Interim Report

for the six months ended 30 September 2012

HICL Infrastructure Company Limited

HICL INFRASTRUCTURE

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Highlights

for the six months ended 30 September 2012 (on an Investment basis unless noted otherwise[1])

Profit before tax of £42.2m, up 37% period-on-period

Interim dividend of 3.425p per share declared (2011: 3.35p), payable in December 2012, with a scrip alternative

Net asset value per share (post-interim dividend) of 114.2p, up 1.4p from 112.8p at 31 March 2012

Value of portfolio at 30 September 2012 rose 12.6% to £1,015.9m from £902.0m at 31 March 2012

Portfolio performance and cash receipts in line with plans – all but one project now fully operational

Three new investments and seven incremental stakes acquired during the period with an aggregate investment value of £106.4m

£37.6m of additional acquisitions made since the period end, with further acquisitions contracted or in exclusive discussions

Disposal of the Group's investment in Doncaster Schools for £5.3m in November 2012, realising a profit post period end

A healthy forward pipeline of potential new investment opportunities

C Shares converted in April 2012 with substantially all of the £246.8m of net proceeds invested at 30 September 2012

1. In order to provide shareholders with further information regarding the Group's net asset value, coupled with greater transparency in the Company's capacity for investment and ability to make distributions, as in previous periods, the results have been restated in proforma tables with all investments accounted for on an Investment basis.

Results on an Investment Basis

for the six months to	30 September 2012	30 September 2011
Profit before tax (Revenue)	£22.0m	£15.7m
Profit before tax (Capital)	£20.2m	£15.0m
Profit before tax	£42.2m	£30.7m
Earnings per share	4.9p	5.0p
Interim dividend per share	3.425p	3.35p

Net Asset Values

	Investment basis	Consolidated IFRS basis
Net Asset Value (NAV) per share at listing	98.4p	98.4p
NAV per share at 30 September 2012	117.6p	121.9p
Interim dividend per share (declared 15 November 2012)	3.425p	3.425p
NAV per share at 30 September 2012 after deducting the interim dividend	114.2p	118.5p
NAV per share at 31 March 2012 after deducting the second interim dividend	112.8p	113.5p

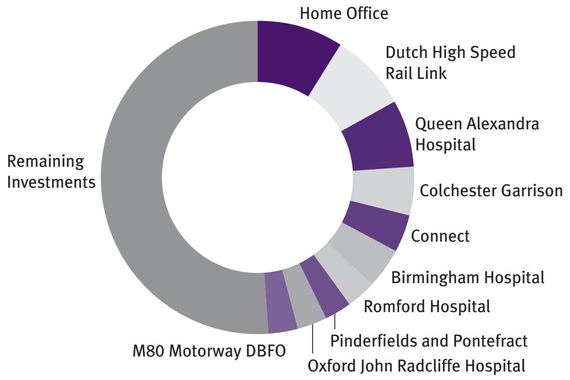
Results on a Consolidated IFRS Basis

for the six months to	30 September 2012	30 September 2011
Profit before tax (Revenue)	£16.3m	£10.8m
Profit before tax (Capital)	£71.1m	£53.5m
Profit before tax	£87.4m	£64.3m
Earnings per share	8.9p	9.6p
Interim dividend per share	3.425p	3.35p

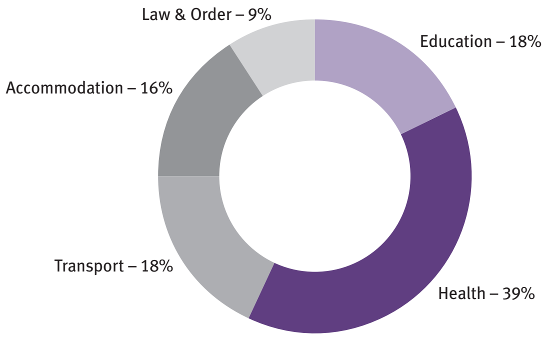
Summary Portfolio Information

as at 30 September 2012

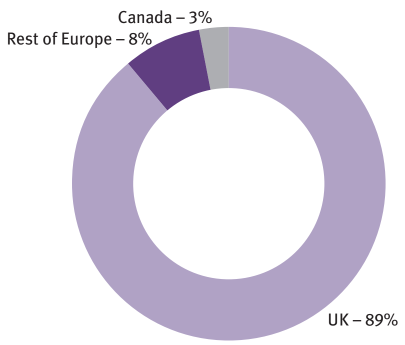
Ten Largest Investments



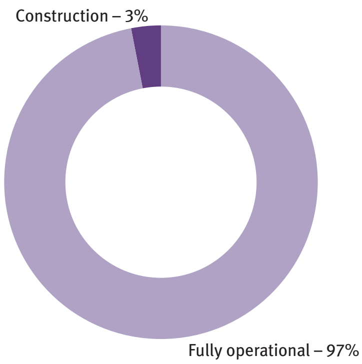
Sector Breakdown



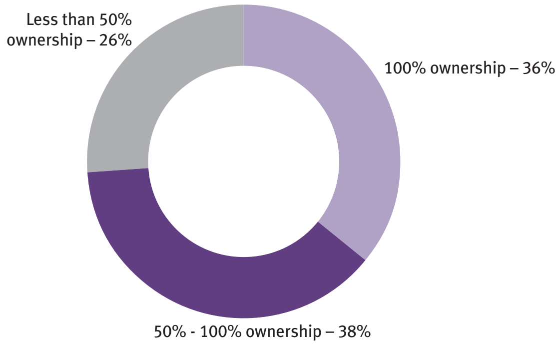
Geographic Analysis



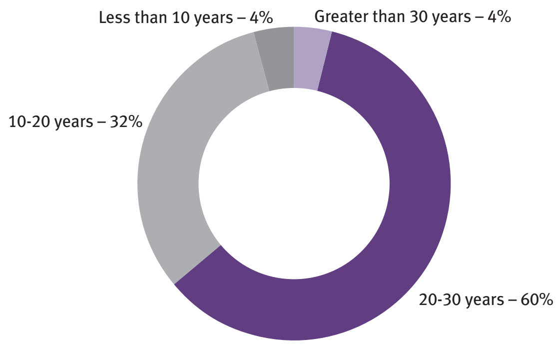
Investment Status



Ownership Analysis



Remaining Concession Length



Chairman's Statement

Introduction

On behalf of the Board, I am once again pleased to report the encouraging progress made by the Company in the period to 30 September 2012. The Company continues to perform as expected and the attractiveness of its stable yield supported by a high quality investment portfolio continues to be reflected in a premium to net asset value ("NAV") per share.

Further acquisitions have been made in the period such that the C Share proceeds have been fully invested in line with our expectations. Recent acquisitions since the period end have given the Group a current funding requirement of £61.5m, and we expect to satisfy this by undertaking tap issuance as and when appropriate.

Against the latest increase in the interim dividend, the Board expects to deliver its aggregate 7.0p per share p.a. target dividend for the year to 31 March 2013. Total shareholder return since IPO up to 30 September 2012 was 8.8% p.a., exceeding the 7-8% target at the time of the IPO.

The consistency of our distribution policy, coupled with a stable to rising NAV per share, have underpinned the growth in our shareholder base, of which more than half are retail investors. These are also the attributes that make the Company attractive for investment from personal pensions and pension funds alike.

Financial Results and Performance

Financial Results

Consistent with previous practice, the Company has prepared pro-forma accounts on an Investment basis (treating all 73 holdings at 30 September 2012 as investments). Profit before tax on an Investment basis was £42.2m (2011: £30.7m), an increase of £11.5m attributable to a combination of contributions made by new investments and a reduction of 0.1% to the discount rate used in the valuation supported by a solid portfolio performance.

Earnings per share on an Investment basis were 4.9p (2011: 5.0p per share), similar to 2011 with a slightly lower revenue component.

Cash received from the portfolio by way of distributions, capital repayments and fees was £40.9m (2011: £29.2m). After Group costs, net cash generated of £33.6m adequately covered the distributions paid in the six month period.

On a consolidated IFRS basis, the profit before tax was £87.4m (2011: £64.3m). Profit before tax has benefited from significant gains on finance receivables caused by a 0.4% reduction in UK long term gilt rates over the six months to September which has only partly been off-set by adverse interest rate swap mark to market movements.

The C Shares issued in March 2012 converted into Ordinary Shares during April 2012. Other than the 1.5m Ordinary Shares related to the Scrip Dividend Alternative, the Company has issued no new shares in the six month period.

In accordance with the special resolutions approved by Shareholders at the Annual General Meeting in July 2012, the two Management Shares were redeemed and cancelled, thus saving the Company the annual costs of having these two shares held in trust.

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) were £6.1m in the six months to 30 September 2012, made up of its per annum management fee, 1.0% fee on acquisitions made, and £0.1m advisory fees. The Investment Adviser does not receive any fees from the investment project companies in the portfolio, hence all such fees from these companies are for the benefit of the Group.

The annualised total expense ratio for the Group on an Investment basis in the six month period was 1.19% (being the Group's operational expenses excluding acquisition costs, divided by the Group's net assets on an Investment basis). This compares with 1.34% for the year to 31 March 2012. Using the Association of Investment Companies ("AIC") methodology, the Company's Ongoing Charges Percentage was 1.18% (2011: 1.30%) in the period on an annualised basis (there is no performance fee payable to any service provider).

In August 2012, the Group cancelled the £50m 18 month tranche of the Group's debt facility with Royal Bank of Scotland and National Australia Bank. The benefits of retaining this component of the facility were, in the Board's view, outweighed by the ongoing costs. The £100m three year tranche maturing in February 2015 remains in place.

The Group's policy for managing foreign exchange risk, as stated in the Annual Report and Consolidated Financial Statements for the year to 31 March 2012, remains the forward sale of expected cashflows from overseas projects combined with a hedge for the majority of the balance sheet value of those assets in order to reduce NAV volatility.

Portfolio Performance

The Group's portfolio continues to perform as expected and, as at 30 September 2012, consisted of 73 social infrastructure projects located principally in the UK (88.9% by investment value) as well as in Canada (2.7%), Ireland (0.9%) and the Netherlands (7.5%).

Although already operational, the remaining landscaping and other residual construction work on the Birmingham Hospitals PFI project was completed in the period. This leaves only one asset in the portfolio still under construction: the M80 DBFO Road in Scotland which is fully operational but still has some minor contractual construction works expected to complete shortly.

The Investment Adviser's team continues to engage with our public sector clients and partners, particularly in respect of recently acquired projects where relationships need to be established, to deal efficiently with any operational issues, seek out cost savings and, where applicable, accommodate project variations.

Valuation

The Investment Adviser has prepared a fair market valuation for each investment in the portfolio as at 30 September 2012 based on a discounted cashflow analysis of the future expected equity and loan note cashflows accruing to the Group from each investment. The valuation uses key assumptions which are derived from a review of recent comparable market transactions.

