HICL Infrastructure

HICL Infrastructure PLC Interim Report 2022

Delivering Real Value.

Contents

Front cover image: Aotearoa Towers, New Zealand

Interim Highlights

For the six months ended 30 September 2022

- HICL delivered a resilient result in the period, with Net Asset Value ("NAV") growth of **1.2p** per share to **164.3p** (March 2022: 163.1p) and an Annualised Total Shareholder Return[1] of **6.7%** (September 2021: 9.8%) despite an uncertain macroeconomic and geopolitical environment.
- 50bps increase in the portfolio's weighed average discount rate to **7.1%** at 30 September 2022 (31 March 2022: **6.6%**) recognising the uplift in long-term government bond yields, particularly in the UK.
- The financial impact of the change in discount rates was offset by higher actual and forecast inflation, demonstrating the benefit of HICL's highly diverse portfolio, which continues to offer the highest inflation correlation in the listed core infrastructure peer group at **0.8x** (31 March 2022: 0.8x).
- Total return declined to **£102.6m** (September 2021: **£139.5m**) driven by the movement in discount rates relative to the prior period. In September 2021, the weighted average discount rate reduced to 6.6%.
- The Directors' Valuation[2] increased by **17%** to **£3,865.6m** at 30 September 2022 (31 March 2022: **£3,311.0m**).
- Four significant high-quality core infrastructure acquisitions announced in the period, totalling c.**£616m**. These investments, spanning both traditional and modern economy sectors, will bolster HICL's resilience through increased sector and geographic diversity and contribute positively to key portfolio performance metrics.
- The Board reaffirms that HICL is on track to deliver its target dividend of **8.25p** per share[3] for the year to March 2023, with cash cover in the period of **1.58x**, or 1.03x excluding profits on disposal versus original cost (30 September 2021: 1.04x / 1.02x).
- The Board has reaffirmed its dividend guidance of 8.25p per share for the year to 31 March 2024[3].
- HICL raised gross proceeds of **£160m** via an oversubscribed tap issue during the period, which restored capacity in the Company's Revolving Credit Facility ("RCF") and provided additional financial resources to pursue the Company's pipeline.
- At 30 September 2022, HICL had **£713m** of headroom in its RCF and **£79m** of cash to fund its commitments to invest in ADTiM, Texas Nevada Transmission and Aotearoa Towers of c.**£513m**.
- HICL's high-quality core infrastructure portfolio is well positioned to withstand heightened market volatility, with assets that have robust capital structures and a portfolio that offers low overall beta to wider equity markets, a high yield and strong inflation protection.

Summary Financial Results

(On an investment basis)

For the six months to	30 Sep 2022	30 Sep 2021
Income[4]	£125.8m	£157.2m
Total Return[5]	£102.6m	£139.5m
Earnings per share ("EPS")	5.2p	7.2p
Target dividend per share for the year	8.25p	8.25p

Net Asset Value	30 Sep 2022	31 Mar 2022
NAV per share	164.3p	163.1p
Interim Dividend	2.06p	2.07p
NAV per share after deducting interim dividend	162.2p	161.1p

[1] Based on interim dividends paid plus change in NAV per share
[2] The Directors' Valuation is an Alternative Performance Measure. It comprises the fair value of the investment portfolio together with £583.5m (31 March 2022: £94.4m) of future investment commitments in respect of a UK healthcare project, ADTiM (France), Aotearoa Towers (New Zealand), Texas Nevada Transmission (USA), the B247 road project (Germany) and the Blankenburg Tunnel (Netherlands)
[3] This is a target only and not a profit forecast. There can be no assurance that this target will be met
[4] Income was £104.5m on an IFRS Basis (2021: £141.1m)
[5] Total Return was £102.6m on an IFRS Basis (2021: £139.5m)

Chair's Statement

It is my pleasure to write to you for the first time as Chair of HICL Infrastructure PLC. This report details a productive first half of the year and resilient financial results.

The Company is operating in an uncertain macroeconomic and geopolitical environment, with significant central bank responses to persistent high inflation across HICL's core markets. Against such a backdrop, this interim result highlights the strength of the Company's defensive positioning with an increase in dividend cash cover and a Total Shareholder Return ("TSR") of 6.7%[1] on an annualised basis.

HICL's robust performance over this period is a result of its careful portfolio construction. Assembling assets with low beta, high inflation correlation and robust capital structures serves to protect portfolio value, particularly in higher inflation and interest rate environments. HICL continues to offer the highest inflation correlation within the listed core infrastructure peer group[2].

HICL announced four significant new investments during the period spanning both traditional and modern economy sectors. These acquisitions add valuable diversification across attractive markets, improve portfolio metrics and further position the Company for growth. They also deliver on the Company's vision: to enrich lives through infrastructure by delivering strong social foundations, connecting communities, and supporting sustainable modern economies.

Financial performance

The Company delivered a resilient financial result in the six months to 30 September 2022, increasing its Net Asset Value ("NAV") by 1.2p per share to 164.3p. TSR[1] on an annualised basis was 6.7% (September 2021: 9.8%) and the underlying Annualised Return from the portfolio was 13.0%[3] (September 2021: 7.3%), in excess of the Company's weighted average discount rate (6.6% at 31 March 2022).

Performance was primarily driven by higher inflation (both forecast and actual), by increases in deposit rates and also the weakening of Sterling (see full updated assumptions on page 15). These factors offset the increase of 0.5% in the portfolio's weighted average discount rate to 7.1%. This reflects the significant increase in long-term government bond yields, particularly in the UK, and the corresponding reduction in the implied equity risk premium over the last six months.

A detailed explanation of the factors influencing the discount rate is set out in the Valuation of the Portfolio section starting on page 13 of this report.

Accretive investment

HICL's Annual Report for 31 March 2022 highlighted an attractive and advanced pipeline of investment opportunities, and I am pleased to report on the excellent progress made in the period.

Four high-quality, accretive core infrastructure acquisitions were announced in the period, representing c.£616m of value. These investments demonstrate InfraRed's differentiated capability to source high-quality investments for the Company. Following completion, the weighted average asset life of the portfolio will increase to 33 years (March 2022: 30 years), bolstering HICL's resilience and ability to deliver sustainable income and capital growth over the long term.

Part of the funding for the acquisitions comes from the completion of the disposal of the Queen Alexandra Hospital, which was itself accretive to key portfolio metrics. This active capital recycling is a valuable lever to optimise portfolio composition, deliver shareholder value and provide HICL with an additional funding source beyond primary share issuance.

At 30 September 2022, the Company had £713m of headroom in its Revolving Credit Facility ("RCF") and £79m of cash to fund its investment commitments of c.£513m. The Board remains comfortable with the Company's available liquidity.

More information on these new assets can be found in the Investment Manager's Report, starting on page 6.

Dividend guidance

The Board is pleased to re-affirm that HICL remains on track to deliver its target dividend of 8.25p per share for the financial year ending 31 March 2023, which is expected to be fully cash covered. The Board also reiterates the dividend guidance of 8.25p per share for the year ending 31 March 2024.

Predictable long-term cash flow forecasts support the Company's ability to deliver sustainable income, together with capital growth, to its shareholders. Cash generation from the portfolio was in line with expectations for the period, supporting the steady improvement in dividend cash cover to 1.58x, or 1.03x excluding profits on disposal versus original cost (March 2022: 1.04x / 1.02x).

HICL's dividend trajectory will continue to be calibrated against the Company's stated intention to rebuild dividend cash cover and enhance the long-term earnings profile of the Company.

[1] Based on interim dividends paid plus change in NAV per share
[2] Compared with the most recent reported publicly available information
[3] Calculated as portfolio return divided by the rebased valuation. Excludes changes in macroeconomic assumptions

Chair's Statement (continued)

Capital raise

In July 2022, the Company successfully raised gross proceeds of £160m via a tap issue. The issue was subject to a scaling back exercise, reflecting strong demand. This restored capacity in the Company's RCF and provided additional financial resources to pursue HICL's pipeline.

The strong participation by new and existing investors, including significant demand from direct retail investors, is evidence of the continued support that HICL's strategy enjoys from its shareholders.

Corporate governance

I am delighted to welcome two new non-executive directors, Liz Barber and Martin Pugh, to the HICL Board.

Liz has held multiple senior executive positions in the UK water sector, including serving as the CEO of Yorkshire Water. Prior to this, Liz served as an assurance partner at Ernst & Young. Martin brings over 35 years of experience in the infrastructure industry with a focus on development, construction and asset management.

These appointments enhance the Board's expertise across the breadth of the Company's core infrastructure focus. I have no doubt shareholders will benefit from their highly relevant experience.

Sustainability leadership

Operating in a sustainable manner lies at the heart of HICL's business model. As a trusted steward of essential core infrastructure assets, the Company's ability to deliver sustainable income to its shareholders over the long term is intrinsically linked to delivering positive outcomes for those communities who depend on our assets. Over the first half of this financial year, the Company and the Investment Manager have progressed several initiatives designed to ensure that HICL remains at the forefront of sustainability best practice. This includes the launch of InfraRed's second underlying asset user survey, and the submission of interim greenhouse gas reduction targets as part of InfraRed's Net Zero Asset Managers commitment. Further details are provided on page 12.

Outlook

Political events in the UK since mid September 2022 have resulted in material levels of volatility in equity, debt and currency markets. The Board believes that HICL's high-quality core infrastructure portfolio is well positioned to withstand heightened volatility, with assets that have robust capital structures, low beta, high yield and strong inflation protection.

The outlook for inflation is expected to remain elevated in HICL's core markets in the short to medium term. In this context, the inherent inflation correlation built into HICL's cash flows at 0.8x (31 March 2022: 0.8x) remains a key attraction for investors in a rising interest rate environment.

Ageing infrastructure and the powerful global megatrends of decarbonisation and digitalisation continue to drive procurement and investment across HICL's core markets. A disciplined long-term acquisition strategy, combined with continued active management of a high-quality, diversified portfolio allows the Company to provide sustainable income and capital growth to its shareholders. These qualities also position HICL to operate in challenging market conditions, and to unlock attractive new investment opportunities where appropriate.

Mike Bane
Chair
22 November 2022

The Investment Portfolio – Top 10 Assets[1]

1. Affinity Water

Affinity Water Limited is the largest water-only supplier in the UK by revenue and population served, covering an area of 4,515 sq. km.

Sector: Electricity & Water
Location: UK
% of portfolio: 7% (March 2022: 9%)
HICL holding: 33.2%
Concession length: N/A
Status: Operational

2. Northwest Parkway

The Northwest Parkway is a 14 km, four-lane toll road that forms part of the ring road around the city of Denver, Colorado, USA.

Sector: Transport
Location: USA
% of portfolio: 7% (March 2022: 7%)
HICL holding: 33.3%
Concession length: 99 years
Status: Operational

3. A63 Motorway

The A63 Motorway project in South West France includes the upgrade of an existing 105 km road linking the towns of Salles (Gironde) and Saint-Geours-de-Maremne.

Sector: Transport
Location: France
% of portfolio: 6% (March 2022: 7%)
HICL holding: 21%
Concession length: 40 years
Status: Operational

4. Texas Nevada Transmission[2]

Two distinct electricity transmission systems in Texas and Nevada, consisting of over 800 km of high-voltage transmission lines.

Sector: Electricity & Water
Location: USA
% of portfolio: 6% (March 2022: N/A)
HICL holding: 45.8%
Concession length: N/A
Status: Operational

5. Aotearoa Towers[2,3]

Aotearoa Towers is New Zealand's largest independent tower company, with c.1,500 wholly-owned mobile towers covering 98% of the country's population.

Sector: Communications
Location: New Zealand
% of portfolio: 5% (March 2022: N/A)
HICL holding: 40.0%
Concession length: N/A
Status: Operational

6. High Speed 1

HS1 is the rail link between London St Pancras station and the Channel Tunnel. It is currently the UK's only high-speed rail line.

Sector: Transport
Location: UK
% of portfolio: 4% (March 2022: 5%)
HICL holding: 21.8%
Concession length: 30 years
Status: Operational

7. Southmead Hospital

Southmead Hospital PPP project is an 800-bed acute hospital concession on a single site at Southmead in North Bristol.

