbreak insofar as this impacted the performance of its investments, predominantly in its subsidiaries.

The Group has worked extensively through the year to ensure that no disruption occurred to the essential Public-Sector.

There is not expected to be a significant overall impact on performance over the life of the projects. The Group's exposure to demand risk revenues is low and it is the opinion of the Directors that the coronavirus outbreak will have no impact on the Group's ability to continue as a going concern. However, the Directors are monitoring usual movements in short and long term economic indicators that may impact the valuation of assets and liabilities, and may therefore have an impact on the Group financial statements.

Principal Risks and Uncertainties

The identification, assessment and management of risks and uncertainties are integral to the running of the business. The Group's principal risks and uncertainties are reviewed on a regular basis and internal controls have been established to manage those risks. An integral part of the Semperian risk management process is the "Watch List" which is presented to the Board, by the Executive, on a regular basis. This list is used to highlight those projects within the Group's portfolio where increased management resources have been allocated to correct or prevent failure, and where there is a possibility of loss and/or impact on the portfolio returns. The list is reviewed regularly and any projects identified for inclusion remain on the list until satisfactory performance has been established for an appropriate duration.

Principal Risks and Uncertainties (continued)

The risk management process has been designed to identify and manage rather than eliminate material risks to the achievement of business and strategic objectives, whilst also recognising that any such process only provides reasonable, and not absolute, assurance against material misstatement or loss.

Photo: Arteos GP Limited & Co KG

The remaining key principal risks and uncertainties that could have a material adverse effect on the business are listed and discussed below. Not all of these factors are controllable. In addition, other factors besides those listed may affect the Group.

(a) Management and reliance on service providers

The Group is reliant on its own internal controls in respect of its investment management and management of part of its asset portfolio. The Group also relies on other service providers for the remainder of its asset portfolio. Failure of the Group's internal controls or failure to deliver by its service providers may have an impact on the performance of the Group. The Group monitors its own internal controls and regularly reviews service provider performance.

(b) Investment

Making additional investments in the Group's portfolio entails certain risks. Detailed due diligence, including, but not limited to, legal, financial and taxation, insurance and technical due diligence, is undertaken on potential acquisitions to mitigate aspects of these risks. Investment decisions are then subject to review and approval by the Investment Committee and the Board. The due diligence process may fail to identify risks and expected results may not subsequently be achieved.

The Group's investments include co-investments with third parties. Such investments involve additional risks which may not be present in investments that do not involve a co-investor, including the possibility that a co-investor may at any time have economic or business interests or goals that are not consistent with those of the Group, may be in a position to take or block action in a manner inconsistent with the Group's objectives, may have financial difficulties, may become insolvent or default on their obligations. The Investment Management Division oversees the Group's interest in assets which are managed by third parties to ensure performance, compliance and other relevant issues are appropriately addressed.

Principal Risks and Uncertainties (continued)

(c) Financial

The Group relies on its financial counterparties to provide various facilities such as debt funding, hedges, deposit facilities and insurance. The Group relies on both equity and debt finance to fund the Group’s activities. The availability of debt finance on acceptable terms can affect the Group’s ability to acquire additional investments. The Group has debt facilities available for the expected life of the concessions. Deposit takers and insurance providers’ creditworthiness are monitored on a regular basis.

(d) Project termination

The Group invests in projects that deliver concession requirements in accordance with a Project Agreement. The possibility exists that a concession may terminate due to failure to deliver to agreed service levels. The concession may also terminate for other reasons including, but not limited to, client default, force majeure and voluntary termination. Representatives of the Group manage each concession arrangement in varying capacities to ensure performance, compliance and other relevant issues are appropriately addressed.

(e) Subcontractors

Projects within the Group’s investment portfolio rely on subcontractors to deliver services to enable the project companies to meet their concession requirements. Failure of subcontractors to provide agreed levels of service would affect the project companies’ ability to fulfil their service concession requirements, impacting the Group’s reputation and exposing the Group to potential financial penalties. Mitigating activities include securing agreements to transfer risks to an insurer or relevant subcontractor where possible, as well as regular review and assessment of subcontractor performance. Contingency plans have been developed to procure alternative suppliers, where appropriate.

(f) Lifecycle costs

During the period of a concession, the underlying project assets will incur various costs including repair, refurbishment, replacement and insurance. Changes in the expected project lifespan, project costs or inflation may result in lifecycle costs being different from those anticipated. Components of these risks are mitigated by transfer to an insurer or relevant subcontractors. Each project’s performance is monitored to minimise cost over-runs and to maximise potential savings.

(g) Inflation and deflation

Due to the long-term nature of concession arrangements, large proportions of project companies’ revenues and expenditures are subject to indexation. Increases above and decreases below the expected inflation assumption would result in a respective beneficial or detrimental effect on investor returns. Mitigating activities include matching by the project companies of their indexation of contractual revenues to their indexation of contractual costs where possible.

(h) Interest rate

The Group’s borrowings and cash deposits are exposed to interest rate fluctuations. The majority of the Group’s borrowings are economically hedged to minimise interest volatility. Rate fluctuations on cash deposits are partially mitigated through the deposit term, however this economic risk is inherent and mitigation options are limited.

(i) Insurance

Project companies within the Group’s portfolio may be responsible for maintaining insurance cover, including but not limited to buildings, contents and third party cover. Typically, the project entity takes the risk that the cost of maintaining the insurance may be greater than expected and that in some circumstances it may not be able to obtain the necessary insurance. Where insurance is not obtainable, the Public-Sector client may, in certain circumstances, arrange to insure the relevant risks itself. The Group has in place a pooled insurance programme to mitigate the insurance risks.

Principal Risks and Uncertainties (continued)

(j) Changes in taxation law or practice and general law

The Group's investments are long-term concessions and can be affected by changes in local legislation, regulatory framework, economic factors and taxation. Where possible, components of these risks are mitigated through individual Project Agreements. In instances where this may not be possible, changes may have an adverse impact on the Group's financial performance. The reviews undertaken by the Government could lead to changes in legislation or codes of practice which the Group may have to comply with.

(k) Financial instruments

The financial risk management objectives and policies of the Group and the exposure of the Group to interest rate risk, inflation risk, currency risk, market risk, credit risk and liquidity risk are provided in Note 4 to the financial statements.

Photo: Road Management Services (Darrington) Limited

(l) LIBOR

As described in note 2, the Group is managing the risks arising from the benchmark rate replacement by seeking to negotiate consistent terms, rates and transition dates, with the respective counterparties, to maintain hedge effectiveness, although formal transition has not yet completed across all companies.

Directors

The directors and chairman who held office during the year and subsequently are as follows:

W R Doughty	Chairman (appointed 18 November 2021)
A L Tennant	Chairman (resigned 18 November 2021)

A E Birch	Executive
J M Simpson	Executive
W R Doughty	Non-Executive
P Shukla	Non-Executive
K M Hill	Non-Executive (resigned 22 March 2022)
M T Smith	Non-Executive (appointed 22 March 2022)
A L Tennant	Non-Executive and Alternate to K M Hill
P G Dowdall	Non-Executive
C P Rule	Non-Executive
A C M Rhodes	Alternate to A E Birch
C J Simpson	Alternate to C P Rule
	Alternate to P G Dowdall

The company secretaries who held office during the year and subsequently are as follows:

S Taberner
Crestbridge Corporate Services Limited

There were no contracts of any significance in relation to the business of the Company in which the directors had any interest as defined in the Companies (Jersey) Law 1991 at any time during the year. The directors had no interest in the company's share capital.

Directors' indemnities

Qualifying third party indemnity provisions were in force for the directors during the financial year ended 31 March 2022 and at the date of this report are in force for the benefit of the current directors in relation to certain losses and liabilities which they may incur (or may have incurred) to third parties in the course of their professional duties.

Going concern

Each PPP project company is funded by third party borrowings which is independent of the funding in other projects or the Group. A default in any project company will not cross default the debt in the Group or another project company. The Group banking facilities are serviced by cash distributions from project companies and the Group model forecasts that the Group will meet its banking covenants for at least 12 months from the date of these financial statements.

The banking covenants are not directly dependent on the results of the Group's consolidated financial statements. Internal cash forecasts, which have been reviewed by the Directors, support the ongoing ability of the Group to meet its debt and other liabilities as they fall due for the foreseeable future, including the 12 months following the approval of the financial statements. Sensitivities to variables such as interest rates, inflation, tax rates, and project cashflows are run and monitored within these cash flow models.

Accordingly, the financial statements have been prepared on the going concern basis.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and the profit or loss for that year.

In preparing those financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

On behalf of the Board

A E Birch
Director
21 September 2022

Report on the audit of the financial statements

Opinion

In our opinion, Semperian PPP Investment Partners Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's profit, the company's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report, which comprise: the group and company balance sheets as at 31 March 2022; the group and company statements of comprehensive income, the group and company statements of changes in equity and the group and company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- The Group Financial Statements consists of 167 components, 164 of the components have been subject to full scope audits, which has meant that 86% of the EBITDA has been subject to full scope audits.

Key audit matters

- Treatment of Contract assets (group)
- Carrying value of investments at fair value through profit and loss (group)
- Impairment of Goodwill (group)
- Valuation of derivatives (group)

Materiality

- Overall group materiality: £3,865,000 (2021: £4,475,000) based on 2.5% of adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).
- Overall company materiality: £418,000 (2021: £416,000) based on 1% of Investment income.
- Performance materiality: £2,899,000 (2021: £3,356,000) (group) and £313,500 (2021: £312,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Impact of the outbreak of COVID-19 on the financial statements (group and parent), which was a key audit matter last year, is no longer included because of the assessment of risk related to COVID-19 being deemed as normal in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Treatment of Contract assets (group) The Group operates a number of PFI ('Private Finance Initiative') contracts with various Public Sector bodies for the design, construction, financing, commissioning and maintenance of buildings and other facilities used by such bodies. The Group recognises amounts due to recompense it for the design, construction and financing element of the project (including interest) in its balance sheet as a "contract asset". The contract asset consists of finance debtor and lifecycle provision components. Each year, the debtor reduces to reflect payment via unitary charge funding, to part repay design and construction costs and financing expense. The intention being that by the end of the arrangement, the contract asset is settled in full. The determination of the amounts to allocate from the unitary charge payment to the imputed interest receivable includes some judgement. Given the estimations and the size of the balances involved, this is an area of focus. In addition, each year, amounts are allocated from the unitary charge account to lifecycle provisions, which are deducted from the contract asset, to meet future costs. This also involves judgement and accordingly is also an area of focus. Contract assets amount to c.£1,496m (2021: c.£1,628) as disclosed in Note 18 of the financial statements.	Our audit addressed the key audit matter as follows: • We have reviewed the integrity and consistency of Management's financial forecast model that reflects the finance debtor, interest receivable and lifecycle provisions/deferred income to satisfy ourselves that any movements in these balances have been appropriately calculated and reflected in the model. • The allocations to reduce the outstanding finance debtor from cash receipts in relation to the unitary charge are driven by a financial model that is extensively reviewed and is used to ensure the debtor is paid down over the life of the contract whilst having regard to that element of the unitary charge receipts which are required to cover other items such as actual and expected operating expense. We have confirmed that the allocations are consistent with Management's financial forecast model and that the allocations are reasonable having regard to appropriate consideration of other matters which the unitary charges are designed to cover such as lifecycle provisions. By performing look back procedures, we have checked the past accuracy of management's estimates around lifecycle expenditure and RPI rates (which drives finance debtor and turnover). This has provided comfort over the robustness of management's projections in the financial model being used. • We recalculated the imputed interest receivable on the finance debtor. We found the calculations to be accurate. • We tested the lifecycle deferral calculations applied and validated that they were consistent with Management's financial forecast model. • We have also ensured that the actual results, including inputs such as inflation and tax rate changes, have been appropriately reflected in the model and financial statements. We found the calculations to be accurate.