The Directors have satisfied themselves with the methodology used, the economic assumptions, and the discount rates applied. The Directors have again taken independent third party advice on the valuation carried out by the Investment Adviser.

> "The period has seen continued emphasis on asset management as we work pro-actively with clients and suppliers to drive efficiency savings and to fulfil any new requirements or variations cost effectively and on time"

The Directors have approved the valuation of £1,015.9m for the portfolio of 73 investments as at 30 September 2012 which compares with £902.0m as at 31 March 2012 and £719.3m as at 30 September 2011. An analysis of the growth in the valuation is detailed in the Investment Adviser's Report.

On an Investment basis the NAV per share is 117.6p at 30 September 2012 (31 March 2012: 116.3p). The Investment basis NAV per share after the interim distribution at 30 September 2012 was 114.2p; an increase of 1.4p over the comparable figure at 31 March 2012 (112.8p).

The resulting NAV per share on an IFRS basis at 30 September 2012 is 121.9p (31 March 2012: 117.0p).

Acquisitions & Disposals

The Group has made three new investments and acquired seven incremental stakes in existing projects in the six month period, for a total consideration of £106.4m. Further details are included in the Investment Adviser's Report.

Since the period end the Group has acquired three new investments and acquired an additional stake in a project, for a total consideration of £37.6m.

The Group has also signed an unconditional contract to acquire a £30.6m investment in a UK PFI project, the details of which remain confidential pending completion, which is expected in the next few months.

The Investment Adviser regularly reviews the composition of the portfolio with a view to optimising performance. Accordingly, opportunities to sell specific assets will be considered where beneficial. Although no disposals occurred during the six months to 30 September 2012, the Doncaster Schools PFI investment was sold for £5.3m in November 2012, generating a small profit on disposal.

As a result of these transactions, the Company is currently in a position to raise up to £61.5m by way of tap issuance.

The Group's pipeline of potential new business is healthy and comprises a broad array of suitable infrastructure opportunities in the UK, Europe, Canada and Australia. The Board believes the current portfolio has reached a scale where more diversity would be beneficial within the current investment strategy. Future acquisitions may therefore see a slight shift in emphasis to assets offering higher yields and/or capital growth, provided such returns can be achieved on an acceptable risk-adjusted basis.

Distributions

On 15 November 2012 the Board declared an interim distribution of 3.425p per share for the year to 31 March 2013 (2011: 3.35p), based on the Interim Results for the six months to 30 September 2012. This represents growth of 2.2% on the interim dividend for the previous financial year.

In line with previous periods, and as approved at the Company's AGM in July 2012, a scrip dividend alternative is being offered to shareholders and a circular will be issued on 30 November 2012 to explain this alternative. Shareholders must decide by 17 December 2012 whether they wish to take up the offer of the scrip dividend (either in part or in full). The distribution (or scrip dividend) will be paid to those shareholders on the register as at 23 November 2012, and will be settled at the end of December 2012. The circular will also explain the Board's recent decision to retain within the Company all fractional entitlements resulting from the scrip dividend alternative for the benefit of all shareholders going forward, as we believe the value of such a small sum to an individual shareholder is outweighed by the costs and environmental impact of processing such payments.

In the Company's Interim Management Statement of 1 August 2012, we promised to update our guidance on future distributions. The performance of the Company's investment portfolio depends in part, on economic factors beyond our control, such as inflation, deposit rates, discount rates and tax rates. We are also mindful that operational issues can arise from time to time which may affect the timing and quantum of cash flowing from the underlying investments. The portfolio also comprises wasting investments which, except in a few cases, do not possess residual values. New acquisitions are sought which meet or exceed our total return target with the aim of sustaining distributable cash flows at levels consistent with the dividend guidance provided. Notwithstanding the quality of our revenues, with an asset class of this type it is not possible to grow the annual distribution in perpetuity.

The Board has carefully considered detailed analysis prepared by the Investment Adviser of the likely future performance of the current portfolio of assets in order to form a view on future distributions. We have concluded that an annual dividend of 7.0p per share is both achievable and sustainable. The opportunity to grow this dividend will be reviewed annually in light of both the relevant macro-economic conditions and the portfolio's operational performance, changes to which have the potential to impact our forecasts for distributable cash flow.

The Board has also satisfied itself that the total return target of 7% p.a. at the price offered to investors participating in the C Share offering in February 2012 (see details in the February 2012 C Share Prospectus) remains appropriate and achievable.

Market Developments

The secondary market for social infrastructure investments remains active, with a steady flow of assets onto the market, comprising both individual assets and portfolios marketed by contractors, banks and other infrastructure companies and funds. While the Group actively participates in auction processes, it continues to cultivate relationships with potential vendors with a view to originating off-market transactions. The Group is benefitting from its reputation for fairly pricing assets and for timely execution and delivery, all of which combine to ensure a competitive offering to vendors.

Although procurement of new infrastructure projects in the UK has slowed significantly, it is expected that the replacement procurement model will be announced in December 2012. This should then facilitate and accelerate the implementation of the UK National Infrastructure Plan. The current pipeline of secondary infrastructure opportunities remains promising and the Group is evaluating a number of investments, three of which are at an advanced stage.

Historically, PFI has been deployed to good effect in renewing and developing the UK's health service infrastructure. In this context and in the period, we noted that the Secretary of State for Health appointed a new management team to take over the running of the South London Healthcare NHS Trust, which was found to be in serious financial difficulties. The Group has no exposure to this Trust. Moreover, we take comfort from the contractual structures in place on the projects in which we invest.

In October, the UK Office for National Statistics announced a consultation relating to proposed changes to the way it calculates the Retail Price Index (RPI and RPIx) measure of inflation. This work is not due to conclude until early in 2013 and it is not yet clear what the outcome will be. The Group's UK investments have revenues and costs linked to RPI or RPIx, and a change to the way the index is calculated may affect the long term inflation assumption we use in the Company's valuation of the portfolio. We always publish a series of sensitivities that allow investors to assess the change to valuation (and hence net asset value per share) from changing key variables, including inflation.

We have included a specific sensitivity to a change in long term UK inflation which can be found in the Investment Adviser's Report.

Apart from as noted above, the Board believes that the principal risks and uncertainties have not changed since the publication of the Company's Annual Report for the year to 31 March 2012 (available on the website) and the last Company Prospectus (February 2012 – available on the website). In spite of continuing economic uncertainty facing a number of countries around the world, over 99% of the Group's investments by value are located in countries with 'AAA' credit ratings.

Outlook

The Company remains well-positioned for the future. The Directors' valuation of the portfolio now exceeds £1bn for the first time and with ample financing capacity available under its debt facility and from unused tap issuance, it has the ability to make further investments. With the C Share proceeds fully-invested, the Group's net current funding requirement from acquisitions, contracts and disposals since the period end is £61.5m. The Company will therefore be seeking to raise capital by way of tap issuance as and when appropriate.

The Company's high absolute dividend per share (6.85p as at 31 March 2012) provides a strong dividend yield per share (5.6% p.a. based on the share price as at 30 September 2012) to investors. In addition, share liquidity has again benefited from conversion of the C Share issue and is now the highest in the listed infrastructure sector. The Group's 100% free float is another factor which contributes to an average trading volume of more than 2m shares daily.

The investment strategy is still focused on sourcing, evaluating and acquiring low-risk social infrastructure projects. This has served the Company well by providing reliable cashflows which underpin the dividend payments. With greater diversity in the pipeline of investment opportunities emerging and our sole asset under construction soon to be completed, the Company has the capacity and appetite to consider, selectively, a wider range of core infrastructure investments with appropriate risk/return characteristics to complement the existing portfolio. Social infrastructure assets under construction or operational toll roads with proven traffic history are potentially attractive but each opportunity will be considered on its merits.

With weak economic growth continuing in the UK, the adoption of 'new' PFI will hopefully kick start the implementation of the Government's National Infrastructure Plan. Assuming debt and equity capital is available from the private sector, this in turn should stimulate activity in the secondary market, as key participants seek to unlock funding, whilst at the same time beginning the process of enlarging the UK's pool of infrastructure assets for future acquisition.

Graham Picken
Chairman
20 November 2012

The Group's Investment Portfolio

as at 20 November 2012

Sector				
Accommodation	Colchester Garrison	Home Office	Oldham Library	
	Health & Safety Headquarters	Newcastle Libraries		
Education	Barking & Dagenham Schools	Derby Schools	Highland Schools PPP	Renfrewshire Schools
	Boldon School	Doncaster Schools	Irish Grouped Schools	Rhondda Schools
	Bradford Schools	Ealing Schools	Kent Schools	Sheffield Schools
	Conwy Schools	Fife Schools[2]	Manchester School	South Ayrshire Schools
	Cork School of Music	Fife Schools 2	Newport Schools	Wooldale Centre for Learning
	Croydon School	Haverstock School	North Tyneside Schools	
	Darlington Schools	Health & Safety Labs	Norwich Schools	
	Defence 6th Form College	Helicopter Training Facility	Oldham Schools	
Health	Barnet Hospital	Brentwood Community Hospital	Newton Abbott Hospital	Romford Hospital
	Birmingham Hospitals	Central Middlesex Hospital	Nuffield Hospital	Sheffield Hospital
	Birmingham & Solihull LIFT	Doncaster Mental Health Hospital	Oxford Churchill Oncology	Staffordshire LIFT
	Bishop Auckland Hospital	Ealing Care Homes	Oxford John Radcliffe Hospital	Stoke Mandeville Hospital
	Blackburn Hospital	Glasgow Hospital	Pinderfields & Pontefract Hospitals	West Middlesex Hospital
	Blackpool Primary Care Facility	Lewisham Hospital	Queen Alexandra Hospital	Willesden Hospital
Law & Order	Dorset Fire & Rescue	Exeter Crown Courts	MPA Firearms Training Facility	Swindon Police
	Dorset Police	GMPA Police Stations	MPA SEL Police Stations	Tyne & Wear Fire Stations
	D & C Firearms Training Centre	Medway Police	Sussex Custodial Centre	
Transport	A249 Road	Connect PFI[1]	Kicking Horse Canyon P3	NW Anthony Henday P3
	A92 Road	Dutch High Speed Rail Link	M80 Motorway DBFO	

Key:

Portfolio at 31 March 2012 | Acquired since 31 March 2012 | Acquired since 30 September 2012 | Disposal since 30 September 2012 | Additional stake acquired since 31 March 2012 | Additional stake acquired since 30 September 2012

1. Original stake acquired in May 2012 and a further stake acquired in October 2012

2. Contract to acquire additional stake in Fife Schools signed but is not yet complete

Investment Adviser's Report

Market Developments

The six month period has seen limited visible progress on the development of an alternative form of UK public infrastructure procurement. Clarification is now expected in the Chancellor of the Exchequer's Autumn Statement in early December 2012. Early indications suggest that "new" PFI may closely resemble the "old" PFI procurement methodology, but that the scope of the new concession contracts could be reduced such that many of the facilities management services which were previously included (e.g. catering and cleaning) will now be excluded. A new framework along these lines would hopefully be capable of rapid implementation and thereby give infrastructure procurement a boost, with the resultant development of new projects for the Group to consider acquiring in due course.