Sector: Health
Location: UK
% of portfolio: 4% (March 2022: 5 %)
HICL holding: 62.5%
Concession length: 35 years
Status: Operational

8. Royal School of Military Engineering

The PPP project covers 32 new and 21 existing buildings, and five training areas on behalf of the UK Ministry of Defence.

Sector: Accommodation
Location: UK
% of portfolio: 4% (March 2022: 4%)
HICL holding:100%
Concession length: 30 years
Status: Operational

9. Pinderfields and Pontefract Hospitals

Pinderfields and Pontefract Hospitals PPP project is a two hospital concession for Mid Yorkshire Hospitals NHS Trust, delivering a combined total of 774 beds.

Sector: Health
Location: UK
% of portfolio: 3% (March 2022: 4%)
HICL holding: 100%
Concession length: 35 years
Status: Operational

10. Home Office

The PPP by the UK Home Office to replace its existing headquarters with serviced offices to accommodate up to 3,450 staff in Westminster, London.

Sector: Accommodation
Location: UK
% of portfolio: 3% (March 2022: 3%)
HICL holding: 100%
Concession length: 29 years
Status: Operational

[1] Based on the Directors' Valuation
[2] Commitment, subject to completion, as at 30 September 2022
[3] Currently in the process of being re-branded as Fortysouth

Investment Manager's Report

Operational Highlights

The underlying performance of the portfolio has been positive in the year to date, delivering an annualised portfolio return of 13.0% (7.3% at 30 September 2021), ahead of the expected return of 6.6% for the period (as at 31 March 2022) before the impact of discount rate changes.

This outperformance was a result of the portfolio's high correlation to inflation, as well as value enhancement initiatives carried out by the Investment Manager – further details can be found in the Valuation section of this report starting on page 13.

Operational performance overview

HICL's portfolio has performed in line with the Investment Manager's expectations. The Public Private Partnership ("PPP") portfolio performed well during the period, owing to its availability-based contracted revenues, inflation linkage and predominantly contracted costs, including fixed long-term debt. The Company's three large demand-based investments performed in line with valuation assumptions set at 31 March 2022, with no material impact on performance from the wider economic volatility. Affinity Water, the Company's largest regulated investment, performed in line with expectations during the period with higher actual and forecast inflation contributing positively to performance.

Further details of the operational performance of the portfolio can be found in the Operational Highlights on page 9.

Accretive investment activity

HICL has taken a considered and proactive approach to portfolio composition in order to deliver sustainable income and capital growth to its shareholders.

Strong progress has been made in delivering the attractive acquisition pipeline outlined in HICL's Annual Report for 31 March 2022. Four high-quality and accretive core infrastructure acquisitions were announced in the period, representing c.£616m[1] of value:

- ADTiM (France), two rural fibre to the home concessions in France, which is subject to completion (2% of the Directors' Valuation);
- Aotearoa Towers[2] (New Zealand), a passive mobile tower infrastructure owner with c.1,500 towers. Completed in November 2022 (5% of the Directors' Valuation);
- Cross London Trains (UK), a PPP asset comprising 115 electrified trains. Completed in the period (3% of the Directors' Valuation); and
- Texas Nevada Transmission, an investment spanning two distinct electricity transmission systems and over 800km of high-voltage transmission lines. Subject to completion (6% of the Directors' Valuation).

Overall, these investments will contribute positively to key portfolio metrics, particularly portfolio returns and the weighted average asset life, thereby extending the long-term earnings potential of the Company. Importantly, these investments also support the portfolio's overall inflation correlation and improve asset diversification. The acquisition activity in the period spans the critical themes of decarbonisation and digitalisation and plays an important role in delivering modern economy infrastructure.

Additional disclosure on HICL's newest investments can be found in the Operational Highlights starting on page 9.

Financial Highlights

The Company's NAV per share increased by 1.2p over the period to 164.3p at 30 September 2022 (31 March 2022: 163.1p). This reflected the portfolio's strong inflation correlation, positive underlying portfolio performance, and gains on foreign exchange, partially offset by a 0.5% increase in the weighted average portfolio discount rate to 7.1% (31 March 2022: 6.6%).

In recent years, the equity risk premium for infrastructure assets has expanded to historically high levels. This reflected the fact that long-term core infrastructure investors did not, typically, lower discount rates commensurately with decreasing interest rates. This has provided an element of inherent protection against increases in interest rates.

Over the last six months, long-term government bond yields, particularly in the UK, have increased significantly. Greater weight has been given to this development in the determination of HICL's weighted average discount rate as at 30 September, given the limited number of relevant asset transactions in the period. Further detail on the approach to determining discount rates can be found in the Valuation section of this report.

The recovery in dividend cash cover has continued, rising to 1.03x for the period, with solid cash generation from the underlying portfolio.

On 29 July 2022, the Company announced it had successfully activated a £330m accordion within its RCF, thereby increasing the Company's overall short-term credit facilities to £730m. At 30 September 2022, the headroom under the Company's facilities was £713m (31 March 2022: £265m), providing significant capacity to fund current acquisition commitments and support HICL's attractive pipeline, as appropriate.

Further information on the Company's financial performance can be found in the Financial Review section starting on page 19.

[1] The Company also made a small follow on investment into RMG Roads, resulting in a total of £619m of acquisitions for the six-month period to 30 September 2022
[2] Currently in the process of being re-branded as Fortysouth

Sustainability

As Investment Manager to HICL, it is our belief that long-term success in owning and operating core infrastructure is intrinsically tied to sustainable business practices. HICL's licence to operate is predicated on responsible and transparent stewardship, and this continues to be an area of significant focus for the Investment Manager.

During the period, InfraRed has continued to make progress against the four focus areas identified in HICL's Sustainability Report published in May. In particular, data gathering for the new sustainability targets introduced under the Company's Environment, Social and Governance categories has been a priority, as well as driving social impact initiatives at the asset level. See page 12 for more details on activities during the period.

In September, InfraRed achieved its seventh consecutive five-star rating in the United Nations Principles for Responsible Investment ("PRI") assessment. This is the highest possible PRI rating and spans both Investment & Stewardship and Infrastructure categories, reflecting InfraRed's commitment to its long-term vision of creating better futures through infrastructure.

Key Risks Update

HICL's risk appetite statement, approach to risk management and governance structure are set out in Section 3.5 of the Annual Report 2022 – Risk and Risk Management, which can be accessed on the Company's website at www.hicl.com.

The principal risks for the Company for the remaining six months of its financial year are unchanged from those reported on in the Annual Report 2022. There have been notable updates against these risks in the period, which are summarised below.

Macroeconomic risk

The Investment Manager notes the continuing inflationary pressures across HICL's core geographies and central bank interest rate rises in response.

The rise of government bond rates has led to pressure on infrastructure discount rates. The Company has recognised this by increasing the weighted average discount rate of the portfolio by 50bps to 7.1% (31 March 2022: 6.6%). There is a risk that fair value market discount rates could increase further, reducing the Directors' Valuation, all else being equal.

HICL's equity cash flows offer offsetting characteristics in a higher interest rate environment: namely, the positive correlation to inflation at 0.8x; the positive correlation to higher deposit rates on cash balances held in portfolio companies; and the low overall sensitivity to the impact of higher interest rates on financing costs across the portfolio.

The elevated level of government bond yields seen currently has not been experienced in over a decade. However, the Company has historically operated its business model successfully in such an elevated interest rate environment. From the Company's IPO in 2006 to March 2011, the average long-term government bond yield exceeded 4%. During this period, HICL was able to effectively execute its strategy; growing NAV, delivering the dividend, raising capital and deploying it into accretive investments.

The Investment Manager notes the likely entry of the UK into recession and the increased likelihood of recessions across HICL's other core markets. As at 30 September 2022, 19% of the portfolio (31 March 2022: 22%) was invested in assets with returns correlated to GDP, and recessionary risk has been reflected appropriately in the respective valuations of these assets.

HICL has a diverse portfolio of assets across developed OECD markets, and this helps to reduce the portfolio's sensitivity to GDP contractions or to outsized fiscal or monetary movements in any one jurisdiction. The portfolio continues to demonstrate its resilience in a challenging and volatile macroeconomic environment.

Political and regulatory risk

The Investment Manager notes the recent political instability in the UK and the impact this has had on financial markets. Whilst it has been encouraging to see a degree of stabilisation following the installation of a new government, the risk of further political volatility remains. The UK government recently set out its updated fiscal programme, and there is uncertainty around the impact this will have on the economy and financial markets.

HICL's approach to diversify political and regulatory risk across jurisdictions helps insulate the portfolio from localised risks. Including commitments, HICL's portfolio is now comprised of 62%[3] of assets within the UK (31 March 2022: 73%), with the balance of the portfolio invested in Europe, North America and New Zealand.

At a project level, financial and operational pressures on public sector counterparties, including from persistent high inflation, have the potential to lead to behaviour from clients and their advisers that is adverse to the interests of the PPP. This has been experienced in a small number of cases in the UK healthcare portfolio. The Investment Manager aims to mitigate this risk through collaborative and proactive engagement with the public sector where disagreements arise. The financial impact to date of this dynamic remains immaterial to the portfolio but continues to present a risk to be managed.

[3] Directors' Valuation, which includes future commitments

Investment Manager's Report (continued)

Counterparty risk
Global supply chain pressures continue, due to the conflict in Ukraine, current macroeconomic environment and the long-term consequences of the Covid-19 pandemic. This has led to an increase in the cost of materials and labour. There is a risk of further supply chain disruptions.

These challenges have been successfully managed so far by the Company's service delivery partners, with no material impact on asset performance in the period. Regarding the Company's construction projects, the Paris-Saclay[4] University project was completed in time to have students arrive at the new campus in September 2022, in line with the client's objectives. Supply chain disruption on the Blankenburg Tunnel project has been proactively managed with the client and we expect the substantive construction works to complete on schedule in 2024.

Overall, the Investment Manager continues to work closely with its public and private sector partners to proactively identify and manage supply chain issues arising.

This Interim Report provides the update above in the context of the Company's risk management framework and principal risks as disclosed in the Annual Report 2022.

Market and Outlook
HICL has a portfolio that is designed to be resilient in difficult market conditions. A higher interest rate environment requires adjustment from markets and investors but is not unprecedented in the Company's history.

Over the next six months, the Company will focus on successfully completing and embedding its new investments. This process will be aided by InfraRed's global platform, with detailed onboarding plans being implemented through InfraRed's London, New York and Sydney offices by the local investment and asset management teams.

Ageing infrastructure stock coupled with the strong secular tailwinds behind digitalisation and decarbonisation continue to drive infrastructure capital investment across HICL's key markets. The Company is part of the preferred bidder consortium on the Hornsea II OFTO in the UK and benefits from an advanced digital infrastructure pipeline in Europe.

The Investment Manager remains resolutely focused on the risk and return profile of any prospective investment and the impact on the portfolio's key metrics and balance sheet. InfraRed operates a multi-product and multi-strategy platform that is actively involved across the key segments of infrastructure investment. Its breadth of market presence across the asset class and risk spectrum enables HICL to be well positioned to selectively capture growth opportunities.

[4] Previously known as the Paris Sud University

Operational Highlights

Affinity Water (7% of portfolio)[1]

Affinity Water provides on average 950 million litres of clean water each day to a population of more than 3.6 million people in Southern and Eastern England. As a regulated utility, the company has clear visibility over its appointed revenue base until the end of the current regulatory period in March 2025. On 7 July 2022, Ofwat published its draft methodology for PR24[2], which represents a gradual evolution of the PR19[3] approach and enables Affinity Water to begin to define its business plan for the five-year period ending in March 2030. The management team and InfraRed have engaged frequently and constructively with Ofwat and will continue to do so as the PR24 process progresses.

Operational performance in the first half of the financial year was in line with expectations, despite the challenges posed by the extremely hot weather during the summer of 2022. Affinity Water did not impose usage restrictions at any point, although the lack of rainfall has increased the vulnerability of all water companies in the South of England to future dry spells. Although supply interruptions and low pressure were adversely affected by the summer heatwave, total expenditure and performance commitments were slightly ahead of HICL's expectations.