Carrying value of investments at fair value through profit and loss (group) The Group has designated its Investments in Associates to be accounted for at fair value through profit and loss. Fair values are determined using the income approach which discounts the expected cash flows at the appropriate rate. The determination of the fair value includes some judgement. Given the estimations and the size of the balances involved, this is an area of focus. Carrying amount of associate investments of c.£764m (2021: c.£636m) and fair value movements during the year amounting to c.£129.3m increase (2021: c.£24m decrease) have been disclosed within Note 15 and Note 6 respectively.	In order to assess the appropriateness of the interest rate used to discount the future cash flows we have challenged management's assumptions and compared the rates used both to similar entities operating in the same market and also to a valuation report prepared by external consultants. We understood and corroborated the reasons for significant changes in the fair values of individual investments. We tested the cashflows used for the assessment of fair value and validated that they were consistent with Management's financial forecast model and considered the historical accuracy of management's forecasting of cash flows from its investments. The estimates were considered to be reasonable based on our review.
Impairment of Goodwill (group) In accordance with the requirements of IFRS 36 Goodwill is tested annually for impairment. The carrying amount of goodwill is dependent on the stage of completion of the underlying service concessions which have a finite life. The recoverable amounts of the net assets are determined based on discounted cash flow methodology. These calculations require the use of estimates, including projected future cash flows and other future events and the determination of an appropriate discount rate. Given the judgements and estimations and the size of the balances involved, this is an area of focus. Carrying amount of Goodwill amounting to c.£210m (2021: c.£210m) has been disclosed within Note 12 of the financial statements.	Our audit addressed the key audit matter as follows: In order to assess the appropriateness of the interest rate used to discount the future cash flows we have challenged management's assumptions and compared the rates used both to similar entities operating in the same market and also to a valuation report prepared by external consultants. We tested the cashflows used for the assessment of fair value and validated that they were consistent with Management's financial forecast model and considered the historical accuracy of management's forecasting of cash flows from its investments. The estimates were considered to be reasonable based on our review and we found the underlying calculations to be appropriate.
Valuation of derivatives (group) The Group holds derivatives at fair value. The determination of fair value requires estimates to be made of future movements in inflation and interest rates. The Group has utilised an external valuer to value the derivatives but is responsible for the assumptions made in the valuation process. Given the required estimation and size of the balances involved, this is an area of focus. Closing fair value of c.£327m (2021: c.£415m) has been disclosed within Note 22 of the financial statements.	Our audit addressed the key audit matter as follows: We obtained the external valuation report and agreed the report to the financial statements. We confirmed the details of the derivatives valued to the terms of the instruments. We re-performed the valuation based on our expectations of a reasonable range of assumptions. We found the calculations to be accurate and methodology appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate. The Group Financial Statements consists of 167 components, 164 of the components have been subject to full scope audits, which has meant that 86% of the adjusted EBITDA has been subject to full scope audits. The accounting for the components is undertaken by the Group's central accounting team in Bristol, the audits of the 163 components described above has been undertaken by a team led from Bristol without the requirement to receive reporting from component auditors.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£3,865,000 (2021: £4,475,000).	£418,000 (2021: £416,000).
How we determined it	2.5% of adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	1% of Investment income
Rationale for benchmark applied	EBITDA is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. During the current year, this metric has been adjusted to exclude Income from and movement on associate investments to reduce volatility driven by financial assumptions and macro economic factors.	The company is an investment company. Its investment income is used by shareholders in assessing its performance and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2,899,000 (2021: £3,356,000) for the group financial statements and £313,500 (2021: £312,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £194,000 (group audit) (2021: £224,000) and £21,000 (company audit) (2021: £21,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- assessing internal controls related to going concern and considering compliance with bank covenants.
- challenging management to assess if there are any indicators of possible management bias relating to going concern and implications for the audit.
- evaluating significant judgements made in relation to whether or not a material uncertainty exists, the appropriateness of management's use of the basis of accounting and the appropriateness of management's disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Semperian PPP Investment Partners Holdings Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies (Jersey) Law 1991. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and involvement of management bias in making accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal audit to enquire of any known instances of non-compliance with Laws and Regulations and Fraud
- Reading board minutes for evidence of breaches of regulations and reading relevant correspondence
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations
- Incorporating unpredictability into the nature, timing and/or extent of our testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- Proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andrew Latham

Andrew Latham
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
21st September 2022

Statement of comprehensive income
for the year ended 31 March 2022

Group	Note	Year ended 31 March 2022 £million	Year ended 31 March 2021 £million
Services revenue		**391.4**	380.3
Other operating income		**-**	5.5
Interest from investments	5	**20.6**	19.6
Income from contract assets	18	**95.6**	97.7
Income from and movement on associate investments	6	**165.5**	19.5
Total income		**673.1**	522.6
Services costs	7	**(339.9)**	(335.8)
Administrative expenses	8	**(44.6)**	(40.1)
Profit before net finance costs and tax		**288.6**	146.7
Finance costs	10	**(163.4)**	(167.4)
Finance income	10	**0.1**	0.5
Change in fair value of financial derivatives	10	**87.2**	96.6
Profit before tax		**212.5**	76.4
Income tax charge	11	**(62.9)**	(10.2)
Profit for the year		**149.6**	66.2
Other comprehensive income / (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(0.2)**	(1.0)
Fair value of financial derivatives – credit / (charge) adjustment		**1.4**	(28.9)
Deferred tax on financial derivatives – credit adjustment		**1.1**	5.5
Total other comprehensive income		**2.3**	(24.4)
Total comprehensive income for the year		**151.9**	41.8
Attributable to:			
Owners of the parent		**153.6**	43.5
Non-controlling interests		**(1.7)**	(1.7)
		151.9	41.8

All results are materially derived from continuing operations. The accompanying notes on pages 23 to 56 are an integral part of these financial statements.

Semperian PPP Investment Partners Holdings Limited

Statement of comprehensive income
for the year ended 31 March 2022

Company	Note	Year ended 31 March 2022 £million	Year ended 31 March 2021 £million
Interest from investments		**41.8**	41.6
Administrative expenses	8	**(0.2)**	0.1
Profit before net finance costs and tax		**41.6**	41.7
Finance costs	10	**(41.8)**	(41.6)
(Loss) / profit before tax		**(0.2)**	0.1
Income tax charge		**-**	-
(Loss) / profit & Total comprehensive (expense) / income for the year		**(0.2)**	0.1

All results are derived from continuing operations. The accompanying notes on pages 23 to 56 are an integral part of these financial statements.

Semperian PPP Investment Partners Holdings Limited

Balance sheets
as at 31 March 2022

	Note	Group 2022 £million	Group 2021 £million	Company 2022 £million	Company 2021 £million
Non-current assets					
Intangible assets	12	**471.5**	498.4	-	-
Property, plant and equipment	13	**52.9**	56.0	-	-
Net investment in finance leases	14	**10.1**	14.4	-	-
Associate investments	15	**955.5**	826.2	-	-
Loan investments	16	**34.2**	39.9	-	-
Investments in subsidiary undertakings	17	-	-	**591.9**	607.2
Contract assets	18	**1,397.6**	1,522.8	-	-
Derivative financial instruments	22	**3.2**	2.3	-	-
Deferred tax assets	11	**111.5**	105.5	-	-
Total non-current assets		**3,036.5**	3,065.5	**591.9**	607.2
Current assets					
Net investment in finance leases	14	**4.2**	3.9	-	-
Contract assets	18	**98.1**	104.9	-	-
Trade and other receivables	18	**45.4**	51.2	**29.2**	20.8
Current tax assets		**0.4**	-	-	-
Cash and cash equivalents	19	**387.2**	377.2	-	-
Total current assets		**535.3**	537.2	**29.2**	20.8
Total assets		**3,571.8**	3,602.7	**621.1**	628.0
Current liabilities					
Loans and borrowings	21	**(218.9)**	(181.9)	-	-
Trade and other payables	20	**(97.0)**	(118.1)	**(29.2)**	(20.8)
Current tax liabilities		-	(0.6)	-	-
Total current liabilities		**(315.9)**	(300.6)	**(29.2)**	(20.8)
Non-current liabilities					
Loans and borrowings	21	**(2,305.8)**	(2,467.6)	**(541.3)**	(556.6)
Derivative financial instruments	22	**(329.9)**	(417.6)	-	-
Trade and other payables	20	**(5.5)**	(6.0)	-	-
Deferred tax liabilities	11	**(324.5)**	(272.6)	-	-
Total non-current liabilities		**(2,965.7)**	(3,163.8)	**(541.3)**	(556.6)
Total liabilities		**(3,281.6)**	(3,464.4)	**(570.5)**	(577.4)
Net assets		**290.2**	138.3	**50.6**	50.6
Equity					
Ordinary share capital	25	**1.2**	1.2	**1.2**	1.2
Share premium	25	**63.0**	63.0	**63.0**	63.0
Cumulative translation reserve		**4.4**	4.6	-	-
Accumulated profit / (losses)		**207.8**	54.0	**(13.6)**	(13.6)
Total equity attributable to Owners of the parent		**276.4**	122.8	**50.6**	50.6
Non-controlling interests		**13.8**	15.5	-	-
Total equity		**290.2**	138.3	**50.6**	50.6

The accompanying notes on pages 23 to 56 are an integral part of these financial statements. The financial statements on pages 17 to 56 were approved by the Board of Directors on 21 September 2022, and signed on its behalf by:

J M Simpson *(Director)*

Statement of changes in equity
for the year ended 31 March 2022

Group	Attributable to equity holders of the parent						
	Ordinary share capital £million	Share Premium reserve £million	Cumulative translation reserve £million	Accumulated profit £million	Total £million	Non-controlling interests £million	Total equity £million
Balance at 31 March 2020	**1.2**	**51.5**	**5.6**	**9.5**	**67.8**	**17.2**	**85.0**
Share issue	-	11.5	-	-	11.5	-	11.5
Comprehensive income:							
Profit for the year	-	-	-	67.9	67.9	(1.7)	66.2
Other comprehensive income / (expense):							
Currency translation	-	-	(1.0)	-	(1.0)	-	(1.0)
Fair value of financial derivatives – credit adjustment net of tax	-	-	-	(23.4)	(23.4)	-	(23.4)
Balance at 31 March 2021	**1.2**	**63.0**	**4.6**	**54.0**	**122.8**	**15.5**	**138.3**
Comprehensive income:							
Profit for the year	-	-	-	151.3	151.3	(1.7)	149.6
Other comprehensive income / (expense):							
Currency translation	-	-	(0.2)	-	(0.2)	-	(0.2)
Fair value of financial derivatives – credit adjustment net of tax	-	-	-	2.5	2.5	-	2.5
Balance at 31 March 2022	**1.2**	**63.0**	**4.4**	**207.8**	**276.4**	**13.8**	**290.2**