The use of PFI in the UK healthcare sector became the subject of debate during the summer when a special administrator was appointed by the Secretary of State to take over the management of the South London Healthcare NHS Trust due to its financial state. However, it is recognised that private capital providers in healthcare PFIs have contractual agreements, often with Deeds of Safeguard or Letters of Comfort. Further, the UK Government's £250bn National Infrastructure Plan is likely to be financed materially by private capital and this will only happen successfully if the 'covenant' of public sector counterparties is undoubted.

In October 2012 a public consultation began in the UK on possible changes to the formulation of RPI (and RPIx) so that it more closely resembles CPI. As inflation (measured by RPI) is a key factor in valuing the Group's portfolio of assets, a reduction in RPI could, in isolation, have a one-time negative impact on the net asset value of the Group's UK assets. The market's forecast of RPI implied from the 25 year index-linked gilts as at 19 November 2012 was 3.2%, which remains above the long term RPI valuation assumption of 2.75% p.a. used in the Directors' valuation at 30 September 2012. Latest UK inflation data for October 2012 was RPI at 3.2% and RPIx at 3.1%.

The secondary market for infrastructure assets remains active as equity stakes are divested by the original shareholders to long-term investors like the Group. The market capitalisation of the UK listed infrastructure sector has grown from c.£1.3bn five years ago to c.£4bn today (of which the Company represents approximately 25%) which reflects primarily this transfer of assets from the constructors, contractors and banks to new specialist investment vehicles. An increase in competition for social infrastructure assets in the last 6 months has created upward pressure on pricing and this is reflected in the reduction of 0.1% in the weighted average discount rate used to value the Group's investments.

Current Investment Priorities

The Group's main focus for new investments remains operational social infrastructure concessions predominantly with availability-based contracts.

As the UK secondary infrastructure market has matured and with the global market evolving, we are seeing a broader spectrum of potential investment opportunities available. With a portfolio of 75 investments valued at over £1.0bn and almost entirely operational, we will actively consider investments which enhance the portfolio return without materially diverging from established risk-reward characteristics. These include assets within the Group's wider investment strategy such as assets under construction, operational renewable energy projects, infrastructure debt, toll roads and regulated utilities (including transmission systems). The priority remains enhancing total shareholder return whilst maintaining the appropriate risk mix in the portfolio.

Similarly, whilst the Group's geographic focus currently is the UK, we are seeking investment opportunities in countries with a pool of suitable opportunities and which we consider have acceptable political and fiscal risks.

Portfolio Update

Current Performance

Acquisitions in the period increased the Group's portfolio to 73 infrastructure investments as at 30 September 2012. Since the period end, the Group has sold one school PFI project in Doncaster and acquired another school project in Fife. It has also acquired two LIFT healthcare companies increasing the overall size of the Group's portfolio to 75 as at 20 November 2012.

The Group's strategy remains to maximise value from the portfolio by hands-on asset management and to maintain a pro-active dialogue with its clients and suppliers. Having grown the number of projects in the portfolio by 70% from 43 to 73 in the last 12 months (of which 27 were in the six months to 31 March 2012), we have spent time and resources getting to know these new investments and building relationships with all new stakeholders.

With 89% of the Group's projects located in the UK where the Government is determined to find cost savings and show greater value for money in the current climate of austerity, we have been actively identifying and developing cost saving initiatives for public sector clients. The Romford Hospital PFI project was a pilot scheme in the first such Government initiative under guidelines published by HM Treasury in July 2011, and now the Dorset Fire & Rescue PFI is in the next wave of schemes under review.

The Group's portfolio continues to perform as expected with good cash generation. Higher inflation is increasing both revenues and costs where indexed. The benefits are offset in part by low deposit rates which reduce the return generated on the cash reserves in each project which we are contractually obliged to maintain (e.g. to finance budgeted future capital expenditure).

With the Birmingham Hospitals PFI project now complete, the M80 DBFO Road in Scotland is the only project still in 'contractual' construction, albeit it is fully operational. Final works are in progress and are expected to complete shortly.

Acquisitions

As noted in the Chairman's Statement, the Group made three new investments and seven incremental acquisitions in the six months for an aggregate consideration of £106.4m.

Following approval at the Extraordinary General Meeting on 23 March 2012, the related-party acquisition of a 19.5% interest in the Connect PFI project for £39.0m completed in May 2012. The project has a 20 year concession which runs until November 2019 to upgrade London Underground Limited's existing radio and telecommunications systems and implement and operate the new system.

In May 2012 the Group paid £15.0m for an additional 14% equity and loan note interest in the Colchester Garrison PFI project from a subsidiary of WS Atkins plc, taking the Group's total interest in the project to 56%.

Also in May 2012 the Group acquired a 30% equity and loan note interest in the Birmingham Hospitals PFI project from Royal Bank Project Investments Limited for £34.6m. The project is a 40 year concession to design, construct, finance and maintain a new acute hospital and six new mental health facilities in Birmingham. Final construction of this £533m scheme was completed in August 2012.

In July 2012 the Group completed the acquisition by the joint venture holding company (in which the Group has a 75% shareholding) which it owns with Kajima Partnerships Limited, of a primary care facility in Blackpool for £2.9m. The project offers a range of services including diagnostics, a GP practice, children's services, a physiotherapy and mental health unit and a community cafe. The construction cost for the project was approximately £19m and it became operational in 2009.

In August 2012 the Group announced the £10m acquisition of additional equity and loan note interests in four PFI projects from subsidiaries of Sodexo SA. This takes the Group's total interests in these projects to 66.67% on Romford Hospital PFI, and 100% on both Exeter Crown Courts and Stoke Mandeville Hospital. The acquisition of an additional interest on Fife Schools is due to complete shortly.

At the end of September 2012 the Group acquired the remaining 33.0% equity and loan note interest in the Dorset Fire & Rescue PFI project from Carden Croft & Co Limited and a further 16.0% equity and loan note interest in the Ealing Care Homes PFI project from Galliford Try Investments Limited taking the Group's total holding to 84%. The total consideration for these two acquisitions was £4.9m.

Since the period end the Group has completed the following transactions:

- Acquired an incremental stake in the Connect PFI project taking the Group's holding to 28.5%, and purchased investments in two LIFT companies (Staffordshire and Birmingham & Solihull), which specialise in developing and maintaining small primary healthcare facilities. The aggregate consideration for these investments was £33.7m;
- Acquired an investment in the Fife Schools 2 PFI project for £3.9m;
- Signed an unconditional contract for £30.6m to acquire an interest in a UK PFI project, which is confidential pending completion in the coming months; and
- Has sold its 50% equity and loan note interest in the Doncaster Schools PFI project for £5.3m to the Vinci Group pension fund, which knows the project well as Vinci is the other shareholder.

Since April 2012, the Group has evaluated 31 new opportunities of which 13 were declined or lost, 9 were secured or the Group is in an exclusive position, and 9 remain under consideration.

Valuation and Discount Rates

We are responsible for carrying out the fair market valuation of the Group's investments which we present to the Directors for their approval and adoption. The valuation is carried out on a six monthly basis as at 31 March and 30 September each year.

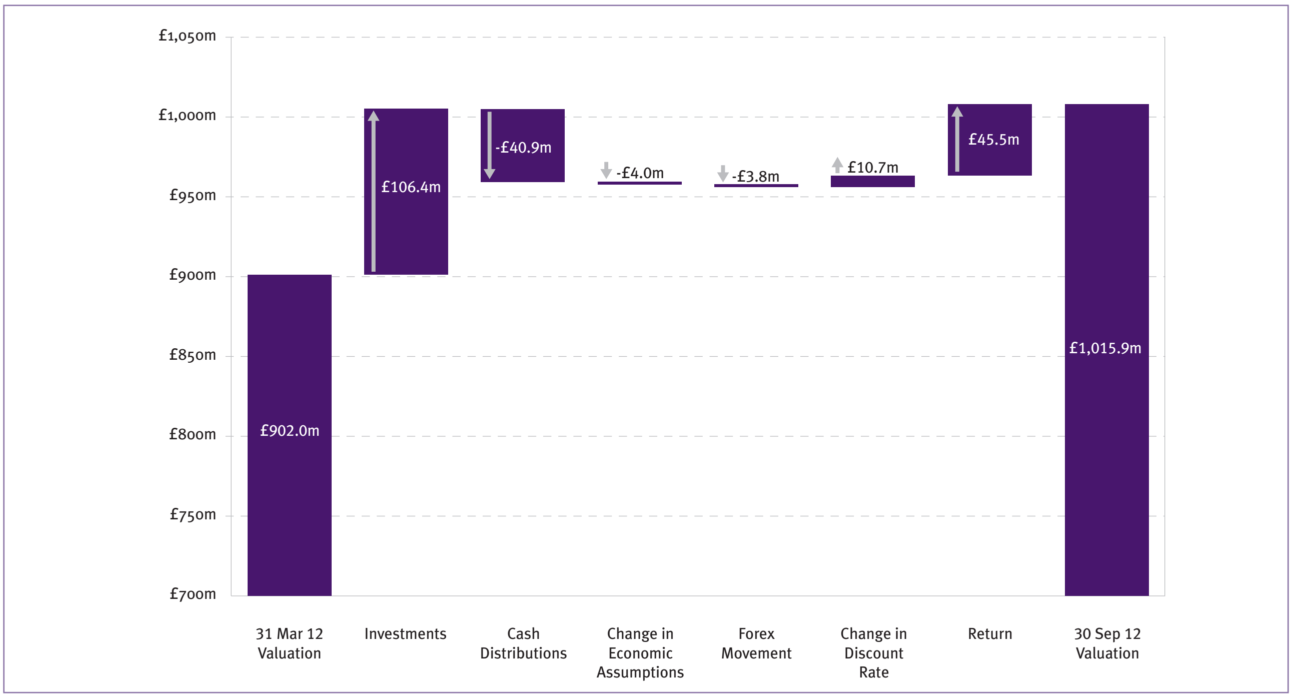
The Directors receive an independent third party report and opinion on these valuations.

For non-market traded investments, the valuation principles used are based on a discounted cash flow methodology, and adjusted in accordance with the European Venture Capital Association's valuation guidelines where appropriate to comply with IAS 39, given the special nature of infrastructure investments.

This is the same method used at the time of launch and each subsequent six month reporting period (further details can be found in the February 2012 C Share prospectus, available from the Company's website).

The Directors' Valuation of the portfolio as at 30 September 2012 is £1,015.9m. This portfolio valuation compares to £902.0m as at 31 March 2012 (up 12.6%).

Valuation movement in six months to 30 September 2012



A breakdown in the growth in the Directors' Valuation in the period is tabled below.