The management team remained focused on achieving a 20% reduction in leakage by 2025[4], which is the most ambitious target of all water companies in England for the current regulatory period. Although the company narrowly missed its FY22 target, performance continues to improve and Affinity Water is currently on track to meet its FY23 target of a 14% reduction.

On 7 September 2022, Affinity Water announced that Keith Haslett had been appointed as CEO and is expected to take up the position in early 2023. Keith joins from Northumbrian Water, where he is currently Group Water Director. In the interim, Stuart Ledger will continue to provide leadership and drive operational performance until Keith is in post. InfraRed worked closely with the Affinity Water board throughout the recruitment process and will support both Stuart and Keith during the transition.

Northwest Parkway (7% of portfolio)[1]

The Northwest Parkway is a free-flow toll road which provides access to key residential and employment districts in the Denver Metropolitan area as well as Denver International Airport.

Over the six-month period ended 30 September 2022, traffic volumes were at 85% of pre-Covid levels on average, which is broadly in line with HICL's valuation assumption. This solid operational performance was underpinned by the rapid return of passengers to Denver International Airport, which became the third busiest airport in the world during the period[5]. InfraRed's assumption remains that traffic will return to pre-Covid levels in mid-2023, but the pace of short-term recovery could be impacted by reduced levels of commuter traffic and the level of congestion on alternative routes. Long-term traffic projections include an assessment of the impact of potential behavioural changes on demand.

Toll rates were increased by 9% during the period, in line with inflation, and the management team retains the ability to approve further increases in early 2023.

A63 Motorway (6% of portfolio)[1]

HICL's investment relates to a 105km stretch of the A63 Autoroute in France, which connects Bordeaux to the Spanish border. As such, it is an important trans-European transport corridor for both freight and leisure travel, enabling journeys from the Iberian Peninsula and South-Western France to the whole of Northern Europe.

On average, traffic over the six-month period ended 30 September 2022 was 1.3% above pre-Covid levels, broadly in line with HICL's valuation assumption, despite a partial closure of the road for two days in mid-August 2022 as a precautionary measure due to large forest fires in South West France. As a result of continued traffic growth and inflation-linked toll increases, revenues in the six-month period to 30 September 2022 were 8% above those in the equivalent period in 2021. Supply chain pressures and high oil prices do not currently appear to be having a material impact on traffic or maintenance costs, reinforcing the importance of the motorway's strategic positioning.

Take-up of the recently installed contactless payment system grew significantly in the period, representing 83% of all card transactions in August 2022. This has resulted in increased operational efficiency, fewer printed receipts, and improved customer satisfaction because of shorter waiting times.

High Speed 1 (4% of portfolio)[1]

High Speed 1 ("HS1") is the UK's only high-speed rail line, linking London St Pancras with the Channel Tunnel. It is a vital component of the UK's rail link with Continental Europe, and also enables fast and frequent domestic rail services between Kent and Greater London.

[1] Based on the Directors' Valuation
[2] The Ofwat 2024 price review period that sets prices for the period from April 2025 to March 2030
[3] The Ofwat 2019 price review period that sets prices for the period from April 2020 to March 2025
[4] On a three-year rolling average basis against a 2019/20 baseline
[5] https://www.flydenver.com/sites/default/files/downloads/22-23%20ACI%202021%20Worldwide%20Ranking.pdf

Operational Highlights (continued)

International train path bookings (32% of pre-Covid track access revenues) grew strongly in the first quarter of the financial year as passenger demand was no longer impacted by travel restrictions. In the six-month period to 30 September 2022, Eurostar bookings reached 77% of pre-Covid levels, slightly ahead of HICL's valuation assumption. From 15 May 2022, 54% of these paths had been booked and paid for in advance. The HS1 management team and Eurostar maintain a close working relationship and are jointly committed to explore solutions to border congestion in London and Paris, which is currently limiting the maximum daily number of international services. HICL's forecast assumes that international train path bookings will reach pre-Covid levels by March 2025.

Domestic services (68% of pre-Covid track access) are currently under UK government control and continue to benefit from the contractual underpin from the Department for Transport, which guarantees 96% of pre-Covid domestic track access revenues. HICL's forecast assumes that domestic train path bookings will remain at current levels (c.20% below pre-Covid) until March 2025.

Both domestic and international train services were partially impacted by strikes involving signalling staff and train crew during the period. The HS1 management team has worked closely with Network Rail High Speed to ensure that a reduced Eurostar service has been able to run on strike days, and HS1's valuation and overall financial resilience has not been materially impacted.

Southmead Hospital (4% of portfolio)[1]

Southmead Hospital is a major 800-bed acute hospital, providing accident and emergency and specialist medical services to a population of almost one million people in Bristol, South Gloucestershire and North Somerset. During the period, InfraRed worked collaboratively with all stakeholders to progress an agreed programme of works relating to the contractual obligations of Carillion Plc. The project company maintained an excellent working relationship with the NHS Trust and is providing support for variations which aim to increase the number of clinical beds available at the Hospital.

On behalf of the NHS Trust, Bouygues Energies & Services (who provide facilities management services under the PPP) undertook a carbon reduction survey and shared the results with the project company. InfraRed will work closely with the NHS trust to enact the recommendations and share the outcomes with clients across the PPP portfolio to help progress HICL's wider net zero strategy.

Other PPP assets (55% of portfolio)[1]

HICL's PPP assets sit at the heart of society, providing access to essential public facilities and connecting communities. During the period, InfraRed further improved the composition of the PPP portfolio and worked collaboratively with clients and other key stakeholders to preserve and enhance value for HICL.

On 21 August 2022, HICL completed its investment into **Cross London Trains ("XLT")**, which represents 3% of the portfolio by value. The project benefits from a 20-year availability contract which commenced in 2016, and provides a guaranteed revenue stream which is fully backed by the UK Department for Transport. Long-term maintenance obligations are retained by the manufacturer, Siemens, under a direct contractual arrangement with the franchise operator. The asset therefore improves and diversifies counterparty exposure across HICL's PPP portfolio. The fleet of 115 Siemens Desiro City Class 700 trains was fully delivered in 2018, and operational performance has been consistently strong.

InfraRed's focus on the active management of facility condition remains a key asset management priority. An example of progress was evidenced at **Pinderfields and Pontefract Hospitals** (3% of portfolio) during the period, where the project company's construction partner is building a temporary ward which will enable improvement works to take place in the main hospital building. InfraRed has worked closely with the NHS trust to ensure continuity of service delivery throughout the programme of works.

During the period, InfraRed demonstrated its track record of enhancing value for HICL shareholders by successfully delivering assets through construction. On 1 July 2022, **Paris-Saclay University** commenced operations in line with the agreed availability date, marking the conclusion of a four-year construction period. At **Blankenburg Tunnel**, substantive works are expected to complete on schedule in 2024, although the construction programme has been challenged by supply chain and cost pressures linked to the war in Ukraine. With InfraRed's assistance, the construction contractor and client held constructive discussions in relation to cost mitigation; regardless of the outcome, the risk to HICL is mitigated by the contractual pass-through.

[1] Based on the Directors' Valuation

New Investment Commitments

Aotearoa Towers (5% of portfolio)[1]

Aotearoa Towers is New Zealand's largest independent tower company, with c.1,500 wholly-owned mobile towers covering 98% of the country's population. The asset was created as a carve-out of Vodafone New Zealand's[2] ("Vodafone NZ") passive infrastructure, which includes the physical towers, masts and poles; Vodafone NZ and other telecommunications providers retain responsibility for the 'active' equipment. HICL successfully completed the transaction post period end having received all statutory third-party approvals.

The company's revenues are principally derived from a long-term, availability-based contract with Vodafone NZ, which has an initial term of 20 years with the option of two 10-year extensions. The agreement will grant Vodafone NZ access to the passive tower infrastructure in exchange for contractual, inflation-linked access charge payments that are unrelated to usage, which will account for 96% of day-1 revenues.

Mobile towers are critical infrastructure that underpin mobile connectivity and wireless broadband access. In New Zealand, they are expected to play a crucial role by significantly increasing the penetration of 5G, which requires increased coverage, denser cell networks and greater capacity. In light of this requirement for near-term expansion, Vodafone NZ has contractually committed to 390 additional sites over the next ten years. This provides a high degree of visibility over medium-term growth in Aotearoa Towers' asset base and revenues. The company is also expected to benefit from the co-location of active equipment, which is expected to drive further growth given the reach of the network.

Following the signing of the transaction on 18 July 2022, InfraRed has been working closely with Vodafone NZ, who will retain the continuity of management services under a transitional arrangement and are strategically aligned as a long-term partner. In its steady state, Aotearoa Towers will be independently managed by a team of c.40 professionals, with much of the maintenance and construction activities sub-contracted to experienced local suppliers.

The transaction completed on 1 November 2022.

Texas Nevada Transmission (6% of portfolio)[1]

Texas Nevada Transmission ("TNT") comprises two distinct electricity transmission systems: Cross Texas Transmission ("CTT") and One Nevada Transmission ("ON Line"). Together, the networks consist of over 800km of high-voltage transmission lines, as well as a number of switching stations and substations, which have been fully operational since 2014. Each system is co-owned by LS Power, a highly reputable owner, operator and developer of transmission and generation assets in North America.

CTT operates under a cost-of-service recovery model, regulated by the Public Utility Commission of Texas ("PUCT"). The maturity of the PUCT's regime, which has demonstrated over 20 years of effective and transparent regulation, affords CTT a high level of visibility over its cash flows which are perpetual in nature. The regulated revenues underpinning these cash flows are paid directly by the Electric Reliability Council of Texas, which blends receipts from 62 different electricity distribution companies to mitigate default risk. ON Line receives long-term contracted cash flows under a Transmission Use Agreement with NV Energy, an indirect subsidiary of Berkshire Hathaway Inc. which holds a c.25% economic interest in the business.

TNT's transmission infrastructure is expected to play a key role in the energy transition as the US build-out of renewables is accelerated. CTT was awarded projects under Texas's Competitive Renewable Energy Zone programme in 2009, a regional transmission expansion plan designed to unlock grid capacity constraints and facilitate the future build of renewable generation in the state. Currently, CTT has over 900 MWs of wind generation connected to its system, and the future roll-out of renewable generation is expected to provide significant opportunities for future growth of the transmission infrastructure.

Completion of the transaction is subject to regulatory approvals and customary third-party consents, which were progressed by InfraRed during the period in collaboration with LS power, John Hancock and key external stakeholders.

[1] Based on the Directors' Valuation
[2] Name changing to One NZ in 2023

Sustainability Update

HICL's approach to sustainability

As a prominent long-term investor in core infrastructure, HICL has a role in society that extends beyond its shareholders.

The Company is a trusted steward of essential assets and has a responsibility towards the communities that the assets serve and, in many cases, to which the assets will be returned at the end of the defined contractual term.

The Board and Investment Manager recognise that operating in a sustainable manner lies at the very heart of the Company's business model and is fundamental for the successful delivery of its investment proposition. Full details of HICL and InfraRed's respective sustainability strategies can be found in the latest HICL Sustainability Report[1] and the latest InfraRed Sustainability Report[2].