Statement of changes in equity
for the year ended 31 March 2022 (continued)

Company	Ordinary share capital £million	Share premium £million	Accumulated losses £million	Total equity £million
Balance at 31 March 2020	**1.2**	**51.5**	**(13.6)**	**39.1**
Share issue	-	11.5	-	11.5
Profit for the year	-	-	0.1	0.1
Share-based payment	-	-	(0.1)	(0.1)
Balance at 31 March 2021	**1.2**	**63.0**	**(13.6)**	**50.6**
Loss for the year	-	-	(0.2)	(0.2)
Share-based payment	-	-	0.2	0.2
Balance at 31 March 2022	**1.2**	**63.0**	**(13.6)**	**50.6**

Cash flow statements
for the year ended 31 March 2022

	Note	Group Year ended 31 March 2022	Group Year ended 31 March 2021	Company Year ended 31 March 2022	Company Year ended 31 March 2021
		£million	£million	**£million**	£million
Cash flows from operating activities					
Profit / (Loss) before tax		**212.5**	76.4	**(0.2)**	0.1
Adjustments for:					
Interest from investments	5	**(20.6)**	(19.6)	**(41.8)**	(41.6)
Dividends from investments	6	**(22.1)**	(21.9)	**-**	-
Amortisation of other investments		**3.9**	4.4	**-**	-
Fair value movements on associate investments	6	**(129.3)**	24.0	**-**	-
Income from contract assets	18	**(95.6)**	(97.7)	**-**	-
Interest payable and similar charges		**163.6**	167.3	**42.0**	41.5
Changes in fair value of derivatives	10	**(87.2)**	(96.6)	**-**	-
Finance income	10	**(0.1)**	(0.5)	**-**	-
Other operating income adjustment		**-**	16.4	**-**	-
Amortisation and impairment	12	**26.9**	27.9	**-**	-
Depreciation of property, plant and equipment	13	**5.5**	4.4	**-**	-
Operating cash inflow before changes in working capital		**57.5**	84.5	**-**	-
Changes in working capital					
Decrease / (Increase) in receivables		**5.8**	1.0	**(8.4)**	(0.5)
(Decrease) / Increase in payables		**(21.6)**	21.7	**8.4**	0.5
Cash inflow from operations		**41.7**	107.2	**-**	-
Interest received on bank deposits	10	**0.1**	0.5	**-**	-
Cash received from contract assets	18	**227.6**	228.1	**-**	-
Interest paid		**(155.2)**	(169.7)	**(33.4)**	(41.1)
Corporation tax paid		**(16.8)**	(11.1)	**-**	-
Net cash inflow / (outflow) from operating activities		**97.4**	155.0	**(33.4)**	(41.1)
Cash flows from investing activities					
Acquisition of property, plant and equipment	13	**(2.7)**	(0.4)	**-**	-
Interest received from investments	5	**20.6**	19.6	**33.4**	41.1
Receipts from investments	16	**5.7**	4.7	**15.4**	28.6
Finance lease disposal		**-**	4.0	**-**	-
Loans to investments		**-**	-	**-**	(24.4)
Dividend income from associate investments	6	**22.1**	21.9	**-**	-
Acquisition of associates		**-**	-	**-**	-
Acquisition of intangible		**-**	-	**-**	-
Acquisition of subsidiary net of cash acquired		**-**	-	**-**	-
Net cash generated from investing activities		**45.7**	49.8	**48.8**	45.3
Cash flows from financing activities					
Proceeds from borrowings		**27.5**	13.7	**-**	12.9
Repayment of borrowings		**(160.8)**	(200.0)	**(15.4)**	(28.6)
Proceeds from issue of share capital	25	**-**	11.5	**-**	11.5
Net cash used in financing activities		**(133.3)**	(174.8)	**(15.4)**	(4.2)
Net increase in cash and cash equivalents		**9.8**	30.0	**-**	-
Cash and cash equivalents at beginning of year		**377.2**	347.5	**-**	-
Exchange movements		**0.2**	(0.3)	**-**	-
Cash and cash equivalents at end of year		**387.2**	377.2	**-**	-

1. General information

Semperian PPP Investment Partners Holdings Limited (the "Company") is a company registered and incorporated in Jersey, Channel Islands, and is a United Kingdom tax resident company. The financial statements for the year ended 31 March 2022 comprise the Company and its subsidiaries, together referred to as the "Group". The principal activity of the Group and Company is investing in the PPP market, primarily in the United Kingdom.

2. Key accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies have been applied consistently in the current year.

(a) Basis of preparation

The financial statements have been prepared in accordance with Companies (Jersey) Law 1991 applicable to companies reporting and under International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the European Union in response to the IAS regulation (EC 1606/2002), using the historical cost convention, modified to include revaluation of certain financial instruments and investments held at fair value through profit or loss. The financial statements are presented in pounds sterling, which is the Company's functional currency.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. Note 3 outlines the critical accounting judgements and estimates.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Each PPP project company is funded by third party borrowings which is independent of the funding in other projects or the Group. A default in any project company will not cross default the debt in the Group or another project company. The Group banking facilities are serviced by cash distributions from project companies and the Group model forecasts that the Group will meet its banking covenants for at least 12 months from the date of these financial statements.

The banking covenants are not directly dependent on the results of the Group's consolidated financial statements. Internal cash forecasts, which have been reviewed by the Directors, support the ongoing ability of the Group to meet its debt and other liabilities as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

2. Key accounting policies (continued)

(a) Basis of preparation (continued)

New accounting standards adopted during the period

Interest rate benchmark reform

SONIA (Sterling Overnight Index Average) has replaced GBP LIBOR, with effect from 1 January 2022.

GBP LIBOR is a 'term rate', which means that it is published for a borrowing period (such as 1-, 3-, and 6-months) and is 'forward looking', because it is published at the beginning of the borrowing period. SONIA is a 'backward-looking' rate, based on a compound rate from observed overnight rates.

Furthermore, GBP LIBOR includes a credit spread over the risk-free rate (RFR), which SONIA does not. To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences a 'Credit Adjustment Spread' ('CAS') is applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition. The CAS is agreed by the Lenders' Market Association ('LMA') and International Swaps and Derivative Association ('ISDA'). The CAS was published by Bloomberg, 5 March 2021, when the Financial Conduct Authority ('FCA') declared the cessation of GBP LIBOR, it is the 5-year historic median between GBP LIBOR and SONIA.

The Group has floating rate debt and related hedging instruments which are subject to LIBOR, as disclosed in note 21 and 22. The risks arising from the transition relate principally to the potential impact of rate differences if the debt and related hedging instruments did not transition to the new benchmark interest rate simultaneously and/or the rates move by different amounts. To avoid this, the Company has negotiated consistent terms, rates and transition dates, with the respective counterparties, although formal transition has not yet completed for all hedging instruments. In the meantime, synthetic LIBOR is applied for instruments which have not yet completed formal transition.

The FCA has confirmed it will allow the use of "Synthetic LIBOR" rates for all legacy contracts except cleared derivatives, to allow a wider time window for transitions to be completed. Synthetic LIBOR has however not been guaranteed beyond 31 December 2022. In addition, The Critical Benchmarks (References and Administrators' Liability) Act 2021 has been passed to amend the defined term of GBP LIBOR to 'synthetic LIBOR', such that "LIBOR" references are by law "synthetic LIBOR".

As the transition seeks to maintain hedge effectiveness, there is no change to the entity's overall risk management strategy as a result of the benchmark rate replacement.

(b) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries up to 31 March 2022. Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than half of the voting rights. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date control ceases.

Associates are those entities over which the Group has significant influence. Associate investments are designated upon initial recognition to be accounted for at fair value through profit or loss, as prescribed under IAS 28.1. See part (d)(i) below for the accounting policy for investments in these entities.

Intra-Group balances and any unrealised gains and losses arising from Intra-Group transactions are eliminated in preparing the financial statements. Unrealised gains arising from transactions with subsidiaries are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, to the extent there is no evidence of impairment.

2. Key accounting policies (continued)

(b) Basis of consolidation (continued)

All business combinations are accounted for using the acquisition method. Goodwill represents the difference between the cost of acquisition and the share of the fair value of identifiable net assets (including intangible assets) of a subsidiary at the date of acquisition. Identifiable intangibles are those which can be measured reliably, sold separately or which arise from legal rights regardless of whether those rights are separable. Costs consist of the fair values of assets and liabilities.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group and are recorded in the Statement of comprehensive Income.

(c) Recent accounting developments

The group has applied IFRS16 Leases and has changed its accounting policies as a result in the current year. The group has applied cumulative changes from 1 April 2019 into this year's financial statements, however no prior period adjustment has been made as the change in accounting is not material to the financial statements. For further details see note 13.

Standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year end 31 March 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. Details of these standards are set out below

Standard/amendment/interpretation	Effective date
Amendments to IFRS 3, 'Business combinations', IAS 16,' Property, plant and equipment', and IAS 37 'Provisions, contingent liabilities and contingent assets'	Annual periods on or after 1 Jan 2022
Annual Improvements 2018-2020	Annual periods on or after 1 Jan 2022
IFRS 17, 'Insurance contracts' as amended in December 2021 by amendments to IFRS 17, Insurance Contracts"	Annual periods on or after 1 Jan 2023
Amendments to IAS 12, 'Income Taxes'	Annual periods on or after 1 Jan 2023
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	Annual periods on or after 1 Jan 2023
Amendments to IAS 1, 'Presentation of financial statements', IFRS Practice statement 2 and IAS 8,' Accounting policies, changes in accounting estimates and errors'	Annual periods on or after 1 Jan 2023

2. Key accounting policies (continued)

(d) Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition.

(i) Non-derivative financial instruments

Trade receivables are classified at amortised cost as they are held within a business model to collect contracted cash flows. Such receivables are initially recognised at their transaction price, being the expected amount of any consideration receivable. Trade receivables continue to be measured at their transaction price less any lifetime expected credit losses using the simplified approach for determining such losses as permitted by IFRS 9 "Financial Instruments".

The finance receivable is classified as a contract asset and a financial instrument and is carried at amortised cost using the effective interest rate method less any lifetime expected credit losses. Income from finance receivables is recognised in the Statement of comprehensive income as a separate line item.

Associate investments are designated at fair value through profit or loss. Fair values are determined using the income approach which discounts the expected future cash flows attributed to each asset at an appropriate rate to arrive at fair values. In determining the appropriate discount rate, regard is given to risk free rates, the specific risks of each investment and the evidence of recent transactions. Upon initial recognition, attributable transaction costs are recognised in the profit or loss.

Cash and cash equivalents comprise of cash balances, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the Cash flow statement. Some of the cash within the group is restricted in its use by the project contract conditions, this is typically to ensure enough cash is retained in the project to ensure an amount of costs (such as lifecycle costs) can be met. These restrictions are not sufficient to change the determination of cash and cash equivalents at a group level.

Borrowings are recognised initially at the fair value of the consideration received, less transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the life of the borrowings on an effective interest rate basis.

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method less any impairment losses. The effective interest rate method calculates the amortised cost of the non-derivative financial instrument and allocates the interest over the life of the instrument.

(ii) Derivative financial instruments

The Group's operating subsidiaries hold derivative financial instruments to economically hedge their interest rate and inflation risk exposures. All derivatives are recognised initially at fair value with attributable transaction costs recognised in profit or loss as incurred. Thereafter, derivatives are measured at fair value with changes recognised in profit or loss as part of finance costs. Fair value is based on valuations provided by an independent third party valuer. Hedge accounting is not applied in these Group financial statements.