Valuation movement during the six months to 30 September 2012	£million
Valuation at 31 March 2012	902.0
Investments	106.4
Cash receipts from investments	(40.9)
Changes in economic assumptions	(4.0)
Forex movement on Euro & CAD$	(3.8)
Changes in discount rates	10.7
Return	45.5
Valuation at 30 September 2012	1,015.9

Netting out acquisitions in the period of £106.4m and cash distributions of £40.9m, the growth over the value of £902.0m at 31 March 2012 was 5.4%. This increase is driven by the return of £45.5m from the portfolio, the main part of which is due to the unwinding of the discount rate, augmented by the benefit of actual inflation being above the 2.75% valuation assumption and contributions from new investments.

Fair value for each investment is derived from the present value of the investment's expected future cash flows, using reasonable assumptions and forecasts, and an appropriate discount rate. We exercise our judgment in assessing the expected future cash flows from each investment based on the detailed concession life financial models produced by each Project Company.

Discount Rates

The discount rates used for valuing each social infrastructure investment are based on the appropriate long-dated government bond and a risk premium. The risk premium takes into account risks and opportunities associated with the project earnings (e.g. predictability and covenant of the concession income), all of which may be differentiated by project phase, and market participants appetite for these risks.

The discount rates used for valuing the projects in the portfolio are as follows:

Period ending	Range	Weighted average
30 September 2011	8.4% to 9.4%	8.7%
31 March 2012	8.2% to 11.0%	8.6%
30 September 2012	**8.1% to 10.0%**	**8.5%**

We use our judgement in arriving at the appropriate discount rate. This is based on our knowledge of the market, taking into account intelligence gained from bidding activities, discussions with financial advisers knowledgeable of our markets and publicly available information on relevant transactions.

An analysis of the movements in the weighted average Government Bond yield and risk premium for the assets is shown below:

Rate	30 September 2012	31 March 2012	Movement
Government Bond yield	2.8%	3.2%	(0.4%)
Risk premium	5.7%	5.4%	0.3%
Discount Rate	**8.5%**	**8.6%**	**(0.1%)**

Government bonds have seen some volatility over the period driven by a combination of fiscal concerns and the effects of quantitative easing. This has not translated into volatile pricing of social infrastructure assets as the market has tried to look through this near term volatility. As outlined in the Company's Interim Management Statement in August 2012, increasing competition from new investors is providing upwards pressure on pricing, resulting in the 0.1% reduction in the weighted average discount rate in the period.

An analysis of the movements in the weighted average discount rates analysed between operational and construction phase projects is shown below:

Discount rate	30 September 2012	31 March 2012	Movement
Operational phase	8.5%	8.6%	(0.1%)
Construction phase	9.0%	9.0%	0.0%
Portfolio	**8.5%**	**8.6%**	**(0.1%)**

The discount rate to reflect market pricing for an operational asset has been judged as 8.5% which is 0.1% lower than the beginning of the period. The average discount rate applied to value the construction asset remains at 9%.

An analysis of the weighted average discount rates for the portfolio analysed by territory is shown below:

	30 September 2012			31 March 2012	Movement
Country	Government Bond yield	Risk premium	Discount rate		
UK	2.9%	5.6%	8.5%	8.6%	(0.1%)
Canada	2.3%	5.8%	8.1%	8.2%	(0.1%)
Holland	2.5%	6.2%	8.7%	8.8%	(0.1%)
Ireland	5.5%	4.5%	10.0%	11.0%	(1.0%)
Portfolio	**2.8%**	**5.7%**	**8.5%**	**8.6%**	**(0.1%)**

The risk premium for each country is derived from the market discount rate for operational social infrastructure investments less the appropriate long term government bond yield. Government bond yields in the UK, Canada and Holland are currently low and this is reflected in higher country risk premium, which include a buffer to allow for increases from these historically low yields.

Valuation Assumptions

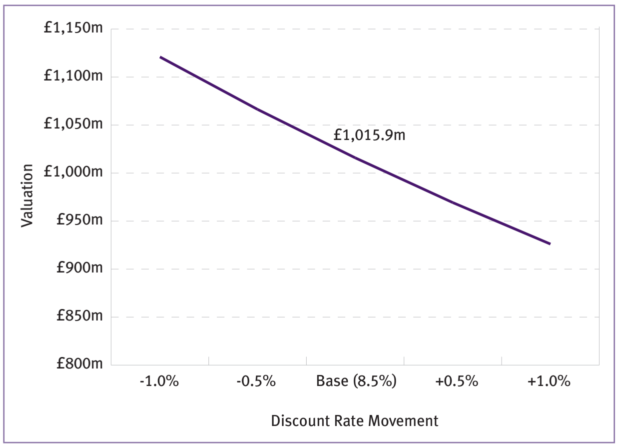
Discount Rate Sensitivity

The discount rates used to derive the Directors' valuation is a key judgement, based on the knowledge of the Investment Adviser and the third party advice the Board receives on the valuation. As in previous years, the Company prepares certain valuation sensitivities including changing the weighted average discount rate. A change to the weighted average rate of 8.5% by plus or minus 0.5% has the following effect on the valuation.

Discount rate	-0.5% change	Total portfolio value	+0.5% change
Directors' valuation	+£50.4m	£1,015.9m	-£46.6m
Implied change in NAV per Ordinary Share[1]	+5.7p/share		-5.3p/share

1. NAV per share based on 885.0m Ordinary Shares issued and outstanding as at 30 September 2012.

Discount Rate Sensitivity



Inflation Rate

The social infrastructure projects in the portfolio have contractual income streams with public sector clients, which are rebased every year for inflation. UK projects tend to use either RPI (Retail Price Index) or RPIx (RPI excluding mortgage payments), and revenues are either partially or totally indexed (depending on the contract and the nature of the project's financing). Facilities management sub-contracts have similar indexation arrangements.

The portfolio valuation assumes long term UK inflation of 2.75% per annum for both RPI and RPIx, the same assumption as used at 31 March 2012. For non-UK investments, long term CPI of 2.0% per annum is used for Holland, Ireland and Canada.

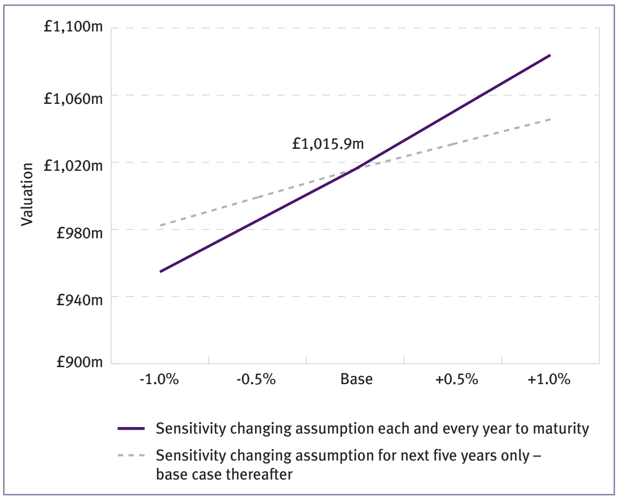
Inflation assumption	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Changing inflation assumption across whole portfolio[1]			
Directors' valuation	-£30.6m	£1,015.9m	+£34.0m
Implied change in NAV per Ordinary Share[3]	-3.5p/share		+3.8p/share
Changing inflation assumption of UK part of portfolio[2]			
Directors' valuation	-£29.2m	£1,015.9m	+£32.8m
Implied change in NAV per Ordinary Share[3]	-3.3p/share		+3.7p/share

1. Analysis is based on the Group's 20 largest investments, pro-rata for the whole portfolio.

2. Analysis is based on the Group's 20 largest UK investments, pro-rata for the UK portfolio only.

3. NAV per share based on 885.0m Ordinary Shares issued and outstanding as at 30 September 2012.

Inflation Rate



Changing the assumption for future inflation by a 1.0% p.a. increase (i.e. from 2.75% p.a. to 3.75% p.a. for the UK investments) has the effect of increasing the forecast return from the portfolio from 8.5% (being the weighted average discount rate) to 9.2% (based on an analysis of the 20 largest investments, which is extrapolated for the whole portfolio).

Deposit Rate

Each PFI project in the portfolio has cash held in bank deposits, which is a requirement of their senior debt financing. As at 30 September 2012 cash deposits for the portfolio were earning interest at a rate of 0.6% per annum on average.

The portfolio valuation assumes UK deposit interest rates are 1% p.a. to March 2016 and 3.75% p.a. thereafter. This is lower than applied in the March 2012 valuation which assumed 1% p.a. deposit interest rates to March 2015 and 3.75% p.a. thereafter. This change has reduced the portfolio valuation by approximately £4.0m.

Each project's interest costs are either inflation-linked or fixed rate. This is achieved through fixed rate or inflation-linked bonds, or bank debt which is hedged with an interest rate swap. A project's sensitivity to interest rates relates to the cash deposits required as part of the project funding.

Cash deposit rate Base case is 1.0% p.a. till March 2016, then 3.75% p.a.	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Directors' valuation	-£14.3m	£1,015.9m	+£14.6m
Implied change in NAV per Ordinary Share[1]	-1.6p/share		+1.6p/share

This analysis is based on the Group's 20 largest investments.

1. NAV per share based on 885.0m Ordinary Shares issued and outstanding as at 30 September 2012.

Deposit Rate

Tax Rates

The profits of each UK PFI project company are subject to UK corporation tax. On 1 April 2012 the prevailing rate of corporation tax fell from 26% to 24%. The Finance Act 2012 enacted a further reduction of 1% to 23% effective from 1 April 2013. The Finance Bill 2013 is expected to legislate for a further 1% reduction to 22% from 1 April 2014.

The UK corporation tax assumption for the portfolio valuation at 31 March 2012 was 24% and will remain at this level with no further step down, consistent with the approach at 31 March 2012.

Financing

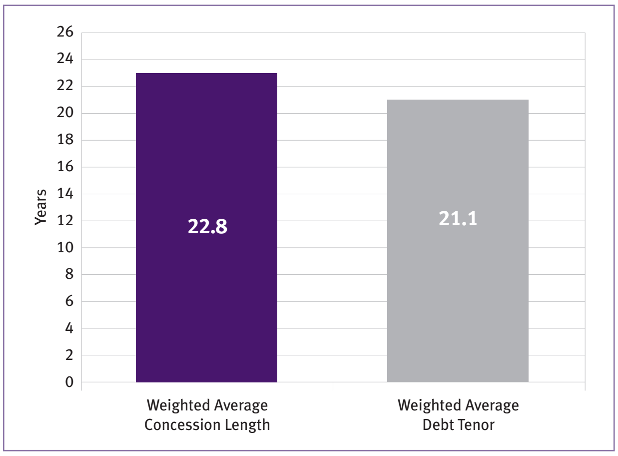
Other than 1.5m new Ordinary Shares issued in relation to the Scrip Dividend Alternative in June 2012, the Company issued no new equity during the period. As at 30 September 2012, the Group had net cash of £33.2m.