Progress against HICL's sustainability objectives

In order to ensure that HICL remains at the forefront of sustainability best practice, the HICL 2022 Sustainability Report sets out four key objectives for the financial year ending 31 March 2023. Progress against each objective is set out below:

InfraRed to undertake a review of existing policies against external sustainability frameworks

- ▲ Third-party peer review of investment policies and processes undertaken by ERM, a specialist sustainability consultant, including the relevant requirements under SFDR
- ▲ InfraRed is in the process of updating its sustainability policy in light of the results, which will be published on its website in early 2023

InfraRed to broaden stakeholder engagement through client surveys and follow-up initiatives

- ▲ Client insight survey launched across all of HICL's UK healthcare and education PPP assets
- ▲ The results will be used to develop targeted initiatives which are designed to improve outcomes for clients and end users; a case study will be provided in HICL's 2023 Sustainability Report

InfraRed to set interim greenhouse gas reduction targets for HICL

- ▲ InfraRed interim 2030 greenhouse gas reduction targets ratified by Net Zero Asset Managers initiative
- ▲ InfraRed published its net zero progress report on 9 November 2022[3] setting out interim targets for all funds, which incorporates a proportion of HICL's portfolio which is aligned or aligning to net zero

Align reporting to the final Regulatory Technical Standards ("RTS") of SFDR (Level 2)

- ▲ During the period, the European Securities and Markets Authority confirmed that the final RTS are due to be implemented on 1 January 2023
- ▲ InfraRed launched its 9th annual ESG survey on 11 November 2022, which will capture the necessary data for HICL to comply with the reporting obligations of an Article 8 fund, including the disclosure of mandatory Principal Adverse Impact ("PAI") indicators in May 2023

Principles for Responsible Investment ("PRI")

PRI is an independent body backed by the United Nations which is focused on promoting responsible investment and ensuring that ESG factors are integrated into investment and ownership decisions. InfraRed has been a signatory to PRI since 2011 and has been reporting on our ESG performance since 2014.

On 8 September 2022, PRI announced that InfraRed has achieved five stars (the highest rating possible) in its latest assessment, across both of the modules which are relevant for the Investment Manager (Infrastructure and Investment & Stewardship). This marks the seventh consecutive year that InfraRed has achieved the highest possible PRI rating for its infrastructure business.

PRI's assessment provides external recognition that InfraRed continues to be an industry leader in its approach to sustainability, noting that PRI's refreshed approach results in a higher threshold to achieve the top rating, with a score of over 90% required to achieve five stars in any given module. It also demonstrates that sustainability considerations are fully integrated throughout the investment processes, from the initial fund documentation, through to how InfraRed invests, manages HICL's portfolio and disposes of assets.

Further details of InfraRed's latest PRI assessment can be found on its website.

[1] https://www.hicl.com/wp-content/uploads/2022/05/HICL-Sustainability-Report-2022.pdf
[2] https://www.ircp.com/sites/default/files/2022-05/ircp_sustainabilityreport2022_0.pdf
[3] https://www.ircp.com/sites/default/files/2022-11/infrared_2022_net_zero_progress_report.pdf

Valuation of the Portfolio

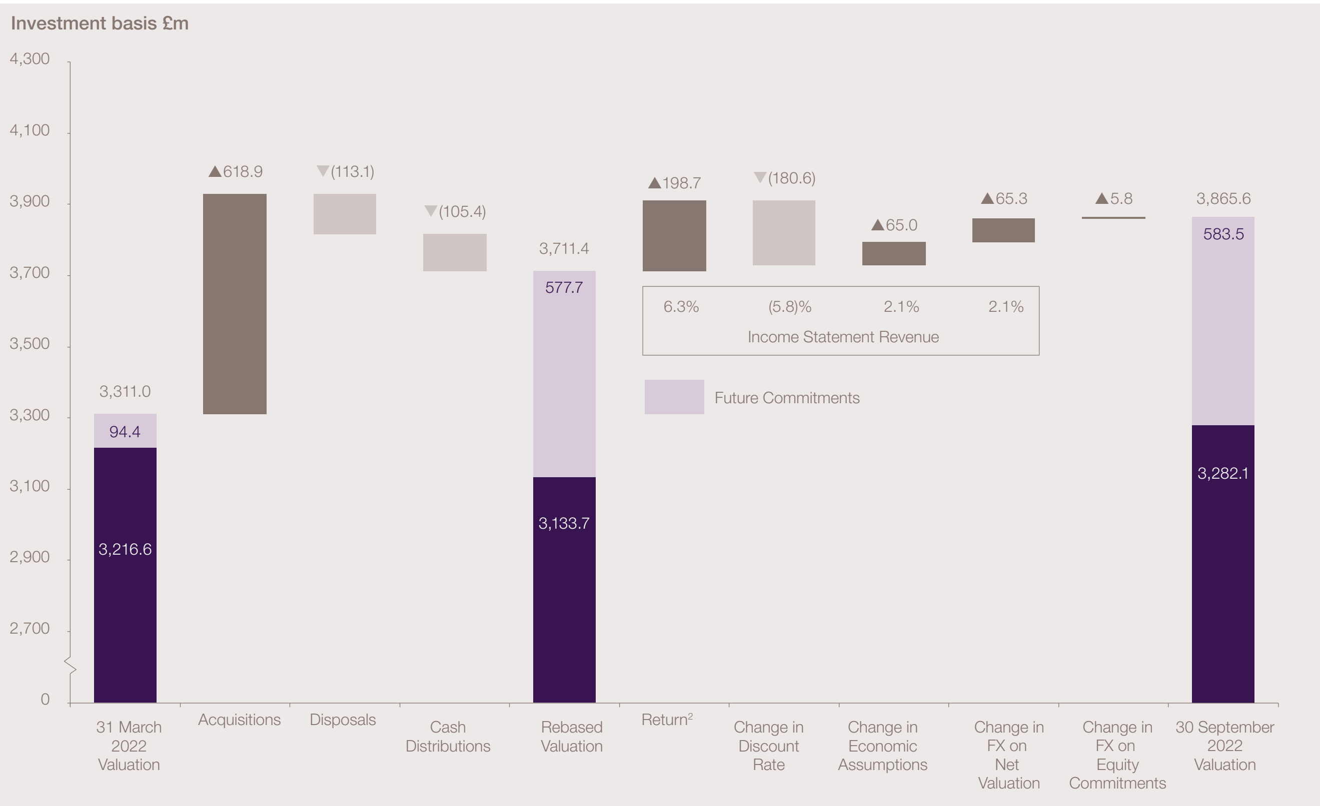
Valuation and Discount Rates

InfraRed, in its capacity as Investment Manager, is responsible for preparing the valuation of HICL's investment portfolio for the Directors' approval each reporting period. This investment valuation is called the Directors' Valuation. The Directors' Valuation, which is an Alternative Performance Measure ("APM")[1], comprises the fair market valuation of the investment portfolio as well as the future investments committed to by the Company at the reporting period end. Further detail on the Company's APMs, including a reconciliation to the IFRS financial statements, is shown on pages 22 to 24. The valuation methodology, including the use of a third-party expert, is unchanged from previous reporting periods and additional information on the valuation process can be found on page 140 of the Annual Report 2022.

The Company's investments are predominantly non-market traded investments that have cash flows which are either contractual and/or have a reasonable degree of predictability. They are therefore valued using a discounted cash flow analysis of the forecast investment cash flows from each portfolio company. The one exception to this is the listed senior debt in the A13 Road project, which is valued at the bond's quoted market price. There is a secondary market for infrastructure investments and, where appropriate and publicly available, data points are taken into consideration. The Directors' Valuation is a sum-of-the-parts valuation, and no further adjustment is made to reflect the size, scarcity and diversification of the overall portfolio.

At 30 September 2022, the Directors' Valuation of the portfolio was £3,865.6m (31 March 2022: £3,311.0m). The Directors' Valuation includes £583.5m (31 March 2022: £94.4m) of future investment commitments in respect of ADTiM (France), Aotearoa Towers (New Zealand), Texas Nevada Transmission (USA), the B247 road project (Germany) the Blankenburg Tunnel (Netherlands) and a UK healthcare project.

A Breakdown of the Movement in the Directors' Valuation in the Period



The valuation blocks above have been split into investments at fair value and future commitments. The percentage movements in the portfolio in the period shown in the chart above have been calculated on the rebased valuation of £3,133.7m to reflect the returns on the capital employed in the period.

[1] Refer to page 22 for HICL's APMs
[2] Return comprises the unwinding of the discount rate and net portfolio outperformance

Valuation of the Portfolio (continued)

Acquisitions
The acquisitions in the year include XLT and a contingent fee for RMG Roads. Also included in this figure are commitments to invest in ADTiM (France), Aotearoa Towers (New Zealand) and TNT (USA).

Divestments
The divestments include the disposal of the Group's investment in the Queen Alexandra Hospital (£107.5m)[1] and the reduction in equity commitment required following the construction completion for Paris-Saclay University (£5.6m).

Rebased Valuation
The Rebased Valuation is defined as the Investment Basis valuation as at the start of the period adjusted for Acquisitions, Disposals and Cash Distributions. The rebased portfolio of £3,133.7m delivered income statement revenue totaling 4.7% in the period (September 2021: 5.7%).

Return from the Portfolio
The return from the underlying portfolio of £198.7m (2021: £102.0m) represents a 6.3% (2021: 3.6%) increase in the rebased value of the portfolio in the period, or 13.0% annualised, versus the discount rate, or expected annualised return, of 6.6% at the start of the year. Most of the outperformance was generated from actual inflation, over and above the base case assumption at 31 March 2022. This includes various structuring and financing efficiencies carried out on certain assets. The return is stated before changes to discount rates and macroeconomic assumptions.

Discount rates
The weighted average discount rate at 30 September 2022 increased by 0.5% to 7.1% (31 March 2022: 6.6%). This reflected the increase in discount rates in all jurisdictions, driven by the movement in long-term government bond yields and, in the UK, heightened uncertainty created by the ongoing political instability.

The Investment Manager uses several data points when assessing the discount rate. These include transactional data points, in the Company's target markets and also in other sectors and geographies it operates in, as well as government bond yields and the implied equity risk premium.

Over the last six months, competition for infrastructure has remained elevated, driven by the amount of capital available for investment. However, it has moderated over the Northern Hemisphere summer period. Competitiveness is now being driven by capital availability, with unlevered participants still able to pay strong prices for strategic assets. However, in core infrastructure, transactional data has been limited, particularly as market participants digest the impact of rising long-term government bond yields on asset prices. We expect competitive auction processes to commence in Q4 2022. As a result, the Investment Manager has also considered the level of equity risk premium implied by current yields when setting the discount rate.

In the period, long-term government bond yields in the UK increased by over 200 basis points from 1.8% at 31 March 2022 to 4.0% at 30 September 2022. Whilst the Investment Manager's view is that discount rates used to value investments do not rigidly follow bond yields, there is some correlation, particularly over the longer term and this has been reflected in the discount rates applied to UK assets. The equity risk premium does provide a level of buffer to absorb part of the increase in government bond yields. However, when considering the appropriate discount rates to be applied, the Investment Manager has reviewed the bond yields and equity risk premiums seen in the Global Financial Crisis. In September 2008, HICL's equity risk premium was 3.3% and taking this into consideration, the UK weighted average discount rate has increased by 70 basis points to 7.2% (31 March 2022: 6.5%) and the risk premium is now 3.2% (31 March 2022: 4.7%).

The Investment Manager recognises that the range of discount rates applied by market participants as at 30 September is likely to be wider than normal, given the level of volatility seen in UK gilt rates and the lack of recent transactional data.

In North America and the Eurozone increases in long-term government bond yields have also been observed, albeit to a lesser degree than those observed in the UK. Therefore, we have increased the discount rate in each of these jurisdictions by 30 basis points.

The portfolio average risk premium, at 3.4%, is 1.4% lower than March 2022 (4.8%). An analysis of the weighted average discount rates for the investments in the portfolio analysed by territory, and showing movement in the period, is shown below:

	30 September 2022				
Country	Long-term government bond yield	Risk premium	Discount rate	31 March 2022 Discount rate	Movement
UK	4.0%	3.2%	7.2%	6.5%	0.7%
Eurozone	2.8%	3.9%	6.7%	6.5%	0.2%
North America	3.6%	3.8%	7.4%	7.1%	0.3%
Portfolio Weighted Average	**3.7%**	**3.4%**	**7.1%**	**6.6%**	**0.5%**

The risk premium for each region is derived from the market discount rate less the appropriate long-term government bond yield.