2. Key accounting policies (continued)

(e) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Subsidiaries acquired in a single transaction are accounted for as a portfolio. Goodwill is included in intangible assets, tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately through profit or loss. Subsequent reversals of impairment losses for goodwill are not recognised.

On acquisition the fair value of net assets acquired is considered provisional and may be altered within one year of the acquisition date.

Gains and losses on the disposal of an entity include the carrying value of goodwill relating to the entity sold.

(ii) Other intangible assets

The Group has recognised intangible assets acquired as part of a business combination, being the fair value of service concessions acquired as at the date of acquisition in the operating subsidiaries. Fair values were determined using the income approach which discounts the expected future cash flows attributable to the service portion of the service concessions acquired at an appropriate rate to arrive at fair values. In determining the appropriate discount rate, regard is given to risk free rates and the specific risks of each project. These assets are being amortised over the life of the concessions concerned on a straight-line basis.

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment losses. Depreciation is provided on operating properties by estimating the depreciable amount of the relevant assets by equal annual instalments over the term of the respective concession (note 30). The assets' residual values are reviewed and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(g) Leases

Assets leased out under finance leases are recognised as a receivable in the balance sheet at the present value of the lease payments. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

The group has changed its accounting policies in the year to recognise right-of-use operating lease assets where the group is the lessee in accordance with IFRS16. The impact of this change is covered in note 13. The value of the lease has been capitalised based on discounting the future cashflows from 1 April 2019 onwards, and then depreciating these on a straight line basis. At the same time a liability has been created with interest applied to it, which reduces as lease payments are made. The effect of this change is not material to the financial statements and has not been treated as a prior period adjustment.

2. Key accounting policies (continued)

(h) Impairment

(i) Financial assets

Following the implementation of IFRS9, the group recognises impairment by calculating the expected credit losses (where applicable) using the simplified approach.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are stated at cost and reviewed at each reporting date to determine whether there is any evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised through the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reviewed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

(iii) Non-controlling interests

The interest of non-controlling shareholders is stated at the non-controlling shareholders' proportion of the fair values of the assets and liabilities initially recognised. Subsequently, any losses applicable to the non-controlling shareholders' interest in excess of the carrying value of the non-controlling shareholders' interest are allocated against the interest of the parent, except to the extent that the non-controlling shareholders have both a binding obligation and the ability to make an additional investment to cover the losses.

(i) Revenue

Services revenue comprises rental and service income which relate to the operating subsidiaries. Service income is determined according to the service contracts policy set out below.

Dividends are recognised when the right to receive payment has been established. A dividend which has already been recognised in the fair value of an associate investment is deducted from the carrying amount of the relevant investment.

Fees and other operating income are recognised when the Group's rights to receive payment have been established. Other income includes interest, fees and other operating income relating to investments.

Interest income arising on debt investments in associates is recognised in the profit or loss as it accrues, using the effective interest rate of the instrument concerned as calculated at the acquisition date. The effective interest rate is that rate that exactly discounts estimated cash payments or receipts through the expected life of the financial instrument to the relevant asset's carrying amount.

2. Key accounting policies (continued)

(j) Service contracts

(i) Service concessions

Service concessions are determined to give rise to contract assets to the extent that the Group, as operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor. The cash receivable in respect of the service concession is allocated to the component of the contract asset using the effective interest rate method, giving rise to interest income which is recognised through profit or loss as income from contract assets and a residual cash amount to reflect repayment of the finance receivable. Subsequently, finance receivable interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the finance receivable asset to that asset's net carrying amount.

Income from contract assets also includes the unwinding of the fair value adjustment on initial recognition of finance receivables.

Service concessions are determined to be intangible assets to the extent that the Group, as operator, has a contractual right to charge users of the public services. The intangible asset is amortised to the estimated residual value over the remaining life of the service concession and tested each year for impairment.

(ii) Revenue recognition

Revenue is measured at the fair value of the consideration receivable. The consideration received is allocated by reference to the relative fair value of the services delivered, when the amounts are separately identifiable. In the operational stage of a contract, cash received in respect of the service concessions is allocated to Services revenue based on its fair value, with the remainder being allocated between capital repayment and interest income using the effective interest rate method.

Revenue is recognised as on-going operational services are performed and remuneration of the finance debtor, as discussed above. The Group includes sales and purchase transactions relating to variations under the original contract where the benefits and risks are retained by the Group, within the financial statements as Services revenues and Services costs.

(k) Income tax

Income tax for the Group comprises both current and deferred tax. Current tax is the tax payable on the taxable income for the year. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates and laws that have been, or are substantively enacted at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company and its subsidiaries intend to settle their current tax assets and liabilities on a net basis.

2. Key accounting policies (continued)

(l) Foreign currencies

The Group's presentational currency is pounds sterling. Transactions in foreign currencies are translated to the functional currency of the relevant Company at exchange rates at the dates of the transactions. Monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Gains or losses on the translation of opening and closing net assets of subsidiary undertakings denominated in foreign currencies are recognised in the Statement of changes in equity.

(m) Services costs

The underlying project assets will incur various lifecycle costs including repair, refurbishment, replacement and insurance over the anticipated project lifespan. These costs are accounted for in accordance with the underlying concession arrangement and are recognised as a profit or loss as they accrue. Other intangible assets are amortised over the life of the concession to Services costs. Other Services costs are accounted for on an accruals basis.

(n) Administrative expenses and Finance costs

All expenses are accounted for on an accruals basis. Investment management and administration fees, finance costs (including interest on long-term borrowings) and all other expenses are charged through the profit or loss.

(o) Pension

The Group operates a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions to an external fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The Group pays contributions to publicly administered pension plans on a voluntary basis. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

(p) Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being to make and manage investments that are directly or indirectly related to infrastructure projects. The financial information used by management to allocate resources and manage the Group presents the business as a single segment. The majority of the Group's activities are undertaken in the United Kingdom.

(q) Share-based payment scheme

A group share-based payment arrangement was in operation which issued shares in Semperian Infrastructure Group Limited (formerly Imagile Group Limited) to individuals on behalf of the subsidiary company that employs those individuals. The cost of the repurchase of the shares from employees upon vesting conditions being met or a realisation event occurring has been borne by Semperian PPP Investment Partners Holdings Limited. Details of the settlement of the scheme are set out in note 23.

(r) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less an appropriate provision to reflect any impairment in the value of the investments. Repayments of loans have been disclosed as disposals of fixed asset investments. Any other impairment of investments in subsidiary undertakings is reflected as impairment charges.

3. Critical accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in certain circumstances that affect reported amounts. Actual results may differ from these judgements, estimates and assumptions. Estimates and assumptions made that have caused material adjustments to the carrying amounts of assets and liabilities in the current year and which have a significant risk of causing adjustments within the next financial year are outlined below.

a) Investments at fair value through profit or loss

Judgement: By virtue of the exemption provided by IAS 28.1, investments in associates are designated upon initial recognition to be accounted for at fair value through profit or loss. Judgement is required in assessing each acquisition to determine whether it should be accounted for as an associate or a subsidiary.

Estimate: Fair values are determined using the income approach which discounts the expected cash flows at the appropriate rate. In determining the discount rate, regard is given to risk free rates, specific risks and the evidence of recent transactions.

The carrying amount of associate investments would be an estimated £26.9m (2021: £23.4m) higher or £25.5m (2021: £22.3m) lower if the discount rate used in the cash flow analysis was 25 basis points lower or higher from that used in the fair value calculation. The weighted average discount rate for the portfolio as at 31 March 2022 was 6.21% (2021: 6.75%). The cashflows used in determining the fair values include assumptions around future inflation and interest rates benchmarked with third party sources. Forecast RPI is used to estimate the growth in contract cash flows, with the long term inflation average in these models being 3.48% (2021: 3.25%).

b) Impairment of goodwill (Estimate)

Goodwill is tested annually for impairment. The carrying amount of goodwill is dependent on the stage of completion of the underlying service concessions which have a finite life. The recoverable amounts of the net assets are determined based on discounted cash flow methodology. These calculations require the use of estimates, including projected future cash flows and other future events. In determining the discount rate, regard is given to risk free rates, specific risks and evidence of recent transactions. See note 12 for further information regarding impairment of goodwill.

c) Derivatives (Estimate)

Financial derivatives are included at fair value based on market information, expected forward interest rates, and expected RPI rates. Valuations are provided by an independent third party valuer.

Effect of LIBOR reform
In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Group has made the following assumptions that reflect its current expectations:

- The reform has not been used to change the commercial terms of the floating-rate instruments.
- No other changes to the terms of the floating-rate debt have occurred.

d) Contract Asset (Judgement and Estimate)

The accounting for service concession contracts requires judgement to allocate the funds received between proceeds for services and finance, and estimation of service margins, interest rates and associated amortisation profile which are based on the forecast results of the PFI contracts over the respective concession length.

4. Financial risk management

The objective of the Group's financial risk management is to manage and control the risk exposures of its investment portfolio. The Board of Directors has overall responsibility for overseeing the management of financial risks. The review and management of financial risks are performed by the Group, which has documented procedures designed to identify, monitor and manage the financial risks to which the Group is exposed. This note presents information about the Group's exposure to financial risks, its objectives, policies and processes for managing risk and the Group's management of its financial resources.

The Group owns a portfolio of investments predominantly in the subordinated loan notes and ordinary equity of PPP companies. These companies are structured at the outset to minimise financial risks of acquiring and holding the investment. The Group primarily focuses its risk management on the direct financial risks of acquiring and holding the portfolios, but continues to monitor the indirect financial risks of the underlying projects through representation, where appropriate, on the Boards of the project companies and the receipt of regular financial and operational performance reports.

(a) Interest rate risk

The Group invests in subordinated loan notes of project companies, usually with fixed interest rate coupons. Where floating rate debt is owned, the primary risk is that the Group's cash flows will be subject to variation depending upon changes to base interest rates. The portfolio's cash flows are continually monitored and re-forecasted both over the near future (five-year time horizon) and the long-term (over the whole period of projects' concessions) to analyse the cash flow returns from investments.

The Group has made use of borrowings to finance the acquisition of investments and the forecasts are used to monitor the impact of changes in borrowing rates against cash flow returns from investments as increases in borrowing rates will reduce net interest margins.

The Group's policy is to ensure that interest rates are sufficiently hedged to protect the Group's net interest margins from significant fluctuations when entering into material term borrowings.

The Group has an indirect exposure to changes in interest rates through its investment in project companies, which are in part financed by senior debt. Senior debt financing of project companies is generally either through floating rate debt or fixed rate bonds. Where senior debt is floating rate, the projects typically have concession length hedging arrangements in place, which are monitored by the project companies' managers, finance parties and boards of directors. Floating rate debt is hedged using interest rate swaps.

The carrying amount of interest rate swaps would change by an estimated £41.1m (2021: £53.0m) if rates used in the fair value calculation were to differ by 50 basis points.

(b) Inflation risk

The Group's project companies are generally structured so that contractual income and costs are either wholly or partially linked to specific inflation where possible to minimise the risks of a mismatch between income and costs due to movements in inflation indexes. The Group's overall cash flows are estimated to partially vary with inflation. The effects of these inflation changes do not always immediately flow through to the Group's cash flows, particularly where a project's loan note debt carries a fixed coupon and the inflation change flows through by way of dividends.