In August 2012 the £50m 18 month tranche (due to expire August 2013) of the Group's £150m revolving credit facility was cancelled. With the remaining £100m three year tranche not maturing until February 2015 and the Company's confidence in being able to raise equity rapidly through c. £100m of available tap issuance, the cost and terms of this £50m tranche of committed finance could not be justified.

The strategy is to use the Group's revolving debt facility to fund new acquisitions, to provide letters of credit for future investment obligations, and, if appropriate, to provide a prudent level of debt for the portfolio to improve the operational gearing. This acquisition financing is then repaid through tap issuance or, when a larger debt balance is outstanding, the issue of C Shares.

Every project in the portfolio has long term debt in place. No project has a refinancing requirement during the life of the concession. The weighted average project concession length remaining is 22.8 years at 30 September 2012 and the weighted average debt tenor is 21.1 years.

Weighted Averages

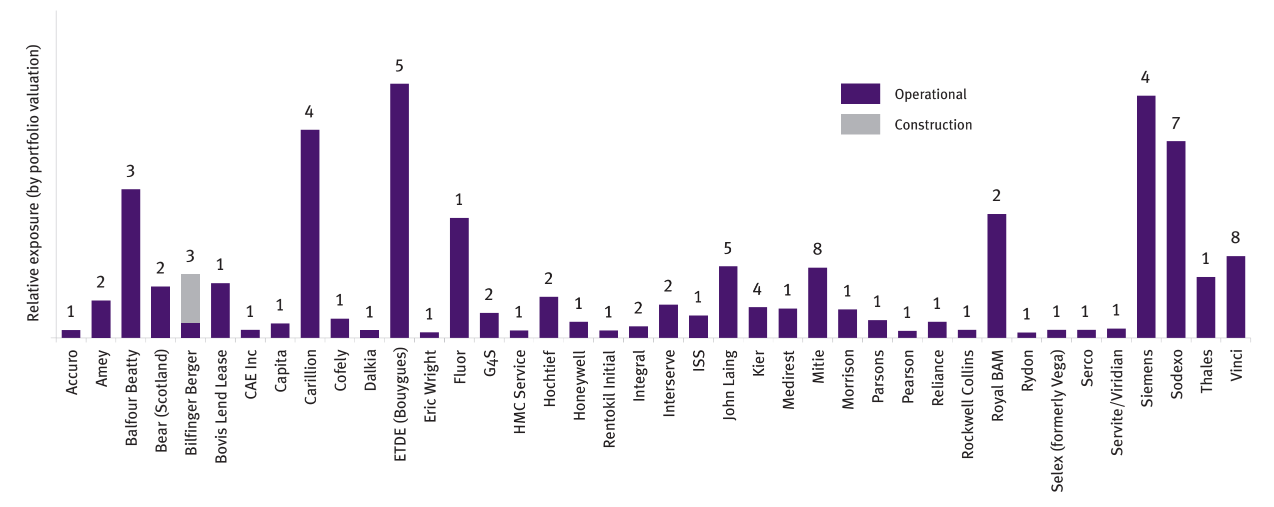


Counterparty Exposures

All the social infrastructure project clients are public sector bodies. The Group has a broad, diversified range of facilities management companies with which it has service supply contracts at individual project level. Acquisitions over the last 12 months have provided greater diversification of this supply chain.

Spread of sub-contractor on the project portfolio

Contractor Exposure[1] **(number is no. of projects; size of bar is relative size of exposure)**

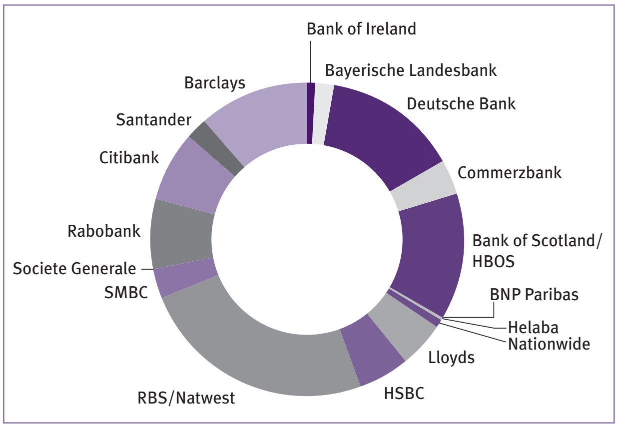


1. *Note to chart: Analysis of exposure to the key subcontractors as measured against the Directors' portfolio valuation, and the number of projects with which each contractor is involved. On some projects there is more than one sub-contractor e.g. Dutch High Speed Rail where Royal BAM, Siemens and Fluor provide services; so that the sum of the bars is in excess of the Directors' valuation.*

On a quarterly basis we review the portfolio's counterparty exposure to both the operational supply chain and the financial providers of bank deposit accounts and interest rate swaps. The review processes in the period have not identified any significant counterparty concerns for any of the portfolio's 40 main facilities management contractors. The largest exposure (11.9% by value at 30 September 2012) was to ETDE, part of the Bouygues S.A. group which has credit ratings of A3/BBB+.

The Group has exposure to banks via cash on deposit within the projects. The Group's deposit counterparties represent a broad spread of 17 banks from the UK, Europe, North America and Japan. The largest deposit exposure concentration (£135.7m or 25% of all deposits) at 30 September 2012 was to Royal Bank of Scotland plc which is majority-owned by the UK Government and rated 'A' by the major credit rating agencies.

Exposure to banks by deposit value



Based on an analysis by the Investment Adviser of the portfolio as at 30 September 2012. The chart analyses the £553m deposits made by projects (regardless of the Group's percentage holding) at 30 September 2012.

Financial Results

Accounting

At 30 September 2012, the Group had 21 investments which it was deemed to control by virtue of having the power, directly or indirectly, to govern the financial and operating policies of the project entities. This is an increase of one from 31 March 2012. Under International Financial Reporting Standards ("IFRS"), the results of these companies are required to be consolidated in the Group's financial statements on a line-by-line basis.

However, these investments form part of a portfolio of similar investments which are held for investment purposes and managed as a whole and there is no distinction made between those investments classified as subsidiaries and those which are not. Further, all debt owed by the Group's investments is non-recourse and the Group does not participate in their day to day management.

As in previous periods, in order to provide shareholders with further information regarding the Group's net asset value, coupled with greater transparency in the Company's capacity for investment and its ability to make distributions, the results have been restated in proforma tables which follow the Financial Results. The proforma tables are prepared with all investments accounted for on an Investment basis. By deconsolidating the subsidiary investments, the performance of the business under consolidated IFRS basis may be compared with the results under the Investment basis.

The proforma tables show all investments accounted for on an Investment basis, which are reconciled to the consolidated financial statements on a line by line basis.

In October 2012 revised IRFS standards were issued (Investment Entities – Amendments to IRFS 10, IFRS 12 and IAS 27) to address the consolidation of investments held by investment companies. These revised accounting standards may allow the Company in the future to prepare IFRS financial statements which do not consolidate subsidiaries in a similar manner to the Company's current pro-forma Investment basis tables. The Company and its advisers welcome these proposals and will analyse whether these revised standards apply to the Group and, if so, may seek to adopt these standards early.

Income and Costs

Summary income statement

	Six months to 30 September 2012			Six months to 30 September 2011		
	Investment basis *£million*	**Consolidation adjustments** *£million*	**IFRS basis** *£million*	**Investment basis** *£million*	**Consolidation adjustments** *£million*	**IFRS basis** *£million*
Total Income	30.9	123.2	154.1	21.7	82.0	103.7
Expenses & finance costs	(8.9)	(128.9)	(137.8)	(6.0)	(86.9)	(92.9)
Profit/(loss) before tax & valuation movements	**22.0**	**(5.7)**	**16.3**	**15.7**	**(4.9)**	**10.8**
Fair value movements	20.2	50.9	71.1	15.0	38.5	53.5
Tax and non-controlling interests	(0.1)	(11.5)	(11.6)	–	(5.5)	(5.5)
Earnings	**42.1**	**33.7**	**75.8**	**30.7**	**28.1**	**58.8**
Earnings per share	**4.9p**		**8.9p**	**5.0p**		**9.6p**

On an Investment basis, Profit before tax and valuation movements was £22.0m (2011: 15.7m) and increased due to contributions from acquisitions.

Fair value movements are a £20.2m profit (2011: £15.0m) which represents the increase in the portfolio valuation recognised in the income statement. The portfolio valuation benefited from a 0.1% reduction in the weighted average discount rate applied in the Directors' valuation, and a robust performance from the portfolio, supported by actual inflation above the valuation assumption. Further detail on the valuation movement is given in the Investment Adviser's Report.

Earnings on an Investment basis were £42.1m, an increase of £11.4m compared to the comparative period, reflecting the positive contribution from acquisitions coupled with a good performance from the portfolio. Earnings per share of 4.9p (2011: 5.0p) were similar to 2011, with a slightly lower fair value component.

On a consolidated IFRS basis, the earnings per share were 8.9p (2011: 9.6p). The results on a consolidated IFRS basis show higher earnings per share than on an Investment basis due to significant gains on finance receivables. Gains on finance receivables are material due to a 0.4% fall in UK long term gilt rates in the period.

Total income on a consolidated IFRS basis increased to £154.1m (2011: £103.7m) driven by the incremental contribution from acquisitions as compared to the previous period.

Cost analysis

	Six months to 30 September 2012 Investment basis *£million*	**Six months to 30 September 2011 Investment basis** *£million*
Interest income	0.1	0.1
Interest expense	(2.1)	(0.8)
Investment Adviser fees	(6.1)	(4.7)
Auditor fees – KPMG – for the Group	(0.1)	(0.1)
Directors fees & expenses	(0.1)	(0.1)
Other expenses	(0.6)	(0.4)
Expenses & finance costs	**(8.9)**	**(6.0)**

Interest was a net cost of £2.0m in the period (2011: £0.7m cost) increased from the prior period due to a £0.9m write off of debt issue costs in relation to cancelling the £50m 18 month tranche of the debt facility.

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) totalled £6.1m (2011: £4.7m) in the six month period, an increase due to the larger portfolio and acquisitions made.

There were no other contracts between the Group and the InfraRed group in the six month period.

Total Expense Ratio ('TER')

	Six months to 30 September 2012 Investment basis *£million*	**Six months to 30 September 2011 Investment basis** *£million*
Administrative expenses	6.9	5.3
Less operator acquisition investment fees	(0.7)	(0.7)
Total expenses	6.2	4.6
Net assets	1,041.2	726.1
TER (annualised)	1.19%	1.27%

The TER for the Group has improved due to the effect of the Investment Adviser's fee being based on the value of the portfolio where the value of the portfolio has increased more slowly than the net assets due to the £250m C share capital raising in March 2012.