[1] Reconciles to £108.1m of cash received on page 33 of the financial statements through additional sub debt interest accrued of £0.6m which is included in the £198.7m of Return on the Rebased Valuation

Valuation Assumptions

Apart from the discount rates, the other key economic assumptions used in determining the Directors' Valuation of the portfolio are as follows:

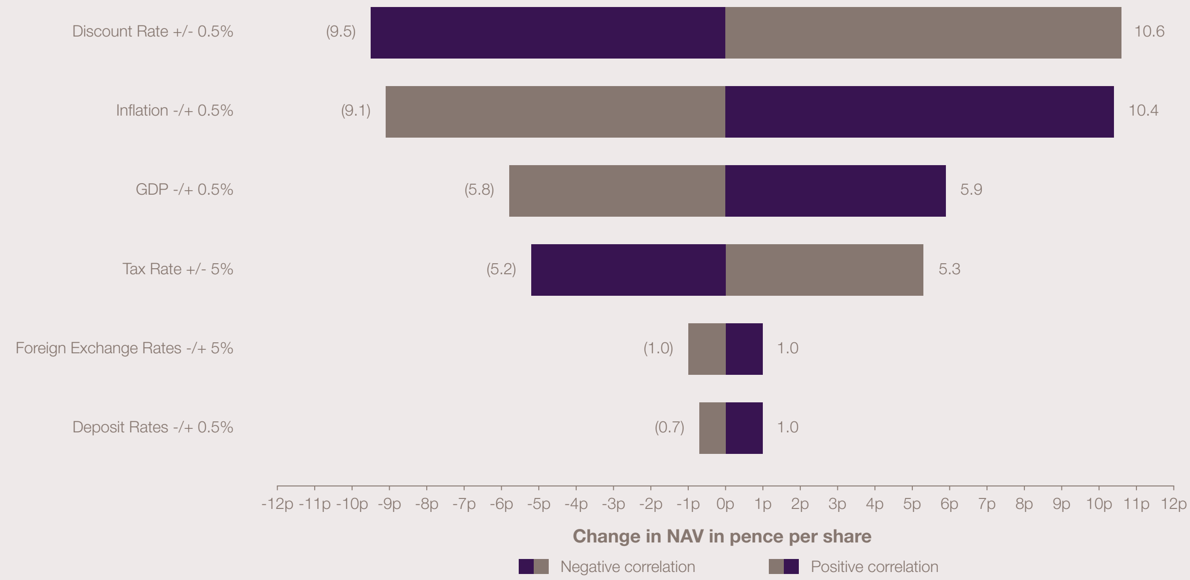
		30 September 2022	31 March 2022
Inflation Rates	UK (RPI and RPIx)[1]	10.0% year ending March 2023, 5.0% year ending March 2024 2.75% p.a. to 2030, 2.0% p.a. thereafter	6.0% year ending March 2023, 3.50% year ending March 2024 2.75% p.a. to 2030, 2.0% p.a. thereafter
	UK (CPIH)[2]	9.25% year ending March 2023, 4.25% year ending March 2024 2.0% p.a. thereafter	5.25% year ending March 2023, 2.75% year ending March 2024 2.0% p.a. thereafter
	Eurozone (CPI)	6.0% year ending March 2023 4.0% year ending March 2024 2.0% p.a. thereafter	3.0% year ending March 2023 2.0% p.a. thereafter
	Canada (CPI)	5.0% year ending March 2023 2.0% p.a. thereafter	3.0% year ending March 2023 2.0% p.a. thereafter
	USA (CPI)	6.0% year ending March 2023 3.0% year ending March 2024 2.0% p.a. thereafter	4.0% year ending March 2023 2.0% p.a. thereafter
Interest Rates	UK	2.0% p.a. to March 2024, 2.5% p.a. thereafter	0.75% p.a. to March 2025, 1.25% p.a. thereafter
	Eurozone	0.75% p.a. to March 2024, 1.25% p.a. thereafter	0.0% p.a. to March 2025, 0.5% p.a. thereafter
	Canada	1.25% p.a. to March 2024, 2.5% p.a. thereafter	0.75% p.a. to March 2024, 2.25% p.a. thereafter
	USA	1.25% p.a. to March 2024, 2.5% p.a. thereafter	0.75% p.a. to March 2024, 2.0% p.a. thereafter
Foreign Exchange Rates	GBP/EUR	1.14	1.19
	GBP/CAD	1.54	1.64
	GBP/USD	1.12	1.31
Tax Rates	UK	19% to 2023, 25% thereafter	19% to 2023, 25% thereafter
	Eurozone	Ireland 12.5% France 25% Netherlands 25.8%	Ireland 12.5% France 25% – 27.5% Netherlands 25.8%
	Canada	23% and 27%	23% and 27%
	USA	21% Federal & 4.6% Colorado State	21% Federal & 4.6% Colorado State
GDP Growth Rates	UK	2.0% p.a.	2.0% p.a.
	Eurozone	1.8% p.a.	1.8% p.a.
	USA	2.5% p.a.	2.5% p.a.

[1] Retail Price Index ("RPI") and Retail Price Index excluding mortgage interest payments ("RPIx")
[2] Consumer Prices Index including owner occupiers' housing costs

Valuation of the Portfolio (continued)

Valuation Sensitivities

The Directors' Valuation is sensitive to each of the assumptions listed below. An explanation of the reason for the sensitivity and an analysis of how each variable in isolation (i.e. while keeping the other assumptions constant) impacts the valuation follows below[1,2,3].



Sensitivities include the impact of the commitments outstanding at the balance sheet date, except for FX which excludes the commitments

Discount rate sensitivity

The weighted average discount rate that is applied to each portfolio company's forecast cash flows, for the purposes of valuing the portfolio, is the single most important judgement and variable.

If there were a 0.5% increase in discount rate applied to UK assets only, the NAV/share would decrease by 5.2p.

Inflation rate sensitivity

The portfolio's PPP projects have contractual income streams from public sector clients which are rebased every year for inflation. UK projects tend to use either Retail Price Index ("RPI") or RPI excluding mortgage interest payments ("RPIx") until 2030. In 2030, they will transition to Consumer Price Index, including owners occupiers' housing costs ("CPIH"). Revenues are either partially or totally indexed (depending on the contract and the nature of the project's financing). Facilities management and operating sub-contracts also have similar indexation arrangements. Further detail on the portfolio's sensitivity to inflation is on page 46 of the Annual Report 2022.

The portfolio's inflation correlation at 30 September 2022 was positive at 0.8x (31 March 2022: 0.8x). Therefore, if outturn inflation was 1% p.a. higher or 1% p.a. lower than the valuation assumption in each future period, the expected return from the portfolio (before Company expenses) would change by 0.8%, on average.

In the UK, RPI was recorded at 7.8% in the six-month period to August 2022 (16.2% annualised). HM Treasury provides a forecast using 13 different sources and estimates RPI to be 12.4% for 2022 and 5.9% for 2023 versus HICL's inflation assumption of 10% and 5% respectively.

1 NAV per share based on 2,032m Ordinary Shares as at 30 September 2022 (31 March 2022: 1,937m shares)
2 Sensitivities for inflation, interest rates and tax rates are based on the 35 largest investments, extrapolated for the whole portfolio
3 Foreign exchange rate sensitivity is net of hedging at 30 September 2022 and excludes future commitments

Gross Domestic Product ("GDP") growth rate sensitivity

There are five investments considered to be sensitive to GDP: the A63 Motorway (France), High Speed 1, M1-A1 Road, Northwest Parkway (USA) and RMG Roads. At times of higher economic activity there will be greater traffic volumes using these roads and railways, generating increased revenues for the projects compared to periods of lower economic activity.

Interest rate sensitivity

Each of the portfolio company's interest expense is fixed, either through fixed-rate bonds or bank debt which is hedged for the life of the project with an interest rate swap, or linked to inflation through index-linked bonds. There are four portfolio companies, Affinity Water, Northwest Parkway (USA), Aotearoa Towers (New Zealand) and TNT (USA), which have refinancing requirements thereby exposing these investments to interest rate risk. Except for these four, an investment's sensitivity to interest rates predominantly relates to the cash deposits which the investment is required to maintain as part of its senior debt funding. For example, most PPP projects have a debt service reserve account in which six months of debt service payments are held.

At 30 September 2022, cash deposits for the portfolio were earning interest at a rate of 1.3% per annum on average. There is a consensus that UK base rates will continue to rise in 2023.

Interest rates have increased over the period in all jurisdictions and the portfolio valuation assumptions are shown on page 15.

Corporation tax rate sensitivity

The profits of each portfolio company are subject to corporation tax in the country where the project is located. The sensitivity is based upon a 5% movement in tax rates in all jurisdictions.
On 23 September 2022, the UK Government announced that it would not increase Corporation Tax rates to 25% from 1 April 2023. After the balance sheet date, on 17 October the Chancellor of the Exchequer announced the reversal of this policy such that the rate of Corporation Tax would indeed increase as currently enacted. The assumption to increase UK Corporation Tax to 25% in HICL's portfolio from 1 April 2023 remains unchanged from March 2022.

Foreign exchange rates sensitivity

At 30 September 2022, 38%[1] of the portfolio by value is represented by non-UK assets (31 March 2022: 27%). These assets are valued in local currency then converted into Sterling at the period end exchange rates. The sensitivity shown on page 16 is net of the Group's foreign exchange hedges at 30 September 2022. Further detail on the Company's foreign exchange policy is outlined in the Financial Review section.

[1] Includes future commitments at the balance sheet date

Key Performance Indicators

The Board has identified metrics to measure clearly the Company's performance against its strategic objectives. The results for the six months ended 30 September 2022 are set out below.

KPI	Measure	Objective	Commentary	30 September 2022	30 September 2021
Dividends	Aggregate interim dividends declared per share in the period	An annual distribution of at least that achieved in the prior year	**Achieved**	4.13p	4.13p
Total Shareholder Return	NAV growth and dividends paid per share since IPO	A long-term IRR target of 7% to 8% as set out at IPO[1]	**Achieved**	9.0% p.a.	8.9% p.a.
Cash Covered Dividends	Operational cash flow/ dividends paid to shareholders	Dividend payments are covered by cash received from the portfolio	**Achieved**	1.58x[3]	1.04x[3]
Positive Inflation Correlation	Changes in the expected portfolio return for 1% p.a. inflation change	Maintain positive correlation with a correlation of at least 0.5x	**Achieved**	0.8x	0.8x
Competitive Cost Proposition	Annualised ongoing charges / average undiluted NAV[2]	Efficient gross (portfolio level) to net (investor level) returns, with the intention to reduce ongoing charges where possible. Maintain within the range for FTSE 250 listed infrastructure peers	**Achieved**	1.05%	1.06%

[1] Set by reference to the issue price of 100p/share, at the time of HICL's IPO in February 2006
[2] Calculated in accordance with Association of Investment Companies guidelines. Ongoing charges excluding non-recurring items such as acquisition costs
[3] On an Investment Basis, including profits on disposal. Excluding this, dividend cash cover would have been 1.03x (September 2021: 1.02x)

Financial Review

HICL prepares its financial information in accordance with UK-adopted International Financial Reporting Standards ("IFRS"). Consistent with the Annual Report 2022, the Company's financial performance is reported under the non-GAAP Investment Basis which consolidates the results of the Company, together with HICL Infrastructure 2 s.a.r.l. ("Luxco") and Infrastructure Investments Limited Partnership ("IILP") (together: the "corporate subsidiaries").

Total return, which is defined as total comprehensive income for the year, net assets or NAV, and EPS, are the same under the Investment Basis and IFRS. Reconciliation is provided of the Investment Basis financial statements to the IFRS statements from page 24. The Investment Basis is an APM. The Board and the Investment Manager manage the Company using the Investment Basis.

Summary Income Statement

Investment basis £m	Six months to 30 September 2022	Six months to 30 September 2021
Dividend income	141.5	44.2
Interest income	59.7	56.6
Fair value movement	(116.4)	47.8
Foreign exchange movement on investments	65.3	8.6
Loss on foreign exchange derivatives	(27.0)	(4.0)
Other income	2.7	4.0
Total income	**125.8**	**157.2**
Expenses and finance costs	(23.2)	(18.0)
Profit before tax	**102.6**	**139.2**
Tax	–	0.3
Total return	**102.6**	**139.5**
Earnings per share	**5.2p**	**7.2p**

Total income decreased by 20% to £125.8m in the six months to 30 September 2022 (September 2021: £157.2m). In the period to September 2021, when inflation and foreign exchange were relatively stable, the Group reduced discount rates across the portfolio by 0.2% The components of the current year total income include a fair value movement of £116.4m (September 2021: £47.8m gain), which resulted from a 0.5% increase in the Company's weighted average discount rate to 7.1% (31 March 2022: 6.6%) and the sale of the Queen Alexandra Hospital which reflects the partial realisation of the total proceeds thus reducing the value of the investment portfolio. This was partially offset by the impact of higher inflation. In addition, dividend income increased to £141.5m (September 2021: £44.2m) because of an £85.0m dividend received following the sale of QAH, as well as £12.3m in additional dividends received as compared with the same period last year. For further detail on the valuation movements, see the Valuation of the Portfolio section starting on page 13.