The carrying amount of inflation swaps would change by an estimated £18.1m (2021: £20.0m) if rates used in the fair value calculation were to differ by 50 basis points.

4. Financial risk management (continued)

(c) Currency risk

The projects in which the Group invests all conduct their business and pay interest, dividends and principal in pounds sterling, other than two investments, which conduct their business and pay interest, dividends and principal in Euros. The Group monitors its foreign exchange exposures using its near term and long term cash flow forecasts. Its policy is to use foreign exchange hedging to provide protection to the level of pounds sterling distributions that the Group aims to pay over the medium term, where considered appropriate. No sensitivity analysis is made as the Group's exposure to currency risk is minimal.

(d) Market risk

Returns from the Group's investments are affected by the price at which they are acquired. The value of these investments will be a function of the discounted value of their expected future cash flows, and as such will vary with, inter alia, movements in interest rates, market prices and the competition for such assets.

(e) Capital management

The capital structure of the Group consists of loans and borrowings, cash and cash equivalents and equity attributable to members of the Company, comprising issued capital, reserves and retained earnings.

The Board's policy when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to sustain the future development of the business. In order to maintain or adjust the capital structure, the Group may issue new shares or raise medium/long term third party debt. Any changes will be considered in the light of the impact they have on shareholders' return on their equity. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year.

(f) Credit risk

Credit risk is the risk that a counterparty of the Group will be unable or unwilling to meet a commitment that it has entered into with the Group. The Group's direct counterparties are the project companies in which it makes investments. The Group's near term cash flow forecasts are used to monitor the timing of cash receipts from project counterparties. Underlying the cash flow forecasts are project company cash flow models, which are regularly updated by project companies for the purposes of demonstrating the projects' ability to pay interest and dividends based on a set of detailed assumptions. Many of the Group's investment and subsidiary entities generally receive revenue from government departments, public sector or local authority clients. Therefore, a significant portion of the Group's revenue arises from counterparties of good financial standing.

The Group is also reliant on the projects' subcontractors continuing to perform their service delivery obligations such that revenues to projects are not disrupted. The Group has a subcontractor counterparty monitoring procedure in place. The credit standing of subcontractors is reviewed and the risk of default estimated for each significant counterparty position. Monitoring is ongoing and period end positions are reported to the Board on a quarterly basis.

No classes within trade and other receivables contain impaired assets. The maximum exposure to credit risk over financial assets is the carrying value of those assets in the balance sheet. As at 31 March 2022, the Group recorded overdue, but not impaired, balances of £2.7m (2021: £1.4m). Of these balances £1.2m (2021: £0.3m) is less than three months old and £0.6m (2021: £0.7m) is more than 12 months old.

4. Financial risk management (continued)

(g) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient financial resources and liquidity to meet its liabilities when due. The Group's activity is predominately funded by long term funding.

The Group's investments are generally in private companies in which there is no listed market and, therefore, such investment would take time to realise and there is no assurance that the valuations placed on the investments would be achieved from any such sale process.

The Group's investment companies have borrowings which rank senior to the Group's own investments in the companies. The senior debt is structured such that, under normal operating conditions, it will be repaid within the expected life of the projects. Debt raised by the investment companies from third parties is without recourse to the Group.

The Group's investments may include obligations to meet future subscription amounts. These obligations will typically be supported by standby letters of credit, issued by the Group's bankers in favour of the senior lenders to the investment companies. Such subscription obligations are met from the Group's financial resources when they fall due.

The Group has committed banking facilities at the individual project and group company level and these facilities are of sufficient size to meet the Group's foreseeable funding requirement. Current banking facilities would only be utilised on a short-term bridging basis to be refinanced from long term funding. Alternative financing arrangements are kept under review for adoption if required. There are some undrawn, but committed, facilities at 31 March 2022 as disclosed in note 21.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts in the table are the contracted undiscounted cash flows.

31 March 2022 £million	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**
Bank and other borrowings	201.5	180.1	574.3	1,561.8
Trade and other payables	97.0	0.3	0.8	4.4
Notes	23.6	23.0	21.0	56.9
Listed bonds	26.6	29.0	94.4	178.7
Financial derivatives	27.1	26.3	73.6	202.8

31 March 2021 £million	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**
Bank and other borrowings	175.1	216.5	554.9	1,693.7
Trade and other payables	117.7	0.3	0.9	4.8
Notes	21.6	23.1	39.6	58.2
Listed bonds	29.4	29.0	84.1	209.6
Financial derivatives	34.3	33.3	93.2	256.8

4. Financial risk management (continued)

(h) Fair value estimation

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Non-derivative financial instruments: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses the income approach which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values. In determining the discount rate, regard is given to risk free rates, the specific risks of each investment and the evidence of recent transactions.

Derivative financial instruments: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. Note 2 discloses the methods used in determining fair values on a specific asset/liability basis. Where applicable, further information about the assumptions used in determining fair value is disclosed in the notes specific to that asset or liability.

Group classification of financial instruments

	2022 £million	2021 £million
Financial assets:		
Designated at fair value through profit or loss:		
Associate investments	**955.5**	826.2
Financial derivatives	**3.2**	2.3
Financial assets at fair value through profit or loss	**958.7**	828.5
Loans and other receivables at amortised cost:		
Other investments	**34.2**	39.9
Net investment in finance lease	**14.3**	18.3
Trade and other receivables & contract assets	**1,541.1**	1,678.9
Cash and cash equivalents	**387.2**	377.2
Financial assets at amortised cost	**1,976.8**	2,114.3
Financial liabilities:		
Designated at fair value through profit or loss:		
Financial derivatives	**(329.9)**	(417.6)
Financial liabilities at fair value through profit or loss	**(329.9)**	(417.6)
Loans and other payables at amortised cost:		
Trade and other payables	**(90.4)**	(102.2)
Loans and borrowings	**(2,524.7)**	(2,649.5)
Financial liabilities at amortised cost	**(2,615.1)**	(2,751.7)

4. Financial risk management (continued)

(h) Fair value estimation (continued)

Group - Fair value hierarchy

The fair value hierarchy consists of the following three levels:

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

As at 31 March 2022	**Level 1** £million	**Level 2** £million	**Level 3** £million	**Total** £million
Associate equity and loan investments (note 15)	-	-	955.5	955.5
Financial assets at fair value	**-**	**-**	**955.5**	**955.5**
Financial derivatives at fair value (note 22)	-	(326.7)	-	(326.7)
Financial liabilities at fair value	**-**	**(326.7)**	**-**	**(326.7)**

As at 31 March 2021	**Level 1** £million	**Level 2** £million	**Level 3** £million	**Total** £million
Associate equity and loan investments (note 15)	-	-	826.2	826.2
Financial assets at fair value	**-**	**-**	**826.2**	**826.2**
Financial derivatives at fair value (note 22)	-	(415.3)	-	(415.3)
Financial liabilities at fair value	**-**	**(415.3)**	**-**	**(415.3)**

There were no transfers between Level 1 and Level 2 during the year. Reconciliations of Level 3 balances are disclosed in the relevant notes as indicated above. The effect of different economic assumptions on the fair value of the Level 3 assets is disclosed in note 3.

Notes to the financial statements
for the year ended 31 March 2022 (continued)

5. Interest from investments

	Year ended 31 March 2022 £million	Year ended 31 March 2021 £million
Interest from associate investments	**16.8**	15.4
Interest from loan investments	**2.5**	2.8
Interest from finance leases	**1.3**	1.4
	20.6	19.6

6. Income from and movement on associate investments

	Year ended 31 March 2022 £million	Year ended 31 March 2021 £million
Dividend income	**22.1**	21.9
Fees and other operating income	**14.1**	21.6
Movement on fair valuation (note 15)	**129.3**	(24.0)
	165.5	19.5

7. Services costs

	Year ended 31 March 2022 £million	Year ended 31 March 2021 £million
Services costs	**(313.0)**	**(307.9)**
Amortisation of intangible assets (note 12)	**(26.9)**	**(27.9)**
	(339.9)	**(335.8)**

8. Administrative expenses

Group	Year ended 31 March 2022 £million	Year ended 31 March 2021 £million
Fees for the audit of the Group's financial statements:		
- current year audit	**(0.9)**	**(0.8)**
Exchange differences	**0.7**	**3.6**
Management fees	**(0.3)**	**(0.6)**
Depreciation (note 13)	**(5.5)**	**(4.4)**
Employee expense (note 9)	**(25.4)**	**(25.6)**
Other administrative expenses	**(13.2)**	**(12.3)**
	(44.6)	**(40.1)**

Non-audit services of £28,330 (2021: £23,550) were incurred with the group auditors in the year.

The Company's admin expenses relate to the share-based payment charges as detailed in note 9 below.

9. Employee expenses

	Year ended 31 March 2022	Year ended 31 March 2021
Average number of persons employed by the Group:		
Operations	**152**	157
Central Functions	**121**	134
	273	291

	£million	£million
Employee expense included in administrative expenses:		
Wages and salaries	**(22.3)**	(22.9)
Social security costs	**(1.8)**	(1.7)
Pension costs	**(1.1)**	(1.1)
Share-based payments	**(0.2)**	0.1
	(25.4)	(25.6)

The Group contributes to the portable personal pension schemes of full time staff and these costs are charged to the group profit or loss as payable.

Directors' emoluments

	Year ended 31 March 2022	Year ended 31 March 2021
The average number of directors employed by the Group	**3**	3

Aggregate emoluments and benefits:	**£million**	£million
Non-Executive and Chairman fees	**(0.2)**	(0.3)
Included in employee expense	**(1.5)**	(1.6)
	(1.7)	(1.9)

The key management personnel of the Group consist of the directors. The directors participated in the share-based payment scheme (note 23).

Company

The Company had no employees in the year (2021: none).