Using the AIC's new guidance in relation to calculating Ongoing Charges, the Ongoing Charges Percentage is 1.18% (2011: 1.30%).

Balance Sheet

Summary balance sheet

	30 September 2012			31 March 2012		
	Investment basis *£million*	Consolidation adjustments *£million*	IFRS basis *£million*	Investment basis *£million*	Consolidation adjustments *£million*	IFRS basis *£million*
Investments at fair value	**1,015.9**	**(406.8)**	**609.1**	**902.0**	**(377.7)**	**524.3**
Other non-current assets	–	2,326.4	2,326.4	–	2,224.3	2,224.3
Working capital	(7.9)	23.6	15.7	(12.0)	21.8	9.8
Net cash/(borrowings)	33.2	(1,384.0)	(1,350.8)	(116.3)	(1,357.0)	(1,473.3)
Other non-current liabilities	–	(511.2)	(511.2)	–	(498.6)	(498.6)
Non-controlling interests	–	(10.0)	(10.0)	–	(8.4)	(8.4)
Net assets* attributable to Ordinary shares	**1,041.2**	**38.0**	**1,079.2**	**773.7**	**4.4**	**778.1**
NAV per Ordinary share (before dividend)	117.6p		121.9p	116.3p		117.0p
Net assets attributable to C shares	–		–	246.8		246.8
NAV per C share	–		–	98.7p		98.7p

**This is net assets attributable to the Group net of non-controlling interests.*

On an Investment basis, Investments at fair value were £1,015.9m (31 March 2012: £902.0m). This is an increase of £113.9m or 12.6%. Further detail on the movement in Investments at fair value is given in the Investment Adviser's Report under Valuation.

The Group had a net cash position on an Investment basis of £33.2m (31 March 2012: £126.6m which includes the £245.7m net C share cash proceeds received, and excludes the £2.8m debt issue costs) which covers the 3.425p interim dividend due for payment in December 2012. An analysis of the movements in net cash is shown in the cashflow analysis below.

On an Investment basis, NAV per share was 117.6p before the 3.425p distribution (31 March 2012: 116.3p).

On a consolidated IFRS basis, net assets have increased to £1,079.2m (31 March 2012: £778.1m and £246.8m attributable to the C shares which converted in April 2012) reflecting £54.3m of retained profits following payment of the second interim dividend of 3.5p per share. NAV per share was 121.9p (31 March 2012: 117.0p).

Cash Flow Analysis

Summary cash flow

	Six months to 30 September 2012 Investment basis *£million*		Six months to 30 September 2011 Investment basis *£million*	
Net cash at start of period*		126.6		54.7
Cash from investments	40.9		29.2	
Operating and finance costs	(7.3)		(4.3)	
Net cash inflow before acquisitions/financing		**33.6**		**24.9**
Redemption of Investment		–		30.0
Cost of new investments		(109.3)		(71.9)
Share capital raised net of costs		1.2		40.1
Forex movement on borrowings/hedging		2.6		1.0
Distributions paid:				
Relating to operational investments	(20.4)		(15.7)	
Relating to investments in construction	(1.1)		(2.4)	
Dividends paid		(21.5)		(18.1)
Net cash at end of period		**33.2**		**60.7**

**Excludes debt issue costs of £2.8m netted against borrowings at 31 March 2012.*

On an Investment basis the Group's net cash at 30 September 2012 was £33.2m (31 March 2012: £126.6m)

Cash inflows from the portfolio were £40.9m (2011: £29.2m). The growth in cash generation was driven by contributions from acquisitions combined with active cash management across the portfolio, which brought forward a number of distributions. For the full year, we expect cash generation to be in line with forecast.

Cost of investments of £109.3m (2011: £71.9m) represents the cash cost of the three new investments and seven incremental acquisitions coupled with associated acquisition costs of £2.9m.

The £2.6m (2011: £1.0m) movement in forex and hedging arises from strengthening of Sterling relative to the Euro and Canadian Dollar partly offset by the timing of the forward Euro and Canadian Dollar sales. The forward sales are to hedge the Group's forex exposure on its assets in Canada, Ireland and the Netherlands.

Dividends paid were £21.5m (2011: £18.1m) for the six months being the payment of 3.5p per share in June 2012.

Dividend cash cover which compares operational cash flow of £33.6m (2011: £24.9m) with dividends attributable to operational assets was 1.6 times (2011: 1.6 times). The dividend attributable to operational assets (94.9%) and construction assets (5.1%) was based on their respective share of the portfolio valuation during the period.

Gearing

Following the cancellation in August 2012 of the £50m 18 month tranche of the Group's £150m revolving credit facility provided by Royal Bank of Scotland and National Australia Bank, the Group's committed financing now comprises the remaining £100m three year tranche which expires in February 2015. This facility is used to fund acquisitions and is on a recourse basis to the Group. The Company's Articles of Incorporation limit the Group's recourse debt to 50% of Adjusted Gross Asset Value of its investments and cash balances. As at 30 September 2012, the Group had no drawings under the facility.

To manage interest rate risk the Group will, from time to time, use interest rate swaps to convert floating-rate drawings under the Group's debt facility to a fixed rate.

On a consolidated IFRS basis, the Group had net debt attributable to ordinary shareholders of £1,350.8m at 30 September 2012 (31 March 2012: £1,473.3m). The decrease in net debt is predominantly due to the proceeds of the £250m C share issue in March 2012 transferring to ordinary shareholders following the C share conversion in April 2012 and being used to repay the Group's £141.3m of outstanding debt.

Foreign Exchange risk

Foreign exchange risk from non-sterling assets is managed on a balance sheet basis through the forward sale of Euros and Canadian Dollars or by debt drawings in Euros and Canadian Dollars under the debt facility. This is to minimise the volatility in the Group's NAV from foreign exchange movements. With no drawings under the debt facility at the end of the period, the hedges were all through the forward sale of the relevant currency. The forex hedging is managed to ensure a 10% change in the forex rates has less than a 1p impact to net asset value per share. During the period the Group's hedging avoided a 0.4p reduction to net asset value per share.

In order to minimise the volatility in the Group's yield, investment income from overseas assets is also hedged through the forward sale of the relevant currency.

Unaudited Consolidated Proforma Income Statement

for the six months ended 30 September 2012

	Six months ended 30 September 2012				
	Investment basis			Consolidation adjustments	Consolidated IFRS basis
	Revenue *£million*	Capital *£million*	Total *£million*	*£million*	*£million*
Services revenue	–	–	–	87.3	87.3
Gains on finance receivables	–	–	–	109.9	109.9
Gains/(loss) on investments	30.9	16.6	47.5	(21.8)	25.7
Total income	30.9	16.6	47.5	175.4	222.9
Services costs	–	–	–	(78.3)	(78.3)
Administrative expenses	(6.9)	–	(6.9)	(2.3)	(9.2)
Profit before net finance costs and tax	24.0	16.6	40.6	94.8	135.4
Finance costs	(2.1)	–	(2.1)	(50.1)	(52.2)
Finance income	0.1	3.6	3.7	0.5	4.2
Profit before tax	22.0	20.2	42.2	45.2	87.4
Income tax expense	(0.1)	–	(0.1)	(7.0)	(7.1)
Profit for the period	21.9	20.2	42.1	38.2	80.3
Attributable to:					
Equity holders of the parent	21.9	20.2	42.1	33.7	75.8
Non-controlling interests	–	–	–	4.5	4.5
	21.9	20.2	42.1	38.2	80.3
Earnings per share – basic and diluted *(pence)*	2.5	2.4	4.9	4.0	8.9

	Six months ended 30 September 2011				
	Investment basis			Consolidation adjustments	Consolidated IFRS basis
	Revenue *£million*	Capital *£million*	Total *£million*	*£million*	*£million*
Services revenue	–	–	–	62.1	62.1
Gains on finance receivables	–	–	–	126.5	126.5
Gains/(loss) on investments	21.7	13.4	35.1	(8.6)	26.5
Total income	21.7	13.4	35.1	180.0	215.1
Services costs	–	–	–	(53.7)	(53.7)
Administrative expenses	(5.3)	–	(5.3)	(1.6)	(6.9)
Profit before net finance costs and tax	16.4	13.4	29.8	124.7	154.5
Finance costs	(0.8)	(0.7)	(1.5)	(91.3)	(92.8)
Finance income	0.1	2.3	2.4	0.2	2.6
Profit before tax	15.7	15.0	30.7	33.6	64.3
Income tax expense	–	–	–	(5.4)	(5.4)
Profit for the period	15.7	15.0	30.7	28.2	58.9
Attributable to:					
Equity holders of the parent	15.7	15.0	30.7	28.1	58.8
Non-controlling interests	–	–	–	0.1	0.1
	15.7	15.0	30.7	28.2	58.9
Earnings per share – basic and diluted *(pence)*	2.6	2.4	5.0	4.6	9.6

See Note 2 to the condensed unaudited consolidated financial statements for the definition of revenue and capital items.

Unaudited Consolidated Proforma Balance Sheet

as at 30 September 2012

	30 September 2012			31 March 2012		
	Investment basis *£million*	Consolidation adjustments *£million*	Consolidated IFRS basis *£million*	Investment basis *£million*	Consolidation adjustments *£million*	Consolidated IFRS basis *£million*
Non-current assets						
Investments at fair value through profit or loss *(Note 1)*	1,015.9	(406.8)	609.1	902.0	(377.7)	524.3
Finance receivables at fair value through profit or loss	–	1,848.2	1,848.2	–	1,739.4	1,739.4
Intangible assets	–	370.1	370.1	–	375.2	375.2
Deferred tax assets	–	108.1	108.1	–	109.7	109.7
Total non-current assets	1,015.9	1,919.6	2,935.5	902.0	1,846.6	2,748.6
Current assets						
Other financial assets	1.0	–	1.0	–	–	–
Trade and other receivables	1.6	32.8	34.4	1.8	27.4	29.2
Finance receivables at fair value through profit or loss	–	31.8	31.8	–	31.2	31.2
Cash and cash equivalents	33.2	112.3	145.5	267.9	105.8	373.7
Total current assets	35.8	176.9	212.7	269.7	164.4	434.1
Total assets	1,051.7	2,096.5	3,148.2	1,171.7	2,011.0	3,182.7
Current liabilities						
Trade and other payables	(10.3)	(39.2)	(49.5)	(12.5)	(35.6)	(48.1)
Current tax payable	(0.2)	(1.8)	(2.0)	(0.2)	(1.2)	(1.4)
Loans and borrowings	–	(47.7)	(47.7)	(138.5)	(52.9)	(191.4)
Total current liabilities	(10.5)	(88.7)	(99.2)	(151.2)	(89.7)	(240.9)
Non-current liabilities						
Loans and borrowings	–	(1,448.6)	(1,448.6)	–	(1,409.9)	(1,409.9)
Other financial liabilities (fair value of derivatives)	–	(266.5)	(266.5)	–	(259.9)	(259.9)
Deferred tax liabilities	–	(244.7)	(244.7)	–	(238.7)	(238.7)
Total non-current liabilities	–	(1,959.8)	(1,959.8)	–	(1,908.5)	(1,908.5)
Total liabilities	(10.5)	(2,048.5)	(2,059.0)	(151.2)	(1,998.2)	(2,149.4)
Net assets	1,041.2	48.0	1,089.2	1,020.5	12.8	1,033.3
Equity						
Shareholders' equity	1,041.2	38.0	1,079.2	1,020.5	4.4	1,024.9
Non-controlling interests	–	10.0	10.0	–	8.4	8.4
Total equity	1,041.2	48.0	1,089.2	1,020.5	12.8	1,033.3
Net assets per Ordinary Share *(pence)*	117.6	4.3	121.9	116.3	0.7	117.0
Net assets per C Share *(pence)*	–	–	–	98.7	–	98.7