The hedging policy targets NAV per share volatility of no more than 2% for a 10% movement in foreign exchange rates. During the period, the net impact of foreign exchange movements was a £38.3m gain (September 2021: £4.6m gain), which represents 1.1% of the closing NAV (September 2021: 0.1%). This follows a 7.6% movement in weighted average FX rates in the year.

Hedging in this report compared to non-Sterling portfolio values were:

Foreign Exchange Hedging £m	Rate as at 30 September 2022	Non-UK assets	FX Hedge	FX Hedge as % of non-UK assets	1% sensitivity to movement in FX rates[1]
Euro	1.14	521	344	66%	1.8
USA	1.12	265	75	29%	1.9
Canada	1.54	63	20	31%	0.4
Total		**849**	**439**	**52%**	**4.1**

[1] Sensitivity impact is net of derivatives

Financial Review (continued)

Expenses and Finance Costs

Investment basis £m	Six months to 30 September 2022	Six months to 30 September 2021
Finance costs	3.6	1.8
Investment Manager fees	15.7	14.4
Directors' fees & expenses	0.3	0.3
Acquisition bid costs	1.1	0.2
Professional fees	2.5	1.3
Expenses and finance costs	**23.2**	**18.0**

The Investment Manager fees were £15.7m (September 2021: £14.4m) with the £1.3m increase versus the prior period due to the £290.2m uplift in the portfolio valuation since 30 September 2021, calculated in line with the Investment Manager fee agreement as defined on page 38.

Finance costs increased to £3.6m (September 2021: £1.8m) principally due to the need to fully impair all of the unamortised arrangement fees of the previous RCF. In addition, further arrangement fees were incurred to activate the accordion facility in July 2022, which will be amortised over the life of the facility.

During the period £1.1m of acquisition bid costs were incurred (September 2021: £0.2m), comprising legal, technical and tax due diligence, on unsuccessful bids.

Ongoing Charges Percentages

The ongoing charges percentage, calculated in line with the Association of Investment Companies' ("AIC") guidance, is defined as the annualised ongoing charges (which exclude acquisition costs and other non-recurring items) divided by the average published undiluted net asset value of £3,168.9m in the period (September 2021: £2,980.0m).

The ongoing charges percentage is 1.05% (September 2021: 1.06%). The small reduction is primarily driven by HICL's increased investment value, as mentioned above. The Investment Manager fee, as defined on page 38, is stepped and an increase in investment value results in a lower ongoing charges percentage.

Overall, earnings per share decreased to 5.2p (September 2021: 7.2p) at 30 September 2022.

Summary Balance Sheet and NAV

Investment basis £m	30 September 2022	31 March 2022
Investments at fair value	3,282.1	3,216.6
Net other liabilities	(23.5)	(11.3)
Net cash / (debt)	79.2	(46.2)
Net assets	**3,337.8**	**3,159.1**
NAV per share (before dividend)	164.3p	163.1p
NAV per share (post dividend)	162.2p	161.1p

Investments at fair value increased by 2% to £3,282.1m (31 March 2022: £3,216.6m), due to the impact of higher than forecast inflation and a gain on foreign exchange, partially offset by a 0.5% increase in the weighted average discount rate. In addition, the Company completed net acquisitions of £18.8m, being the investments in Paris-Saclay University (previously held in commitments), XLT and RMG Roads less the sale of QAH. Further detail on the movement in Investments at fair value, is given in the Valuation of the Portfolio section starting on page 13. These are stated net of commitments and therefore not in the Directors' Valuation.

An analysis of the movements in Net (debt) / cash is shown in the cash flow section below. The increase relative to 31 March 2022 is principally driven by the proceeds from the equity issuance in July 2022. The tap issuance resulted in proceeds of £158.0m, net of costs.

NAV per share was 164.3p (31 March 2022: 163.1p) before the 2.06p second quarterly distribution. NAV per share increased by 1.2p, reflecting earnings per share of 5.2p, net of 4.0p distributions in the six-month period to 30 September 2022.

Summary Cash Flow

Investment basis £m	Six months to 30 September 2022	Six months to 30 September 2021
Cash from investments	105.4	100.2
Operating costs	(19.4)	(17.5)
Finance costs	(1.7)	(1.4)
Net cash inflow before capital movements	**84.3**	**81.3**
Cost of new investments	(126.7)	(4.1)
Investment disposal proceeds	96.8	11.3
Share capital raised, net of costs	158.0	–
Net cash flow from derivatives	(3.4)	7.0
Debt arrangement fees paid	(1.9)	(0.2)
Dividends paid	(81.9)	(80.0)
Drawdowns paid to Investment Entity subsidiaries	–	(12.4)
Movement in the period	**125.2**	**2.9**
Net (debt) / cash at start of period	(46.2)	4.7
Foreign exchange on cash	0.2	–
Net cash at end of period	**79.2**	**7.6**

Net cash increased to £79.2m at 30 September 2022 (30 September 2021: £7.6m) primarily due to cash proceeds from the disposal of QAH of £96.8m and the equity tap issuance in July 2022, which resulted in proceeds of £158.0m net of costs and partially offset by the cost of new investments of £126.7m in the period.

Dividends paid in the period were £81.9m (September 2021: £80.0m) and dividend cash cover increased to 1.03x (September 2021: 1.02x). Including profit on disposal versus original cost on QAH of £45.5m, dividend cash cover is 1.58x.

Group Drawings and Gearing Levels

On 1 April 2022, the Group announced that it had renegotiated a £400.0m Revolving Credit Facility ("RCF") with Barclays, RBC, CIBC, ING, Lloyds, NAB, RBSi and SMBC, with an expiry date of 30 June 2024. A €67.5m Letter of Credit Facility ("LCF") provided by ING and SMBC with an expiry date of 31 December 2026 is also held to fund existing and future longer-term funding obligations. On 29 July the Group announced that it had successfully activated the accordion within its RCF, increasing its short-term credit facilities to £730.0m. The £330.0m accordion facility expires on 28 July 2023.

As at 30 September 2022, the Group had commitments of £16.6m by way of letters of credit (31 March 2022: £30.0m) on its RCF but no cash drawings on its RCF (31 March 2022: £75.6m). At 30 September, the Group had capacity available in its RCF of £713.4m (31 March 2022: £265.0m). The Group also had commitments, by way of letter of credit on its LCF facility of €67.3m (31 March 2022: €67.3m).

Subsequent to the period end the Group funded its investment commitment in Aotearoa Towers. It has sufficient further capacity to fund its investment commitments in TNT and ADTiM in the second half of the financial year.

Alternative Performance Measures ("APMs")

The Directors assess the Company's performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs which are deemed useful to investors as these are how the Company is managed and assessed. The APMs that are used may not be directly comparable with those used by other companies. The Directors' Investment Basis is itself an APM.

The explanation and rationale for the Investment Basis is shown on page 19 and its reconciliation to IFRS is shown from page 23. The table below defines the Company's additional APMs.

APM	Purpose	30 September 2022 Investment basis	Calculation	Reconciliation to IFRS
Annualised Return from the Portfolio	A measure of underlying portfolio performance within a given year	13.0%	£198.7m return divided by £3,133.7m rebased valuation compounded for a year	The calculation uses figures which are reconciled to the Investment Basis on page 13 which, in turn, is reconciled to IFRS in the Reconciliation of Investment Basis to IFRS section below
Directors' Valuation	A measure of the size of the investment portfolio including the value of further contracted future investments committed by the Company	£3,865.6m	£3,282.1m investments at fair value plus £583.5m contracted commitments	The calculation uses portfolio assets shown in the reconciliation in the table entitled 'Reconciliation of Investment Basis to IFRS' below
Dividend cash cover	A measure of cash received from underlying projects in the period enabling distributions to shareholders	1.58[1]	£129.8m distributable cash received including £45.5m profit on disposal of QAH divided by £81.9m dividend for the period	The calculation uses the dividend paid in the Statement of Changes in Equity divided by distributable cash
Distributable cash	A measure of cash received from underlying projects in the year	£129.8m	Calculated as net cash inflow before capital movements shown in the Investment basis cash flow plus £45.5m profit on disposal of QAH	The calculation uses distributions received from investments plus proceeds from disposals received into IILP
Cash investments	Identifying new opportunities in which to invest capital is a driver of the Company's ability to deliver attractive returns	£126.7m	£126.7m Investment basis cash paid to acquire investments in the year	The equivalent balance under IFRS and the reconciliation to the Investment Basis is shown in the Reconciliation of cash flow statement
Cash proceeds	Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities	£96.8m	£96.8m cash received into IILP, directly or indirectly, from the disposal of investments in the year	The equivalent balance under IFRS and the reconciliation to the Investment Basis is shown in the Reconciliation of cash flow statement
Net cash	A measure of the available liquid cash to invest in the business offset by the Group's borrowings. This is an indicator of the financial risk in the Group's statement of financial position	£79.2m	£79.2m cash and cash equivalents, plus £nil deposits, less £nil loans and borrowings	The equivalent balance under IFRS and the reconciliation to the Investment Basis is shown in the Reconciliation of statement of financial position

[1] The calculation includes total profit on disposal of £45.5m. Excluding this, dividend cash cover is 1.03x

Reconciliation of Investment Basis to IFRS

Reconciliation of Statement of Comprehensive Income

£m	Six months to 30 September 2022 Investment Basis	IFRS adjustments	IFRS Basis	Six months to 30 September 2021 Investment Basis	IFRS adjustments	IFRS Basis
Dividends received	141.5	(141.5)	–	44.2	(4.2)	40.0
Interest receivable	59.7	(3.0)	56.7	56.6	(20.4)	36.2
Net (loss)/gain on revaluation of investments	(116.4)	164.2	47.8	47.8	17.2	65.0
Foreign exchange movement on investments	65.3	(65.3)	–	8.6	(8.6)	–
Loss on foreign exchange derivatives	(27.0)	27.0	–	(4.0)	4.0	–
Other Income	2.7	(2.7)	–	4.0	(4.0)	–
Total income	**125.8**	**(21.3)**	**104.5**[1]	**157.2**	**(16.0)**	**141.2**[1]
Management fee	(15.7)	15.7	–	(14.4)	14.4	–
Finance costs	(3.6)	3.6	–	(1.8)	1.8	–
Other fund expenses[2]	(3.9)	2.0	(1.9)	(1.8)	0.1	(1.7)
Total expenses	**(23.2)**	**21.3**	**(1.9)**	**(18.0)**	**16.3**	**(1.7)**
Profit Before Tax	**102.6**	**–**	**102.6**	**139.2**	**0.3**	**139.5**
Tax	–	–	–	0.3	(0.3)	–
Earnings	**102.6**	**–**	**102.6**	**139.5**	**–**	**139.5**
Earnings per share	**5.2p**	**–**	**5.2p**	**7.2p**	**–**	**7.2p**

Notes:

1. Total income shown in the IFRS accounts only relates to HICL and not those portfolio companies held through investment entity subsidiaries.
2. Other fund expenses comprise audit, valuation and other professional fees.