10. Net finance costs

Group	**Year ended 31 March 2022 £million**	Year ended 31 March 2021 £million
Finance costs:		
Interest on bank loans and overdrafts	**(117.6)**	(121.9)
Interest on Unsecured variable funding notes	**(41.8)**	(41.6)
Other interest payable and finance costs	**(4.0)**	(3.9)
	(163.4)	(167.4)
Finance income:		
Interest on bank deposits	**0.1**	0.5
	0.1	0.5
Change in fair value of financial derivatives:		
Interest rate swaps	**142.4**	103.1
Inflation rate swaps	**(55.2)**	(6.5)
	87.2	96.6
Net finance costs	**(76.1)**	(70.3)

Company	**Year ended 31 March 2022 £million**	Year ended 31 March 2021 £million
Finance costs:		
Interest on Unsecured variable funding notes	**(41.8)**	(41.6)
	(41.8)	(41.6)

11. Income tax

11a. Income tax (charge) / credit

	Year ended 31 March 2022 £million	Year ended 31 March 2021 £million
Current tax:		
UK corporation tax		
Current year tax on profit for the year	**(16.0)**	(15.8)
Adjustments in respect of prior years	**0.1**	2.0
Total current tax	**(15.9)**	(13.8)
Deferred tax:		
Origination and reversal of temporary differences	**5.9**	3.6
Adjustments in respect of prior years	**(0.1)**	-
Re-measurement of deferred tax due to rate change	**(52.8)**	-
Total deferred tax	**(47.0)**	3.6
Income tax (charge)	**(62.9)**	**(10.2)**

Subsidiaries in the UK have provided for UK corporation tax at 19% (2021: 19%) and deferred tax at the rate of 25% (2021: 19%). Overseas subsidiaries provided for taxation at the appropriate rates in the countries in which they operate.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

11b. Reconciliation of effective tax rate

	Year ended 31 March 2022 £million	Year ended 31 March 2021 £million
Profit before taxation	**212.5**	76.4
Tax at 19% (2021: 19%)	**(40.4)**	(14.5)
Dividend income not taxable	**3.9**	3.6
Other income or expenses not deductible for tax	**26.4**	(1.3)
Re-measurement of deferred tax due to rate change	**(52.8)**	-
Adjustments in respect of prior years	**-**	2.0
Income tax (charge) for the year	**(62.9)**	(10.2)

Notes to the financial statements
for the year ended 31 March 2022 (continued)

11c. Tax relating to items recognised in other comprehensive income

	Year ended 31 March 2022 £million	Year ended 31 March 2021 £million
Deferred tax on financial derivatives – credit adjustment	**1.1**	5.5

11d. Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributed to the following:

Group	Finance receivables £million	Finance leases £million	PP&E £million	Intangible assets £million	Loans & borrowings £million	Other financial liabilities £million	Tax losses £million	Total £million
At 31 March 2020	**(233.8)**	**(0.1)**	**(6.5)**	**(62.1)**	**0.7**	**91.8**	**33.8**	**(176.2)**
Current year Credit / (Charge) to profit or loss	21.7	0.1	0.7	7.4	-	(18.4)	(7.9)	3.6
Current year Credit to Other Comprehensive Income	-	-	-	-	-	5.5	-	5.5
At 31 March 2021	**(212.1)**	**-**	**(5.8)**	**(54.7)**	**0.7**	**78.9**	**25.9**	**(167.1)**
Deferred tax assets	-	-	-	-	0.7	78.9	25.9	105.5
Deferred tax liabilities	(212.1)	-	(5.8)	(54.7)	-	-	-	(272.6)
At 31 March 2021	**(212.1)**	**-**	**(5.8)**	**(54.7)**	**0.7**	**78.9**	**25.9**	**(167.1)**
Current year (Charge) / Credit to profit or loss	(40.2)	-	(1.2)	(10.5)	0.1	1.7	3.1	(47.0)
Current year Credit to Other Comprehensive Income	-	-	-	-	-	1.1	-	1.1
At 31 March 2022	**(252.3)**	**-**	**(7.0)**	**(65.2)**	**0.8**	**81.7**	**29.0**	**(213.0)**
Deferred tax assets	-	-	-	-	0.8	81.7	29.0	111.5
Deferred tax liabilities	(252.3)	-	(7.0)	(65.2)	-	-	-	(324.5)
At 31 March 2022	**(252.3)**	**-**	**(7.0)**	**(65.2)**	**0.8**	**81.7**	**29.0**	**(213.0)**

On the 3 March 2021 the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25% from 19%. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Total deferred tax assets of £1.7m (2021: £1.2m) in respect of available tax losses amounting to £6.7m (2021: £6.6m) have not been recognised as at 31 March 2022.

12. Intangible assets

Group	Goodwill £million	Other intangible assets £million	Total £million
Cost			
Balance as at 31 March 2020	**212.5**	**594.0**	**806.5**
Disposals / voluntary termination	(0.3)	-	(0.3)
Balance as at 31 March 2021	212.2	594.0	806.2
Additions	-	-	-
Balance as at 31 March 2022	**212.2**	**594.0**	**806.2**
Accumulated impairment and amortisation			
Balance as at 31 March 2020	**(1.9)**	**(266.9)**	**(268.8)**
Amortisation for the year	-	(27.9)	(27.9)
Accelerated amortisation on disposal / voluntary termination	-	(11.1)	(11.1)
Balance as at 31 March 2021	**(1.9)**	**(305.9)**	**(307.8)**
Amortisation for the year	-	(26.9)	(26.9)
Balance as at 31 March 2022	**(1.9)**	**(332.8)**	**(334.7)**
Carrying amounts			
At 31 March 2022	**210.3**	**261.2**	**471.5**
At 31 March 2021	**210.3**	**288.1**	**498.4**

The subsidiary investments of the Group are together considered to be a single cash-generating unit ("CGU"). The recoverable amount of the CGU is based on its value in use as determined by the discounted future cash flows of the investments through to their contract end dates (see note 30). This covers a period longer than five years from the balance sheet date, which the directors consider is appropriate given that these dates represent the known defined life of each of the cash flows. The cash flows are substantially fixed through contracts (subject to changes in RPI etc.). For the purposes of the annual impairment review of goodwill, a discount rate of 5.60% (2021: 5.92%) has been used to discount the cash flows of the operations, being the weighted average cost of capital determined by the Group. A long-term growth rate in income of 3.48% (2021: 3.25%) has been used to estimate the growth in contract cash flows caused by RPI within the individual concession arrangements.

In addition to growth and discount rates, other assumptions in determining the recoverable amount of goodwill include growth of facilities management costs and other operating costs, risks associated with lifecycle costs (often assumed by the operating sub-contractor), changes in tax rates and changes in senior, equity and subordinated debt funding. The latter is normally established at the outset of the project.

Other intangible assets relate to customer contracts for operating subsidiary projects and are primarily attributable to the service portion of the project contracts. These intangible assets are amortised over the remaining life of the concessions concerned (ranging from between 4 and 21 years). Amortisation of £26.9m (2021: £27.9m) is included within Services costs in the Statement of comprehensive income (see note 7).

Sensitivity analysis around the assumptions has indicated that if the WACC discount rate taken at 5.60% saw an adverse movement, increasing by 50 basis points, goodwill would be closer to impairment by £87.8m (2021: £80.7m).

13. Property, plant and equipment

Group	Operating properties £million	Right-of-use property (see below) £million	Other property, plant & equipment £million	Total £million
Cost				
Balance as at 31 March 2020	**109.9**	**-**	**3.8**	**113.7**
Additions	-	-	0.4	0.4
Disposals / voluntary termination	(6.2)	-	(0.3)	(6.5)
Exchange movements	(1.6)	-	-	(1.6)
Balance as at 31 March 2021	**102.1**	**-**	**3.9**	**106.0**
Additions	-	2.2	0.5	2.7
Disposals	-	-	(1.5)	(1.5)
Exchange movements	(0.4)	-	-	(0.4)
Balance as at 31 March 2022	**101.7**	**2.2**	**2.9**	**106.8**
Accumulated depreciation				
Balance as at 31 March 2020	**(44.6)**	**-**	**(3.1)**	**(47.7)**
Depreciation for the year	(4.0)	-	(0.4)	(4.4)
Disposals / voluntary termination	1.2	-	0.3	1.5
Exchange movements	0.6	-	-	0.6
Balance as at 31 March 2021	**(46.8)**	**-**	**(3.2)**	**(50.0)**
Depreciation for the year	(3.8)	(1.3)	(0.4)	(5.5)
Disposals	-	-	1.5	1.5
Exchange movements	0.1	-	-	0.1
Balance as at 31 March 2022	**(50.5)**	**(1.3)**	**(2.1)**	**(53.9)**
Carrying amount				
At 31 March 2022	**51.2**	**0.9**	**0.8**	**52.9**
At 31 March 2021	**55.3**	**-**	**0.7**	**56.0**

Depreciation is provided on operating properties by estimating the depreciable amount of the relevant assets by equal annual instalments over the term of the respective concession. Depreciation is disclosed within administrative expenses in the Statement of comprehensive income (see note 8).

The group has changed its accounting policies in the year to recognise right-of-use operating lease assets where the group is the lessee in accordance with IFRS16. The value of the lease has been capitalised based on discounting the future cashflows from 1 April 2019 onwards, and then depreciating these on a straight line basis. At the same time a liability has been created with interest applied to it, which reduces as lease payments are made. As at March 2022 the value of the asset is £0.9m. Similarly, a liability of £0.9m is recognised as at March 2022.

Notes to the financial statements
for the year ended 31 March 2022 (continued)

14. Net investment in finance leases

Group	**2022 £million**	2021 £million
Non-current		
Finance leases – gross receivables	**11.5**	16.9
Unearned finance income	**(1.4)**	(2.5)
	10.1	14.4
Current		
Finance leases – gross receivables	**5.3**	5.3
Unearned finance income	**(1.1)**	(1.4)
	4.2	3.9
Net investment in finance leases	**14.3**	18.3
Gross receivables from finance leases		
Less than one year	**5.3**	5.3
Between one and five years	**9.2**	14.3
More than five years	**2.3**	2.6
	16.8	22.2
Unearned future finance income		
Less than one year	**(1.1)**	(1.4)
Between one and five years	**(0.8)**	(1.8)
More than five years	**(0.6)**	(0.7)
	(2.5)	(3.9)
Net investment in finance leases	**14.3**	18.3

The Group has leased out property under finance leases which terminate between 2025 and 2032 (2021: between 2025 and 2032). The fair value of the Group's finance lease receivables approximate to their carrying amounts.

15. Associate investments

Group	Equity investments £million	Debt investments £million	Total £million
Carrying amount at 31 March 2020	659.7	190.5	850.2
Movement on revaluation (note 6)	(23.4)	(0.6)	(24.0)
Carrying amount at 31 March 2021	**636.3**	**189.9**	**826.2**
Movement on revaluation (note 6)	127.9	1.4	129.3
Carrying amount at 31 March 2022	**764.2**	**191.3**	**955.5**

Fair market valuations of the associate investments have been carried out as at 31 March 2022. The valuation has been prepared using a discounted cash flow methodology, which is the PPP industry standard valuation methodology, and is considered by its directors to be the most appropriate valuation method. The weighted average discount rate used was 6.21% (2021: 6.75%). A 0.25% movement in this discount rate would have a £26.2m impact on the valuation. All investments in associates are held by intermediate holding companies.

Details of investments at 31 March 2022 in which the Group held an interest are disclosed in note 31.

16. Loan investments

Group	**2022 £million**	2021 £million
Non-current:		
Carrying amount at beginning of year	**39.9**	44.6
Repayments	**(5.7)**	(4.7)
Carrying amount at end of year	**34.2**	39.9

Loan investments primarily consist of a 100% senior debt investment in Defence Training Services Limited of £31.7m (2021: £36.6m), which is repayable in monthly instalments which commenced on 31 July 2003 and interest has been fixed through a fixed funding rate plus a margin and matures in 2029. The remaining balance represents loan notes that mature in 2028.

The senior debt investment in Defence Training Services Limited bears interest between 7.25% and 7.45% and is secured by way of an unlimited first fixed charge over its finance receivable asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse in any other form.

17. Investments in subsidiary undertakings

Company	Equity £million	Loan stock £million	Total £million
Carrying amount at 31 March 2021	**1.0**	**606.2**	**607.2**
Loan stock repayments	-	(15.3)	(15.3)
Carrying amount at 31 March 2022	**1.0**	**590.9**	**591.9**

Loan stock consists of £475.0m (2021: £475.0m) unsecured variable funding notes and a £115.9m (2021: £131.2m) unsecured zero coupon loan, issued from Semperian PPP Investment Partners Group Limited. The unsecured variable funding notes are repayable in full by December 2039 and bear interest at 8.8%. The unsecured zero coupon loan is interest free and is repayable in full by December 2106.