Unaudited Consolidated Proforma Cash Flow Statement

for the six months ended 30 September 2012

	Six months ended 30 September 2012			Six months ended 30 September 2011		
	Investment basis *£million*	Consolidation adjustments *£million*	Consolidated IFRS basis *£million*	Investment basis *£million*	Consolidation adjustments *£million*	Consolidated IFRS basis *£million*
Cash flows from operating activities						
Profit before tax	42.2	45.2	87.4	30.7	33.6	64.3
Adjustments for:						
(Gains)/loss on investments	(47.5)	21.8	(25.7)	(35.1)	8.6	(26.5)
Gains on finance receivables	–	(109.9)	(109.9)	–	(126.5)	(126.5)
Interest payable and similar charges	2.1	43.4	45.5	0.8	31.6	32.4
Changes in fair value of derivatives	(3.6)	6.6	3.0	(1.6)	59.8	58.2
Operator acquisition investment fees	0.7	–	0.7	0.7	–	0.7
Interest income	(0.1)	(0.5)	(0.6)	(0.1)	(0.2)	(0.3)
Amortisation of intangible assets	–	8.6	8.6	–	5.5	5.5
Operating cash flow before changes in working capital	(6.2)	15.2	9.0	(4.6)	12.4	7.8
Changes in working capital:						
Decrease/(increase) in receivables	0.5	(7.7)	(7.2)	0.3	0.2	0.5
(Decrease)/increase in payables	(0.5)	2.9	2.4	0.4	(7.4)	(7.0)
Cash flow (used in)/from operations	(6.2)	10.4	4.2	(3.9)	5.2	1.3
Interest received on bank deposits and other similar income	2.5	0.5	3.0	1.0	0.2	1.2
Cash received from finance receivables	–	66.3	66.3	–	40.1	40.1
Interest paid and similar charges	(1.3)	(39.9)	(41.2)	(0.8)	(27.8)	(28.6)
Corporation tax (paid)/received	–	(0.7)	(0.7)	0.4	(0.5)	(0.1)
Interest received on investments	28.2	(5.3)	22.9	20.1	(8.0)	12.1
Dividends received	9.0	(1.6)	7.4	8.3	(2.8)	5.5
Fees and other operating income	3.5	(0.7)	2.8	0.6	(0.2)	0.4
Loan stock and equity repayments received	0.2	–	0.2	30.1	–	30.1
Net cash from operating activities	35.9	29.0	64.9	55.8	6.2	62.0
Cash flows from investing activities						
Purchases of investments	(109.3)	3.8	(105.5)	(71.9)	19.8	(52.1)
Acquisition of subsidiaries net of cash acquired	–	(2.5)	(2.5)	–	10.8	10.8
Net cash (used in)/from investing activities	(109.3)	1.3	(108.0)	(71.9)	30.6	(41.3)
Cash flows from financing activities						
Proceeds from issue of share capital	1.2	–	1.2	40.2	–	40.2
Proceeds from issue of loans and borrowings	–	–	–	–	–	–
Repayment of loans and borrowings	(141.3)	(21.9)	(163.2)	–	(18.7)	(18.7)
Distributions paid to Company shareholders	(21.5)	–	(21.5)	(18.1)	–	(18.1)
Distributions paid to non-controlling interests	–	(1.9)	(1.9)	–	(1.9)	(1.9)
Net cash (used in)/from financing activities	(161.6)	(23.8)	(185.4)	22.1	(20.6)	1.5
Net (decrease)/increase in cash and cash equivalents	(235.0)	6.5	(228.5)	6.0	16.2	22.2
Cash and cash equivalents at beginning of period	267.9	105.8	373.7	54.7	60.2	114.9
Exchange gains on cash	0.3	–	0.3	–	–	–
Cash and cash equivalents at end of period	33.2	112.3	145.5	60.7	76.4	137.1

1. Investments

The valuation of the Group's portfolio at 30 September 2012 reconciles to the condensed consolidated balance sheet as follows:

	30 September 2012 *£million*	31 March 2012 *£million*
Portfolio valuation on an investment basis	1,015.9	902.0
Less: equity and loanstock investments in operating subsidiaries eliminated on consolidation	(406.8)	(377.7)
Investments per consolidated balance sheet on an IFRS basis	609.1	524.3
Portfolio valuation on an investment basis is represented by:		
Greater than one year	1,015.9	902.0
Carrying amount at period end	1,015.9	902.0
Investments per unaudited consolidated balance sheet on an IFRS basis is represented by:		
Greater than one year	609.1	524.3
Carrying amount at period end	609.1	524.3

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 IAS 34 Interim Financial Reporting as adopted by the European Union; and
- the interim management report includes a fair review of the information required by:
  a. DTR 4.2.7R of the Disclosure 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 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

G Picken
Chairman
20 November 2012

Independent Review Report to HICL Infrastructure Company Limited

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 30 September 2012 which comprise the Condensed Unaudited Consolidated Income Statement, Condensed Unaudited Consolidated Balance Sheet, Condensed Unaudited Consolidated Statement of Changes in Shareholders' Equity, Condensed Unaudited Consolidated Cash Flow Statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). 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.

Directors' Responsibilities

The interim report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The condensed set of financial statements included in this interim report has been prepared in accordance with IAS Standard 34, *Interim Financial Reporting*, as adopted by the EU.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* issued by the Auditing Practices Board for use in the United Kingdom. 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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the period ended 30 September 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Steven D. Stormonth
For and on behalf of
KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
20 New Street
St Peter Port
Guernsey
Channel Islands
GY1 4AN

20 November 2012

Condensed Unaudited Consolidated Income Statement

for the six months ended 30 September 2012

	Note	Six months ended 30 September 2012 Unaudited Revenue £million	Capital £million	Total £million	Six months ended 30 September 2011 Unaudited Revenue £million	Capital £million	Total £million
Services revenue		87.3	–	87.3	62.1	–	62.1
Gains on finance receivables		45.9	64.0	109.9	28.1	98.4	126.5
Gains on investments	9	20.9	4.8	25.7	13.5	13.0	26.5
Total income		154.1	68.8	222.9	103.7	111.4	215.1
Services costs	4	(78.3)	–	(78.3)	(53.7)	–	(53.7)
Administrative expenses	4	(9.2)	–	(9.2)	(6.9)	–	(6.9)
Profit before net finance costs and tax		66.6	68.8	135.4	43.1	111.4	154.5
Finance costs		(50.9)	(1.3)	(52.2)	(32.6)	(60.2)	(92.8)
Finance income		0.6	3.6	4.2	0.3	2.3	2.6
Profit before tax		16.3	71.1	87.4	10.8	53.5	64.3
Income tax credit/(expense)	8	8.6	(15.7)	(7.1)	0.8	(6.2)	(5.4)
Profit for the period		24.9	55.4	80.3	11.6	47.3	58.9
Attributable to:							
Equity holders of the parent		22.1	53.7	75.8	11.3	47.5	58.8
Non-controlling interests		2.8	1.7	4.5	0.3	(0.2)	0.1
		24.9	55.4	80.3	11.6	47.3	58.9
Earnings per Share – basic and diluted *(pence)*	5	2.6	6.3	8.9	1.8	7.8	9.6

All results are derived from continuing operations. See Note 2 of Notes to the condensed unaudited consolidated financial statements for the definition of revenue and capital items. There is no other comprehensive income or expense apart from those disclosed above.

The notes on page 29 to 37 form an integral part of the financial statements.

Condensed Unaudited Consolidated Balance Sheet

as at 30 September 2012

	Note	30 September 2012 Unaudited *£million*	31 March 2012 Audited *£million*
Non-current assets			
Investments at fair value through profit or loss	*9*	609.1	524.3
Finance receivables at fair value through profit or loss	*11*	1,848.2	1,739.4
Intangible assets		370.1	375.2
Deferred tax assets		108.1	109.7
Total non-current assets		2,935.5	2,748.6
Current assets			
Other financial assets		1.0	–
Trade and other receivables		34.4	29.2
Finance receivables at fair value through profit or loss	*11*	31.8	31.2
Cash and cash equivalents		145.5	373.7
Total current assets		212.7	434.1
Total assets		3,148.2	3,182.7
Current liabilities			
Trade and other payables		(49.5)	(48.1)
Current tax payable		(2.0)	(1.4)
Loans and borrowings	*13*	(47.7)	(191.4)
Total current liabilities		(99.2)	(240.9)
Non-current liabilities			
Loans and borrowings	*13*	(1,448.6)	(1,409.9)
Other financial liabilities (fair value of derivatives)		(266.5)	(259.9)
Deferred tax liabilities		(244.7)	(238.7)
Total non-current liabilities		(1,959.8)	(1,908.5)
Total liabilities		(2,059.0)	(2,149.4)
Net assets		1,089.2	1,033.3
Equity			
Ordinary Share capital	*12*	–	–
C Share capital	*12*	–	–
Share premium	*12*	719.5	717.7
Retained reserves		359.7	307.2
Total equity attributable to equity holders of the parent		1,079.2	1,024.9
Non-controlling interests		10.0	8.4
Total equity		1,089.2	1,033.3
Net assets per Ordinary Share *(pence)*	*7*	121.9	117.0
Net assets per C Share *(pence)*		–	98.7

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 20 November 2012, and signed on its behalf by:

J Hallam
Director

G Picken
Director

Condensed Unaudited Consolidated Statement of Changes in Shareholders' Equity

for the six months ended 30 September 2012

Six months ended 30 September 2012

	Attributable to equity holders of the parent			Non-controlling interests	Total equity
	Share capital and share premium *£million*	**Retained reserves** *£million*	**Total shareholders' equity** *£million*	*£million*	*£million*
Shareholders' equity at beginning of period	717.7	307.2	1,024.9	8.4	1,033.3
Profit for the period	–	75.8	75.8	4.5	80.3
Distributions paid to Company shareholders	–	(23.3)	(23.3)	–	(23.3)
Distributions paid to non-controlling interests	–	–	–	(2.9)	(2.9)
Ordinary Shares issued	1.8	–	1.8	–	1.8
Shareholders' equity at end of period	719.5	359.7	1,079.2	10.0	1,089.2