Financial Review (continued)

Reconciliation of Statement of Financial Position

£m	30 September 2022 Investment Basis	IFRS adjustments	IFRS Basis	31 March 2022 Investment Basis	IFRS adjustments	IFRS Basis
Investments at fair value	**3,282.1**	**55.3**	**3,337.4**	**3,216.6**	**(58.1)**	**3,158.5**
Trade and other receivables	20.8	(20.5)	0.3	1.2	(1.0)	0.2
Other financial assets	2.3	(2.3)	–	5.4	(5.4)	–
Trade and other payables	(21.3)	20.4	(0.9)	(12.6)	11.8	(0.8)
Other current financial liabilities	(25.3)	25.3	–	(5.3)	5.3	–
Cash and cash equivalents	79.2	(78.2)	1.0	29.4	(28.2)	1.2
Loans and borrowings	–	–	–	(75.6)	75.6	–
Net assets attributable to Ordinary Shares	**3,337.8**	**–**	**3,337.8**	**3,159.1**	**–**	**3,159.1**
NAV per share (before dividend)	164.3p	–	164.3p	163.1p	–	163.1p
NAV per share (post dividend)	162.2p	–	162.2p	161.1p	–	161.1p

Note:

The Investment Basis financial statements are prepared for performance measurement and therefore reserves are not analysed separately.

Reconciliation of Statement of Cash Flows

£m	Six months to 30 September 2022 Investment Basis	IFRS adjustments	IFRS Basis	Six months to 30 September 2021 Investment Basis	IFRS adjustments	IFRS Basis
Portfolio income from investments	105.4	(21.9)	83.5	100.2	(18.0)	82.2
Operating expenses paid	(19.4)	17.5	(1.9)	(17.5)	15.9	(1.6)
Finance costs	(1.7)	1.7	–	(1.4)	1.4	–
Net cash inflow before capital movements	**84.3**	**(2.7)**	**81.6**	**81.3**	**(0.7)**	**80.6**
Purchase of investments in subsidiary	(126.7)	(31.2)	(157.9)	(4.1)	4.1	–
Proceeds from investments	96.8	(96.8)	–	11.3	(11.3)	–
Share capital raised net of costs	158.0	–	158.0	–	–	–
Net cash flow from derivatives	(3.4)	3.4	–	7.0	(7.0)	–
Debt arrangement fees paid	(1.9)	1.9	–	(0.2)	0.2	–
Dividends paid	(81.9)	–	(81.9)	(80.0)	–	(80.0)
Drawdowns paid to Investment Entity subsidiaries	–	–	–	(12.4)	12.4	–
Movement in the period	125.2	(125.4)	(0.2)	2.9	(2.3)	0.6
Net cash/(debt) at start of period	(46.2)	47.4	1.2	4.7	(4.3)	0.4
Foreign exchange on cash	0.2	(0.2)	–	–	–	–
Net cash at end of period	**79.2**	**(78.2)**	**1.0**	**7.6**	**(6.6)**	**1.0**

Note:

There is a difference between the change in cash and cash equivalents of the Investment Basis financial statements and the IFRS financial statements because there are cash balances held in the Corporate Subsidiaries.

Directors' Statement of Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as adopted by the United Kingdom; and
- the interim management report, comprising the Chairman's Statement, Investment Manager's Report and Financial Results, includes a fair review of the information required by:
  a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Mike Bane
Chair
22 November 2022

Independent Review Report to HICL Infrastructure PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 which comprises the Condensed Unaudited Statement of Comprehensive Income, the Condensed Unaudited Statement of Financial Position, the Condensed Unaudited Statement of Changes in Shareholders' Equity, the Condensed Unaudited Cash Flow Statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Company to cease to continue as a going concern, and the above conclusions are not a guarantee that the Company will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in 'Basis of preparation and accounting policies', the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Fang Fang Zhou
For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
22 November 2022

Condensed Unaudited Statement of Comprehensive Income

For the six months ended 30 September 2022

	Note	For the six months ended 30 September 2022 £m	For the six months ended 30 September 2021 £m
Dividends received		–	40.0
Interest receivable		56.7	36.2
Net gain on revaluation of Investment in Investment Entity Subsidiary		47.8	65.0
Total investment income		**104.5**	**141.2**
Company expenses		(1.9)	(1.7)
Profit before tax		**102.6**	**139.5**
Profit for the period	4	**102.6**	**139.5**
Earnings per share – basic and diluted (pence)	4	**5.2**	**7.2**

All results are derived from continuing operations. There is no other comprehensive income or expense and consequently a statement of other comprehensive income has not been prepared.

The accompanying Notes are an integral part of these condensed financial statements.

Condensed Unaudited Statement of Financial Position

As at 30 September 2022

	Note	30 September 2022 Unaudited £m	31 March 2022 Audited £m
Non-current assets			
Investment in Investment Entity Subsidiary	6	3,337.4	3,158.5
Total non-current assets		**3,337.4**	**3,158.5**
Current assets			
Trade and other receivables		0.3	0.2
Cash and cash equivalents		1.0	1.2
Total current assets		**1.3**	**1.4**
Total assets		**3,338.7**	**3,159.9**
Current liabilities			
Trade and other payables		(0.9)	(0.8)
Total current liabilities		**(0.9)**	**(0.8)**
Total liabilities		**(0.9)**	**(0.8)**
Net assets		**3,337.8**	**3,159.1**
Equity			
Share capital		0.2	0.2
Share premium		1,213.3	1,055.3
Revenue reserve		1,966.2	1,993.3
Capital reserve		158.1	110.3
Total equity		**3,337.8**	**3,159.1**
Net assets per Ordinary Share (pence)		**164.3**	**163.1**

The accompanying Notes are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 22 November 2022, and signed on its behalf by:

M Bane
Director

R Akushie
Director

Company registered number: 11738373

Condensed Unaudited Statement of Changes in Shareholders' Equity

For the six months ended 30 September 2022

	Note	Share capital and share premium £m	Revenue reserve £m	Capital reserve £m	Total shareholders' equity £m
Shareholders' equity as at 31 March 2022		1,055.5	1,993.3	110.3	3,159.1
Profit for the period		**–**	**54.8**	**47.8**	**102.6**
Issue of share capital		160.0	–	–	160.0
Costs of share issue		(2.0)	–	–	(2.0)
Distributions paid to the Company's shareholders	5	–	(81.9)	–	(81.9)
Shareholders' equity at 30 September 2022		**1,213.5**	**1,966.2**	**158.1**	**3,337.8**

For the six months ended 30 September 2021

	Note	Share capital and share premium £m	Revenue reserve £m	Capital reserve £m	Total shareholders' equity £m
Shareholders' equity as at 31 March 2021		1,055.5	1,996.4	(101.7)	2,950.2
Profit for the period		**–**	**74.5**	**65.0**	**139.5**
Distributions paid to the Company's shareholders	5	–	(80.0)	–	(80.0)
Shareholders' equity at 30 September 2021		**1,055.5**	**1,990.9**	**(36.7)**	**3,009.7**

The accompanying Notes are an integral part of these condensed financial statements.

Condensed Unaudited Cash Flow Statement

For the six months ended 30 September 2022

	Six months ended 30 September 2022 £m	Six months ended 30 September 2021 £m
Cash flows from operating activities		
Profit before tax	102.6	139.5
Adjustments for:		
Total investment income	(104.5)	(141.2)
Operating cash flows before movements in working capital	(1.9)	(1.7)
Changes in working capital:		
Increase in receivables	(0.1)	(0.1)
Increase in payables	0.1	0.2
Cash flow from operations	**(1.9)**	**(1.6)**
Investment income received	83.5	82.2
Net cash flow from operating activities	**81.6**	**80.6**
Cash flow from investing activities		
Investment in subsidiary	(157.9)	–
Net cash used in investing activities	**(157.9)**	**–**
Cash flows from financing activities		
Net proceeds from issue of share capital	158.0	–
Distributions paid to shareholders	(81.9)	(80.0)
Net cash from/(used in) financing activities	**76.1**	**(80.0)**
Net (decrease)/increase in cash and cash equivalents	**(0.2)**	**0.6**
Cash and cash equivalents at beginning of period	1.2	0.4
Cash and cash equivalents at end of period	**1.0**	**1.0**

The accompanying Notes are an integral part of these condensed financial statements.

Notes to the Condensed Unaudited Financial Statements

For the six months ended 30 September 2022

1. REPORTING ENTITY

HICL Infrastructure PLC (the "Company" or "HICL") is a public limited company incorporated, domiciled and registered in England and Wales in the United Kingdom. The interim condensed unaudited financial statements (the "interim financial statements") for the six months ended 30 September 2022 comprise the financial statements for the Company only as explained in Note 2.

The Company has two corporate subsidiaries, being HICL Infrastructure 2 s.a.r.l. ("Luxco") and Infrastructure Investments Limited Partnership ("IILP") (each a "Corporate Subsidiary" and together the "Corporate Subsidiaries"). IILP is a direct subsidiary of Luxco.

2. KEY ACCOUNTING POLICIES

Basis of preparation
The interim financial statements included in this report have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as adopted for use in the UK. The interim financial statements have also been prepared in accordance with the Disclosure Guidance and Transparency Rules ("DTR") of the UK's Financial Conduct Authority ("FCA").

The interim financial statements are prepared using accounting policies in compliance with the recognition and measurement requirements of UK adopted International Financial Reporting Standards ("IFRS"). In accordance with IFRS 10, entities that meet the definition of an investment entity are required to fair value their subsidiaries through profit and loss (in accordance with IFRS 9, Financial Instruments), except for subsidiaries that are not themselves investment entities and provide investment related services which should be consolidated. The Company meets the definition of an investment entity and does not have any such subsidiaries. Consequently it accounts for its sole direct subsidiary, Luxco, at fair value through profit and loss.

The annual financial statements of the Company are prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the interim financial statements have been prepared applying the accounting policies, including critical estimates and judgements, that were applied in the preparation of the Company's published financial statements for the year ended 31 March 2022. These financial statements have been prepared using the accounting standards that the Directors expect to be effective for the year ending 31 March 2023.

These financial statements do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006 and should be read in conjunction with the financial statements for the year ended 31 March 2022, which were reported upon by the auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006. The Annual Report 2022 is available at www.hicl.com.

Equity and Reserves
The Company is a UK approved investment trust company. Financial statements prepared under IFRS are not required to apply the provisions of the Statements of Recommended Practice issued by the UK Association of Investment Companies for the financial statements of Investment Trust Companies (the "AIC SORP"). However, where relevant and appropriate, the Directors have looked to follow the recommendations of the AIC SORP.

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Investment Manager's Report starting on page 6. The financial position of the Company, its cash flows, and liquidity position are described from page 19 in the Financial Review.

The Directors have assessed going concern by considering areas of financial risk, the Company's access to the Revolving Credit Facility (including the accordion and its repayment date of 28 July 2023) and Letter of Credit Facility (details of which are set out in the Financial Review starting on page 19) and by reviewing cash flow forecasts under severe but plausible stress scenarios, including up to a 20% increase in the number of projects in a lock-up scenario. They also considered the Company's considerable financial resources, including indirect investments in a significant number of project assets. The going concern analysis included an assessment of the potential variability in returns and cash flows from project companies including the effects of the heightened macroeconomic volatility on demand assets as well as availability assets. The Directors also noted that the financing for project companies is non-recourse to the Company. Subsequent to the period end the Group funded its investment commitment in Aotearoa Towers. It has sufficient further capacity to fund its investment commitments in Texas Nevada Transmission and ADTiM in the second half of the financial year.

Notes to the Condensed Unaudited Financial Statements (continued)

For the six months ended 30 September 2022

3. GEOGRAPHICAL ANALYSIS

The tables below analyses income and net assets based on the geographical location of the Company's underlying investments.

Investment income	UK	Eurozone	North America	Total
30 September 2022	**£38.5m**	**£33.1m**	**£32.9m**	**£104.5m**
% of Total investment income	**37%**	**32%**	**31%**	**100%**
30 September 2021	£101.9m	£17.7m	£21.6m	£141.2m
% of Total investment income	72%	13%	15%	100%

Net assets	UK	Eurozone	North America	Total
30 September 2022	**£2,473.0m**	**£530.7m**	**£333.7m**	**£3,337.4m**
% of Total Investments	**74%**	**16%**	**10%**	**100%**
31 March 2022	£2,305.7m	£568.5m	£284.3m	£3,158.5m
% of Total investment income	73%	18%	9%	100%

The Chief Operating Decision Maker is of the opinion that the Company is engaged in a single segment of business, being investment in infrastructure, and has no single major customer.

4. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to equity shareholders of the Company by the weighted average number of Ordinary Shares in issue during the period.

	Six months ended 30 September 2022	Six months ended 30 September 2021
Profit attributable to equity shareholders of the Company	£102.6m	£139.5m
Weighted average number of Ordinary Shares in issue[1]	1,977.2m	1,936.8m
Total basic and diluted earnings per Ordinary Share	**5.2 pence**	**7.2 pence**

[1] 94,674,560 new shares were issued on 14 July 2022. At 30 September 2022 the Company had 2,031,488,061 shares in issue (31 March 2022: 1,936,813,501).

5. DISTRIBUTIONS TO COMPANY SHAREHOLDERS

	Six months ended 30 September 2022	Six months ended 30 September 2021
Total distributions paid to Company shareholders in the period:		
Fourth quarterly interim dividend for the year ended 31 March 2022 of 2.07p (2021: 2.07p) per share	40.1	40.1
First quarterly interim dividend for the year ended 31 March 2023 of 2.06p (2022: 2.06p) per share	41.8	39.9
	81.9	**80.0**

The Company has elected to distribute a percentage of the dividends paid to shareholders as interest distributions for tax purposes.

The fourth quarterly interim dividend for the year ended 31 March 2022 of £40.1 million, representing 2.07 pence per share, was paid on 30 June 2022 and had an interest streaming percentage of 53%. The first quarterly interim dividend for the year ending 31 March 2023 of £41.8 million, representing 2.06 pence per share, was paid on 30 September 2022 and had an interest streaming percentage of 22%.

On 16 November 2022, the Board approved a second quarterly interim dividend for the year ending 31 March 2023 of £41.8 million, representing 2.06 pence per share, payable on 31 December 2022, with an interest streaming percentage of 32%.

Quarterly interest streaming fluctuates due to a number of factors, including forecast annual effective interest received from underlying projects (which moves with acquisitions and disposals) and FX hedging gains/losses.

The Revenue reserves of the Company are £1,966.2m at 30 September 2022 (31 March 2022: £1,993.3m). This is the reserve from which dividends are distributed to shareholders. Both Revenue and Capital reserves are distributable.

6. INVESTMENT IN INVESTMENT ENTITY SUBSIDIARIES

	30 September 2022 £m	31 March 2022 £m
Opening balance	3,158.5	2,950.3
Additions in the period	157.9	–
Gain on revaluation	47.8	212.0
Other	(26.8)	(3.8)
Carrying amount at period end	**3,337.4**	**3,158.5**
NAV per share (pence)	164.3p	163.1p

The Company records the fair value of its direct Corporate Subsidiary, Luxco, based on the Net Asset Value of IILP and the sundry assets and liabilities of Luxco. IILP's Net Asset Value is based on the aggregate fair value of each of the Company's investments, along with the working capital of intermediate holding companies.

Additions, acquisitions and disposals

Additions in the period represent the investment into Luxco of the proceeds of the share issue.

The Company, via its Corporate Subsidiaries, made the following acquisitions and disposals during the six months ended 30 September 2022:

Acquisitions

- An incremental investment of £8.1m into a UK healthcare project;
- An investment of £12.3m into Paris-Saclay University in France;
- The acquisition of a 6.5% stake in Cross London Trains for £105.6m; and
- An investment of £1.4m into the B247 road in Germany.

Disposals

- The disposal of the Queen Alexandra Hospital generated proceeds of £108.1m.

Notes to the Condensed Unaudited Financial Statements (continued)

For the six months ended 30 September 2022

7. FINANCIAL INSTRUMENTS

The fair value hierarchy is defined as follows:

- Level 1: quoted prices (unadjusted) 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 (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				30 September 2022
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment in investment entity subsidiary	–	–	3,337.4	**3,337.4**

				31 March 2022
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment in investment entity subsidiary	–	–	3,158.5	**3,158.5**

There were no transfers between Level 1, 2 or 3 during the period. A reconciliation of the movement in Level 3 assets is disclosed in note 6.

Level 3

Methodology	Description	Inputs	Fair value at 30 September £m	Sensitivity on key unobservable input	Fair value impact of sensitivities (£m) +5%/-5%
NAV	The fair value of the investment in HICL's investment entity subsidiary, Luxco, which is equal to its carrying value	Inputs that are not based on observable market data. The fair value of HICL's investment in Luxco is based on Luxco's holding in IILP that is held at fair value	3,337.4 (March 2022: 3,158.5)	A 5% change in NAV chosen due to historical volatility	166.9

The value of the Company's investment in its Investment Entity subsidiary is sensitive to changes in the macroeconomic assumptions used as part of the portfolio valuation process. As part of its analysis, the Directors have considered the potential impact of a change in a number of the macroeconomic assumptions used in the valuation process. By considering these potential scenarios, the Directors are well positioned to assess how the Company is likely to perform if affected by variables and events that are inherently outside of the control of the Directors and the Investment Manager.

Sensitivities

The fair value of the Company's investment in Luxco is sensitive to changes in the assumptions used in the portfolio valuation process. The Directors have considered the impact of changes in a number of the more significant assumptions.

The analysis below shows the effects of each sensitivity applied at the project company level rather than at the Luxco level because the Directors consider that this provides more meaningful information. This information is therefore on the Investment Basis.

Sensitivities	-0.5% p.a. change	Investment in Investment Entity Subsidiaries	+0.5% p.a. change
Discount rates 30 September 2022	**+£171.1m**	**£3,282.1m**	**-£155.3m**
31 March 2022	+£173.5m	£3,216.6m	-£156.9m
Inflation rates 30 September 2022	**-£147.6m**	**£3,282.1m**	**+£166.3m**
31 March 2022	-£147.3m	£3,216.6m	+£163.9m
Cash deposit rates 30 September 2022	**-£13.6m**	**£3,282.1m**	**+£20.1m**
31 March 2022	-£15.2m	£3,216.6m	+£20.2m

The 0.5% sensitivity is consistent with that shown in previous reports and assumes that the changes are for all future periods. It is also consistent with that shown by the Company's listed infrastructure peers and this allows for comparisons to be determined. The mix of the portfolio means that the sensitivity is linear and it is possible to determine the impact if percentage changes are in multiples of this sensitivity. The Directors recognise that current levels of macroeconomic volatility are likely to give rise to materially greater possible ranges of values than has been the case for a number of years. However, no changes have been made to the 0.5% metric above because the effects represented by this metric are for the remainder of the life of the project asset.

8. RELATED PARTY TRANSACTIONS

InfraRed Capital Partners Limited (InfraRed) is 80% owned by Sun Life Financial Inc. (together with its subsidiaries and joint ventures, "Sun Life"). InfraRed is a distinct business under SLC Management, the alternatives asset manager of Sun Life. The additional 20% may be acquired by Sun Life under a put and call framework agreed with the InfraRed owners, exercisable after four and five years respectively.

InfraRed was appointed under an Investment Management Agreement, dated 4 March 2019, as Investment Manager to, and the AIFM of HICL. The Investment Management Agreement may be terminated by either party to the agreement, being HICL or InfraRed, giving three years' written notice or if InfraRed's appointment as Operator (see below) is terminated. Under the Investment Management Agreement, InfraRed is entitled to a fee of £0.1m per annum, payable half-yearly in arrears by the Company and which is subject to review, from time to time.

The Investment Manager fees charged to the Company were £0.1m (September 2021: £0.1m), all of which remained payable at 30 September 2022.

InfraRed is also the Operator of IILP, the Corporate Subsidiary through which HICL holds its investments. InfraRed has been appointed as the Operator by the General Partner of IILP, Infrastructure Investments General Partner Limited, a company within the same group as InfraRed. The Operator and the General Partner may each terminate the appointment of the Operator by either party giving three years' written notice. Either the Operator or the General Partner may terminate the appointment of the Operator by written notice if the Investment Management Agreement is terminated in accordance with its terms. The General Partner's appointment does not have a fixed term; however if InfraRed ceases to be the Operator, HICL has the option to buy the entire share capital of the General Partner and the InfraRed Group has the option to sell the entire share capital of the General Partner to HICL, in both cases for nominal consideration. The Directors consider the value of the option to be insignificant.

In the period to 30 September 2022, in aggregate InfraRed and the General Partner were entitled to fees and/or profit share equal to: 1.1% per annum of the adjusted gross asset value of all investments of HICL up to £750m, 1.0% per annum for the incremental value in excess of £750m up to £1,500m, 0.9% for the incremental value in excess of £1,500m, 0.8% for the incremental value in excess of £2,250m and 0.65% for the incremental value in excess of £3,000m.

Notes to the Condensed Unaudited Financial Statements (continued)

For the six months ended 30 September 2022

The total Operator fees were £15.6m (September 2021: £14.4m), of which £8.1m (September 2021: £7.2m) remained payable by the Corporate Subsidiary as at 30 September 2022.

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £0.3m for the period ended 30 September 2022 (September 2021: £0.3m). One Director also receives fees for serving as Director of the Luxembourg subsidiaries – the annual fees are £7k (September 2021: £6k).

All of the above transactions were undertaken on an arm's length basis.

9. GUARANTEES AND OTHER COMMITMENTS

As at 30 September 2022, the Company, via a Corporate Subsidiary, had £583.5m commitments for future project investments (31 March 2022: £94.4m).

10. EVENTS AFTER BALANCE SHEET DATE

On 1 November 2022, via a corporate subsidiary, HICL acquired a 40% equity interest in Aotearoa Towers in New Zealand for c. £213m.

Directors & Advisers

Directors
Mike Bane, (Chair)
Rita Akushie
Liz Barber
Frances Davies
Simon Holden
Frank Nelson
Martin Pugh
Kenneth D. Reid

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RBC Capital Markets
100 Bishopsgate
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EC2N 4AA

Directors & Advisers (continued)

Company
HICL Infrastructure PLC incorporated in England and Wales under the Companies Act 2006 with registered no. 11738373 and registered as an investment company under Section 833 of the Companies Act 2006.

Investment Manager and Operator
InfraRed Capital Partners Limited ("InfraRed") is an English limited company registered in England & Wales under number 03364976 and authorised and regulated by the Financial Conduct Authority (authorisation number 195766). InfraRed is a part of SLC Management which is the institutional alternatives and traditional asset management business of Sun Life.

Company Secretary and Administrator
Aztec Financial Services (UK) Limited

Shareholders' Funds
£3.3bn as at 30 September 2022

Market Capitalisation
£3.3bn as at 30 September 2022

Investment Manager and Operator Fees
1.1% per annum of the Adjusted Gross Asset Value[1] of the portfolio up to £750m

1.0% from £750m up to £1.5bn

0.9% from £1.5bn up to £2.25bn

0.8% from £2.25bn to £3.0bn

0.65% above £3.0bn

plus £0.1m per annum investment management fee

No fee on new acquisitions

No performance fee

Fees relating to shareholder matters from underlying project companies are paid to the Group (and not to the Investment Manager).

ISA, NISA, PEP and SIPP Status
The shares are eligible for inclusion in NISAs, ISAs and PEPs (subject to applicable subscription limits) provided that they have been acquired by purchase in the market, and they are permissible assets for SIPPs.

NMPI Status
HICL conducts its affairs as an investment trust. On this basis, the Ordinary Shares should qualify as an "excluded security" and therefore be excluded from the FCA's restrictions in COBS 4.12 of the FCA Handbook that apply to non-mainstream pooled investment products.

AIFMD Status
HICL is a UK domiciled and tax-resident public limited company, which will operate its affairs as a UK Investment Trust Company, and an Alternative Investment Fund under the AIFM Directive. HICL has appointed InfraRed Capital Partners Limited as its investment manager and AIFM under the Investment Management Agreement.

FATCA
HICL has registered for FATCA and has GIIN number E6TB47.99999.SL.826

Investment Policy
HICL's Investment Policy is set out in Section 3.8 – Strategic Report Disclosures of the Company's Annual Report 2022 and can be found in full on the website at www.hicl.com

ISIN and SEDOL
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SEDOL: BJLP1Y7

Website
www.hicl.com

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Infrastructure

Delivering Real Value.

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