A list of the principal subsidiary undertakings owned by Group companies is included in note 28.

18. Trade and other receivables / Contract assets

	Group 2022 £million	Group 2021 £million	**Company 2022 £million**	Company 2021 £million
Current				
Trade receivables	**12.9**	17.2	**-**	-
Prepayments and accrued income	**32.5**	34.0	**-**	-
Other receivables	**-**	-	**29.2**	20.8
Total trade and other receivables	**45.4**	51.2	**29.2**	20.8

The Company's other receivables of £29.2m (2021: £20.8m) represents accrued interest on interest bearing loan notes as disclosed under investments in subsidiary undertakings.

Contract assets

	Group 2022 £million	Group 2021 £million	**Company 2022 £million**	Company 2021 £million
Opening balance	**1,627.7**	1,758.1	**-**	-
Financial asset interest	**95.6**	97.7	**-**	-
Repayments	**(227.6)**	(228.1)	**-**	-
Closing Balance	**1,495.7**	1,627.7	**-**	-
Split:				
Current	**98.1**	104.9	**-**	-
Non-current	**1,397.6**	1,522.8	**-**	-

Revenue is received in the form of unitary charge payments from clients throughout the length of the service concessions. Further detail on service concession arrangements is given in note 30.

The carrying value of the Group's current trade and other receivables approximates their fair value. The estimated fair value of non-current contract assets at 31 March 2022 is £1,553.1m (2021: £1,706.7m).

19. Cash and cash equivalents

	Group 2022 £million	Group 2021 £million	Company 2022 £million	Company 2021 £million
Bank balances	**332.0**	316.7	**-**	-
Call deposits	**55.2**	60.5	**-**	-
	387.2	377.2	**-**	-

At the balance sheet date, £191.0m (2021: £181.1m) Group cash and cash equivalents were subject to contractual restrictions limiting cash usage as follows:

	Group 2022 £million	Group 2021 £million
Debt service reserves	**54.7**	55.9
Lifecycle maintenance reserves	**119.2**	114.8
Other restricted reserves	**17.1**	10.4
Contractually restricted bank balances	**191.0**	181.1

20. Trade and other payables

	Group 2022 £million	Group 2021 £million	Company 2022 £million	Company 2021 £million
Current				
Trade payables	**(32.6)**	(35.2)	**-**	-
Accruals and deferred income	**(61.2)**	(79.0)	**-**	-
Other payables	**(3.2)**	(3.9)	**(29.2)**	(20.8)
	(97.0)	(118.1)	**(29.2)**	(20.8)
Non-current				
Accruals and deferred income	**(5.5)**	(6.0)	**-**	-
Total trade and other payables	**(102.5)**	(124.1)	**(29.2)**	(20.8)

The carrying value of trade and other payables approximates their fair value.

21. Loans and borrowings

	Group 2022 £million	Group 2021 £million	**Company 2022 £million**	Company 2021 £million
Current liabilities				
Bank borrowings	**(140.6)**	(105.7)	**-**	-
Subordinated debt	**(0.7)**	(5.9)	**-**	-
Secured notes	**(22.3)**	(20.6)	**-**	-
Secured index linked bonds	**(17.9)**	(20.2)	**-**	-
Other Loans	**(3.4)**	(3.6)	**-**	-
Interest accrual	**(34.0)**	(25.9)	**-**	-
	(218.9)	(181.9)	**-**	-
Non-current liabilities				
Bank borrowings	**(1,407.4)**	(1,521.2)	**-**	-
Subordinated debt	**(552.5)**	(562.2)	**(541.3)**	(556.6)
Secured notes	**(91.1)**	(113.3)	**-**	-
Secured index linked bonds	**(254.8)**	(268.4)	**-**	-
Other Loans	**-**	(2.5)	**-**	-
	(2,305.8)	(2,467.6)	**(541.3)**	(556.6)
Total loans and borrowings	**(2,524.7)**	(2,649.5)	**(541.3)**	(556.6)

Secured index linked bonds bear interest ranging from 2.87% to 3.92% (2021: 2.87% to 3.92%) and mature from 2027 to 2036 (2021: 2027 to 2036).

The terms and conditions of outstanding loans with fixed and floating rates were as follows:

Group 31 March 2022	Weighted average effective interest rate	Average number of years to maturity	Carrying amount £million	Fair value £million
Secured bank and other borrowings	2.73%	11.2	(1,551.4)	(1,551.4)
Secured notes	1.11%	28.3	(113.4)	(113.4)
Secured index linked bonds	3.18%	11.5	(272.7)	(310.4)
Secured subordinated debt	11.90%	9.7	(3.4)	(3.4)
Unsecured subordinated debt	6.40%	23.8	(549.8)	(549.8)
			(2,490.7)	**(2,528.4)**

Group 31 March 2021	Weighted average effective interest rate	Average number of years to maturity	Carrying amount £million	Fair value £million
Secured bank and other borrowings	2.58%	12.1	(1,633.0)	(1,633.0)
Secured notes	0.73%	29.3	(133.9)	(133.9)
Secured index linked bonds	3.18%	12.4	(288.6)	(328.1)
Secured subordinated debt	11.72%	10.8	(3.5)	(3.5)
Unsecured subordinated debt	6.23%	26.5	(564.6)	(564.6)
			(2,623.6)	**(2,663.1)**

All Group borrowings are denominated in pounds sterling; except for £67.7m (2021: £70.7m) Euro secured bank borrowings. Bank borrowings are secured by fixed and floating charges over the respective subsidiary companies’ assets.

21. Loans and borrowings (continued)

SONIA (Sterling Overnight Index Average) has replaced GBP LIBOR, with effect from 1 January 2022.

Of the secured bank and other borrowings, £458.2m are fixed rate loans, £67.7m are Euro loans and £641.3m has transitioned from LIBOR to SONIA before 31 March 2022. The remaining LIBOR loans were still in the process of transition at the year end.

If not otherwise redeemed, the secured notes will be redeemed at their principal amount outstanding on the interest payment date falling in 2050. The notes are secured by fixed and floating charges over the assets of various subsidiary undertakings.

The bonds are secured by fixed and floating charges over the assets of the respective subsidiary company. Interest and indexation of £14.0m (2021: £10.0m) was charged to the Statement of comprehensive income in respect of secured index linked bonds.

Company **31 March 2022**	**Weighted average effective interest rate**	**Average number of years to maturity**	**Carrying amount £million**
Unsecured variable funding notes	**8.03%**	**18.5**	**(475.0)**
Unsecured zero coupon loan facility	**Nil**	**84.8**	**(66.3)**
			(541.3)
31 March 2021			
Unsecured variable funding notes	**8.03%**	**19.5**	**(475.0)**
Unsecured zero coupon loan facility	**Nil**	**85.8**	**(81.6)**
			(556.6)

There are no material differences between the carrying value and fair value of Company borrowings as at 31 March 2021 and 31 March 2022.

The Group has the following committed but undrawn borrowing facilities within projects at 31 March 2022:

Floating rate:	**2022 £million**	2021 £million
Secured		
- expiring within one to two years	**(0.3)**	(48.3)
- expiring within two to five years	**(55.6)**	(7.5)
- expiring after more than five years	**(34.6)**	(39.7)
Total undrawn borrowing facilities	**(90.5)**	(95.5)

Notes to the financial statements
for the year ended 31 March 2022 (continued)

22. Derivative financial instruments

Group	**2022 £million**	2021 £million
Non-current assets		
Interest rate and inflation swaps	**3.2**	2.3
Non-current liabilities		
Interest rate and inflation swaps	**(329.9)**	(417.6)
Total financial derivatives	**(326.7)**	(415.3)

Financial instruments have been fair valued in accordance with Note 2(d). The gain on fair valuation of interest rate swaps (pre credit adjustment) of £142.4m (2021: £103.1m gain) and the loss on fair valuation of inflation rate swaps (pre credit adjustment) of £55.2m (2021: £6.5m loss) for the year ended 31 March 2022 is disclosed within finance costs (see note 10).

In order to manage exposure to movements in interest rates, project companies financed by floating rate debt swap their floating rate exposure for fixed rates using interest rate swaps. The notional amount of the outstanding interest rate swap contracts at 31 March 2022 was £1,337.8m (2021: £1,451.0m). As at 31 March 2022, the fixed interest rates on interest rate swaps range from 1.65% to 6.9% (2021: 1.65% to 6.9%) and maturities range from 1 to 17 years (2021: 1 to 18 years).

In order to manage exposure to movements in the Retail Price Index (“RPI”), project companies with service income linked to RPI swap a part of their variable RPI exposure for fixed RPI rates using RPI swaps. The notional amount of the outstanding inflation rate swap contracts at 31 March 2022 was £12.4m (2021: £12.4m). As at 31 March 2022, the fixed RPI on the inflation swaps range from 2.13% to 3.05 % (2021: 2.13% to 3.05%) and the maturities range from 3 to 17 years (2021: 4 to 18 years).

As at 31 March 2022, £137.2m of the total swap value of £326.7m related to swaps that had transitioned from LIBOR to SONIA at this date. By value, £75.2m of swaps linked to LIBOR were still in the process of transition at the year end, with the remaining swaps not being LIBOR related.

23. Provisions for liabilities

On 29 March 2018 the group exercised an option to repurchase shares previously issued to management. This settlement was in the form of 50% cash and 50% Loan Notes. The loan notes were to be repaid at 6 monthly intervals over a 5 to 10 year period. On 22 April 2021 the terms of the outstanding loans were adjusted to reduce the interest rate, to settle interest up to 31 March 2021 on 30 April 2021, and to repay the remaining capital on the loans over four equal 6 monthly payments ending March 2023.

The arrangement continues to be accounted for as a modification of the original scheme.

Loans outstanding with management at 31 March 2022 are disclosed within Loans and borrowings:

Group	**Manager loans disclosed within Loans and Borrowings £million**
At 1 April 2021	6.1
Additional accrued interest / interest rate reduction	0.2
Repayments	(3.8)
At 31 March 2022	**2.5**

There were no leavers from the scheme in the year.

24. Post balance sheet events

On 13 April 2022, the group acquired a further 25% of Road Management Services (Darrington) Holdings Limited, bringing the total percentage ownership from 50% to 75%.

25. Ordinary share capital

	2022 £million	2021 £million
Authorised, allotted and called up		
118,892,500 (2021: 118,892,500) Ordinary shares of £0.01 each	**1.2**	1.2

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share on a poll at meetings of the Company.

Share premium

	2022 £million	2021 £million
Share premium	**63.0**	63.0

26. Related party transactions

The following information is provided in accordance with IAS 24 – 'Related Party Disclosures' as being transactions with related parties for the year.

The carrying amount of investments in associates at fair value through profit or loss in the balance sheet at 31 March 2022 was £955.5m (2021: £826.2m) as shown in note 15.

Amounts received from associates at fair value through profit or loss during the year are disclosed in note 6.

27. Guarantees and other commitments

As at 31 March 2022 the Group had commitments to the value of £6.6m (2021: £6.6m).

The Group has issued letters of credit to cover individual obligations and guarantees. Details of the obligations and guarantees of the Group are shown below:

(i) A guarantee to cover the debt service reserve obligation to the value of £0.6m (2021: £0.6m) on the Gloucestershire Royal Hospital concession.

(ii) Guarantees to cover the debt service reserve obligation to the value of £6.0m (2021: £6.0m) on the A1 Road concession.

28. Principal subsidiary undertakings

Name	Principal activity	Ownership % 31 March 2022	Ownership % 31 March 2021
Semperian PPP Investment Partners Group Limited	Holding company	100%	100%
Semperian PPP Investment Partners Limited	Holding company	100%	100%

The registered office for the companies shown above is 4th Floor, 1 Gresham Street, London, EC2V 7BX.

Semperian PPP Investment Partners Group Limited is directly held by Semperian PPP Investment Partners Holdings Limited. Shares in the other subsidiaries are held either directly or through intermediate holding companies by Semperian PPP Investment Partners Group Limited.

Semperian PPP Investment Partners Limited's principal activity is to make and manage investments that are directly or indirectly related to infrastructure projects.

All principal subsidiary undertakings have been included in the consolidation and have a 31 March reporting date. All subsidiary undertakings listed above are registered and operate in the United Kingdom.

29. Ultimate parent undertaking

The Company does not have an immediate parent undertaking or an ultimate controlling party at 31 March 2022.

30. Service concession arrangements

The Group has service concession arrangements in place in several sectors including, but not limited to, health, education, accommodation, secured accommodation, utilities and transport. The concessions vary on the obligations required but typically require the financing and operation of an asset during the concession period. All projects are fully operational.

The rights of both the concession grantor and the concession operator are stated within the specific project agreement. The standard rights of the grantor to terminate the project include poor performance and in the event of force majeure. The operator's rights to terminate include the failure of the provider to make payment under the agreement, a material breach of contract and relevant changes of law which would render it impossible for the service company to fulfil its requirements. The service concession arrangements of the Group's subsidiary investments are disclosed below.

Project	Short description of concession arrangements	Contract end date	Contract term in years
Agecroft Properties	Leasing of commercial properties to Her Majesty's Principal Secretary of State for the Home Department.	2025	26
Avon & Wiltshire Community Hospital	Operating and maintaining six mental health facilities centres for Avon & Wiltshire Mental Health Partnership NHS Trust.	2036	30
Baglan Moor Hospital	Commissioning and maintaining an acute general hospital and providing non-clinical services for Abertawe Bro Morgannwg University NHS Trust.	2030	30
Berlin Embassy	Operating and maintaining the British Embassy in Berlin.	2030	32
Bexley Community Hospital	Operating and maintaining six mental health facilities centres for Oxleas NHS Foundation Trust and South London Healthcare NHS Trust.	2025	27
Birmingham Hospital	Operating and maintaining an ambulatory care centre for Sandwell and West Birmingham Hospitals NHS Trust.	2034	29
Black Country Community Hospital	Operating and maintaining a mental health facilities centre for Sandwell Mental Health and Social Care NHS Foundation Trust.	2025	25
Bridlington Schools	Operating and maintaining six schools on behalf of The East Riding of Yorkshire Council.	2028	25
Brighton Schools	Operating and maintaining two schools for Brighton and Hove City Council.	2028	26
Chiltern Securities: Abergavenny	Operating and maintaining a day surgery and endoscopy primary care centre for Gwent Healthcare NHS Trust.	2024	26
Chiltern Securities: Marlborough	Operating and maintaining a community hospital for Kennet and North Wiltshire Primary Care Trust.	2035	30
Chiltern Securities: Monmouth	Operating and maintaining a community hospital for Gwent Healthcare NHS Trust.	2031	25
Chiltern Securities: North Kirklees	Operating and maintaining five healthcare facilities centres for Kirklees Primary Care Trust.	2035	30
Chiltern Securities: Redruth Facilities	Operating and maintaining a mental health facility hospital for Cornwall Partnership NHS Trust.	2032	30
Community Health Facilities Oxford	Operating and maintaining a psychiatric unit for Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust.	2024	25
Dartford and Gravesham Hospital	Operating and maintaining an acute general hospital for Dartford and Gravesham NHS Trust.	2030	30
Daventry Community Hospital	Operating and maintaining a community hospital for Northamptonshire Teaching Primary Care Trust.	2037	32

30. Service concession arrangements (continued)

Project	Short description of concession arrangements	Contract end date	Contract term in years
Debden School	Operating and maintaining a school for Essex County Council.	2026	25
Epping Community Hospital	Operating and maintaining a community hospital for West Essex Primary Care Trust.	2035	30
Essex & Herts Community Hospital	Operating and maintaining a community hospital for East and North Hertfordshire Primary Care Trust.	2033	30
Falkirk Schools	Operating and maintaining five secondary schools for Falkirk Council.	2025	25
Fazakerley Prison Services	Operating and maintaining a prison for Her Majesty's Principal Secretary of State for the Home Department.	2023	28
Fife Hospital	Operating and maintaining a hospital for NHS Fife.	2041	33
Gravesham Community Hospital	Operating and maintaining a community hospital for Dartford and Gravesend NHS Trust.	2036	30
Haringey Schools	Providing eight schools to London Borough of Haringey.	2025	25
Hereford Hospital	Operating and maintaining an acute care facility hospital for Hereford Hospitals NHS Trust.	2029	30
Hertford Community Hospital	Operating and maintaining a community hospital for East and North Hertfordshire NHS Trust.	2033	30
HMP Thameside	Financing, design, construction and subsequent operation of Belmarsh West Prison (renamed HMP Thameside)	2037	25
Kenton Schools	Operating and maintaining a school as per the project agreement with the governing body of JFS and London Borough of Brent.	2027	25
Kingston University	Operating and maintaining serviced student halls of residence for Kingston University Higher Education Corporation.	2038	35
Kirklees Schools	Operating and maintaining eighteen schools for Council of the Borough of Kirklees.	2033	27
Leicester Schools	Operating and maintaining four schools for Leicester City Council.	2034	25
Liskeard Community Hospital	Operating and maintaining a community hospital for North and East Cornwall Primary Care Trust.	2033	30
Liverpool Schools	Operating and maintaining sixteen schools for Liverpool City Council.	2031	30
Lymington Community Hospital	Operating and maintaining a community hospital for Hampshire Primary Care Trust.	2036	30
Manchester Courts	Operating and maintaining services accommodation for magistrates' courts on behalf of Council of the City of Manchester	2029	28
Milton Keynes STC	Operating and maintaining a secure training centre for the Youth Justice Board.	2029	25
Newcastle Estates Project	Operating and maintaining four office accommodation sites for the Secretary of State for Social Security.	2031	25
North Wiltshire Education	Operating and maintaining three schools for Wiltshire County Council.	2030	30
North Yorkshire Fire and Rescue Services	Operating and maintaining a fire station and fire training centre for North Yorkshire Fire and Rescue Authority.	2027	25

Project	Short description of concession arrangements	Contract end date	Contract term in years
Northants Community Hospital	Operating and maintaining an adult acute mental illness inpatient and intensive care facilities hospital for Northamptonshire Healthcare NHS Trust.	2036	30
Northgate Rehabilitation Centre	Operating and maintaining a neurology rehabilitation hospital for Northumberland, Tyne and Wear NHS Trust.	2037	32
Onley Prison Services	Operating and maintaining a prison for Her Majesty's Principal Secretary of State for the Home Department	2026	25
Redbridge Community Hospital	Operating and maintaining a mental health facility hospital for North East London NHS Foundation Trust.	2032	30
Richmond Schools	Operating and maintaining six schools for London Borough of Richmond Upon Thames.	2032	30
Royal Hull Hospital	Operating and maintaining a maternity facility and an acute care facility hospital for Hull and East Yorkshire Hospitals NHS Trust.	2033	30
Salford Schools	Operating and maintaining three special needs schools for Salford City Council.	2030	26
Sheffield Schools	Operating and maintaining two schools for Sheffield City Council.	2030	26
South Essex Community Hospital	Operating and maintaining two mental health facilities centres for South Essex Partnership NHS Foundation Trust.	2033	30
South Manchester Hospital	Operating and maintaining a mental health care facility and an acute care facility for the Manchester University NHS Foundation Trust	2033	35
Southern General Hospital	Operating and maintaining a hospital for the elderly for South Glasgow University Hospitals NHS Trust.	2027	28
St David's Hospital	Operating and maintaining a hospital (including servicing and maintenance of medical equipment) for Cardiff and District Community NHS Trust.	2030	29
Staffordshire Children's Homes	Operating and maintaining three children's care homes for Staffordshire City Council.	2027	22
Stonehouse Community Hospital	Operating and maintaining a community hospital for Kent and Medway NHS and Social Care Trust.	2036	30
Sunderland Schools	Operating and maintaining a community learning centre for Council of the City of Sunderland.	2027	25
Swindon Hospital	Operating and maintaining an acute general hospital for Swindon and Marlborough NHS Trust.	2029	30
Torbay Schools	Operating and maintaining two schools for Council of the Borough of Torbay.	2027	26
Town Hospitals: North Staffordshire	Operating and maintaining an acute psychiatric care facility hospital for North Staffordshire Combined Healthcare NHS Trust.	2029	30
University College London: Cruciform	Operating and maintaining a medical school for University College London.	2024	25
West Mendip Community Hospital	Operating and maintaining a community hospital for Somerset Primary Care Trust.	2035	30
Wirral Schools	Operating and maintaining nine schools and a community learning centre for Metropolitan Borough of Wirral.	2031	25
Wolverhampton Hospital	Operating and maintaining a radiology facility unit for The Royal Wolverhampton Hospitals NHS Trust.	2032	30

31. Associate investments

By virtue of the Company's status as an investment fund in respect of associates a scope exemption has been applied under IAS 28.1 and investments in associates are elected upon initial recognition to be measured at fair value through profit or loss. Investments in associates are held by intermediate holding companies. Details at 31 March 2022 are as follows:

Associate undertaking	Ownership %
Defence Training Services Limited	50%
UK Highways M40 (Holdings) Limited	50%
Healthcare Providers (Gloucester) Limited	50%
United Healthcare (Bromley) Group Limited	50%
Inspired Education (East Dunbartonshire) Holdings Limited	50%
Road Management Services (Darrington) Holdings Limited	50%
Albion Healthcare (Doncaster) Holdings Limited	50%
Accommodation Services (Holdings) Limited	50%
Endeavour SCH Holdings Limited	44%
InspirED Education (South Lanarkshire) Holdings Limited	42.5%
Albion Healthcare (Oxford) Holdings Limited	45.8%
Celtic Roads Group (Dundalk) Limited *	33%
ESP (Holdings) Limited	32.86%
3ED Holdings Limited	31%
D4E Mulberry (Holdings) Limited	30%
Northlink M1 Limited *	27%
Octagon Healthcare Group Limited	50%
Wastewater Management Holdings Limited	25%
East London Lift Investments Limited	41.6%
Worcestershire Hospital SPC Holdings Limited	17%
Ochre Solutions (Holdings) Limited	16.64%
Lift Healthcare Investments Limited	14.15%
Health Management (UCLH) Holdings Limited	40%
UCLH Investors Limited	20%
Cory Topco Limited	11.32%
Holyrood Holdings Limited	80%
Aberdeen Roads Holdings Limited	33.3%

*** These companies are registered and operate in the Republic of Ireland.**

The Group considers that it has significant influence over entities with holdings of less than 20% because it has significant influence over an intermediate parent undertaking of those entities. Except as noted all investments are registered and operate in the United Kingdom.