Six months ended 30 September 2011

	Attributable to equity holders of the parent			Non-controlling interests	Total equity
	Share capital and share premium *£million*	**Retained reserves** *£million*	**Total shareholders' equity** *£million*	*£million*	*£million*
Shareholders' equity at beginning of period	390.7	266.3	657.0	9.9	666.9
Profit for the period	–	58.8	58.8	0.1	58.9
Distributions paid to Company shareholders	–	(20.4)	(20.4)	–	(20.4)
Distributions paid to non-controlling interests	–	–	–	(2.1)	(2.1)
Ordinary Shares issued	42.8	–	42.8	–	42.8
Costs of Ordinary Share issue	(0.4)	–	(0.4)	–	(0.4)
Shareholders' equity at end of period	433.1	304.7	737.8	7.9	745.7

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

Condensed Unaudited Consolidated Cash Flow Statement

for the six months ended 30 September 2012

	Six months ended 30 September 2012 Unaudited *£million*	Six months ended 30 September 2011 Unaudited *£million*
Cash flows from operating activities		
Profit before tax	87.4	64.3
Adjustments for:		
Gains on investments	(25.7)	(26.5)
Gains on finance receivables	(109.9)	(126.5)
Interest payable and similar charges	45.5	32.4
Changes in fair value of derivatives	3.0	58.2
Operator acquisition investment fees	0.7	0.7
Interest income	(0.6)	(0.3)
Amortisation of intangible assets	8.6	5.5
Operating cash flow before changes in working capital	9.0	7.8
Changes in working capital:		
(Increase)/decrease in receivables	(7.2)	0.5
Increase/(decrease) in payables	2.4	(7.0)
Cash flow from operations	4.2	1.3
Interest received on bank deposits and other similar income	3.0	1.2
Cash received from finance receivables	66.3	40.1
Interest paid and similar charges	(41.2)	(28.6)
Corporation tax paid	(0.7)	(0.1)
Interest received on investments	22.9	12.1
Dividends received	7.4	5.5
Fees and other operating income	2.8	0.4
Loanstock and equity repayments received	0.2	30.1
Net cash from operating activities	64.9	62.0
Cash flows from investing activities		
Purchases of investments	(105.5)	(52.1)
Acquisition of subsidiaries net of cash acquired *(Note 10)*	(2.5)	10.8
Net cash used in investing activities	(108.0)	(41.3)
Cash flows from financing activities		
Proceeds from issue of share capital	1.2	40.2
Repayment of loans and borrowings	(163.2)	(18.7)
Distributions paid to Company shareholders	(21.5)	(18.1)
Distributions paid to non-controlling interests	(1.9)	(1.9)
Net cash (used in)/from financing activities	(185.4)	1.5
Net (decrease)/increase in cash and cash equivalents	(228.5)	22.2
Cash and cash equivalents at beginning of period	373.7	114.9
Exchange gains on cash	0.3	–
Cash and cash equivalents at end of period	145.5	137.1

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

1. Reporting Entity

HICL Infrastructure Company Limited (the "Company") is a company domiciled in Guernsey, Channel Islands, whose shares are publicly traded on the London Stock Exchange. The interim condensed unaudited consolidated financial statements of the Company (the "interim financial statements") as at and for the six months ended 30 September 2012 comprise the Company and its subsidiaries (together referred to as "the Group"). The Group invests in infrastructure projects in the United Kingdom, Canada and Europe.

Certain items of the accounting policies apply only to those investments of the Group which are classified for accounting purposes as subsidiaries ("the Operating Subsidiaries"). Where applicable, this is noted in the relevant accounting policy note.

The statutory accounts for the year ended 31 March 2012 were approved by the Directors on 22 May 2012 and are available from the Company's Administrator and on the Company's website www.hicl.com. The auditor's report on these accounts was unqualified.

2. Key Accounting Policies

Basis of preparation

The interim financial statements were approved by the Board of Directors on 20 November 2012.

The interim financial statements have been prepared using accounting policies in compliance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting'. The interim consolidated financial statements have also been prepared in accordance with the DTR of the UK FSA.

The interim financial statements have been prepared using the historical cost basis, except that the following assets and liabilities are stated at their fair values: derivative financial instruments and financial instruments classified at fair value through profit or loss. The interim financial statements are presented in Sterling, which is the Company's functional currency.

The Chief Operating Decision Maker (the "CODM") is of the opinion that the Group is engaged in a single segment of business, being investment in infrastructure which is currently predominately in private finance initiatives and public private partnership companies in one geographical area, the United Kingdom.

The financial information used by the CODM to allocate resources and manage the Group presents the business as a single segment, is prepared on an Investment basis. The Investment basis deconsolidates the subsidiary investments. A reconciliation of the interim financial statements to pro-forma statements on an Investment basis is shown in the interim report.

The same accounting policies, presentation and methods of computation are followed in these interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 March 2012. No new standards were adopted by the Group since then.

Supplementary information has been provided analysing the income statement between those items of a revenue nature and those of a capital nature, in order to better reflect the Group's activities as an investment company. Those items of income and expenditure which relate to the interest and dividend yield of investments and annual operating and interest expenditure are shown as "revenue". Those items of income and expenditure which arise from changes in the fair value of investments, foreign exchange movements, finance receivables and derivative financial instruments are recognised as "capital".

The Group's financial performance does not suffer materially from seasonal fluctuations.

In late October 2012 the International Accounting Standards Board released "Investment Entities – (Amendments to IFRS 10, IFRS 12 and IAS 27)". This publication addressed the consolidation of investments held by investment entities. The Group will analyse whether the amended standard will be applied to its accounts in the future and if permitted to do so, may aim to early adopt this amended standard.

3. Financial Instruments

Fair value hierarchy

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 2012			
	Level 1 *£million*	**Level 2** *£million*	**Level 3** *£million*	**Total** *£million*
Investments at fair value through profit or loss (Note 9)	–	–	609.1	609.1
Finance receivables at fair value through profit or loss (Note 11)	–	–	1,880.0	1,880.0
	–	–	2,489.1	2,489.1
Other financial liabilities (fair value of derivatives)	–	(265.6)	–	(265.6)
	–	(265.6)	–	(265.6)

	31 March 2012			
	Level 1 *£million*	**Level 2** *£million*	**Level 3** *£million*	**Total** *£million*
Investments at fair value through profit or loss (Note 9)	–	–	524.3	524.3
Finance receivables at fair value through profit or loss (Note 11)	–	–	1,770.6	1,770.6
	–	–	2,294.9	2,294.9
Other financial liabilities (fair value of derivatives)	–	(259.9)	–	(259.9)
	–	(259.9)	–	(259.9)

There were no transfers between Level 1, 2 or 3 during the period.

Reconciliation of level 3 assets from beginning balances to the ending balances, disclosing separately changes during the period are disclosed in Note 9 and Note 11 respectively.

4. Services Costs

	Six months ended 30 September 2012 *£million*	**Six months ended 30 September 2011** *£million*
Service costs	68.5	47.3
Amortisation of intangible assets	8.6	5.5
Other costs	1.2	0.9
	78.3	53.7

4. Services Costs *(continued)*

Administrative expenses

	Six months ended 30 September 2012 £million	Six months ended 30 September 2011 £million
Fees paid to auditor and its associates	0.2	0.2
Management fees	1.6	0.7
Operator fees (Note 14)	5.4	4.0
Investment fees (Note 14)	0.7	0.7
Directors' fees (Note 14)	0.1	0.1
Professional fees	0.8	0.4
Project bid costs	0.2	–
Other fees	0.2	0.8
	9.2	6.9

5. Basic and Diluted Earnings per Share

Basic and diluted earnings per share is calculated by dividing the profit 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 2012	Six months ended 30 September 2011
Profit attributable to equity holders of the Company	£75.8 million	£58.8 million
Weighted average number of Ordinary Shares in issue	852.1 million	610.0 million
Basic and diluted earnings per Ordinary Share	8.9 pence	9.6 pence

See Note 12 for details of C Shares converted to Ordinary Shares in the period.

6. Dividends

	Six months ended 30 September 2012 £million	Six months ended 30 September 2011 £million
Amounts recognised as distributions to equity holders during the period:		
Second interim dividend for the year ended 31 March 2012 of 3.5p (2011: 3.425p) per share	23.3	20.4

The 2012 second interim dividend of £23.3 million, representing 3.5 pence per share, was paid on 30 June 2012 and is included in the condensed unaudited consolidated statement of changes in shareholders' equity.

The Board approved on 15 November 2012 an interim dividend for the period ended 30 September 2012 of 3.425 pence per share (2011: 3.35 pence per share) which will result in a total distribution of £30.3 million, payable by 31 December 2012. The interim dividend is offered to shareholders as a cash payment or alternatively as a scrip dividend. The interim dividend has not been included as a liability as at 30 September 2012.

	Year ending 31 March 2013	Year ended 31 March 2012	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2008
Interim dividend for the 6 month period ending 30 September	3.425p	3.35p	3.275p	3.2p	3.125p	3.05p
Interim dividend for the 6 month period ending 31 March		3.5p	3.425p	3.35p	3.275p	3.2p
		6.85p	6.7p	6.55p	6.4p	6.25p

7. Net Assets

The calculation of net assets per Ordinary Share is based on shareholders' equity of £1,079.2 million at 30 September 2012 and 885.0 million Ordinary Shares in issue at that date.

8. Tax

Income tax for the six month period includes a current tax charge of £0.9 million and a deferred tax charge of £6.2 million (2011: current tax charge of £0.8 million and deferred tax charge of £4.6 million). The current period charge of £7.1 million represents the best estimate of the average annual effective income tax rate expected for the full year, applied to the pre-tax income of the six month period.

Under the current system of taxation in Guernsey, the Company itself is exempt from paying taxes on income, profits or capital gains. Therefore, income from investments is not subject to any further tax in Guernsey, although these investments will bear tax in the individual jurisdictions in which they operate.

The Company's Operating Subsidiaries are UK based and as a consequence are bound by UK tax legislation. Operating Subsidiaries in the UK have provided for UK corporation tax at the rate of 24% for current tax liabilities (31 March 2012: 26%) and 23% for deferred tax assets and liabilities (31 March 2012: 24%).

9. Investments at Fair Value Through Profit or Loss

	30 September 2012 *£million*	**31 March 2012** *£million*
Opening balance	524.3	426.0
Investments in the period	106.4	236.6
Accrued interest	(4.7)	(6.7)
Repayments in the period	(9.1)	(37.8)
Subscription obligations	–	46.7
Gain on valuation	5.5	21.9
Investments consolidated during the period	(14.0)	(161.6)
Other movements	0.7	(0.8)
Carrying amount at period end	609.1	524.3
This is represented by:		
Greater than one year	609.1	524.3
Carrying amount at period end	609.1	524.3
Gain on valuation as above	5.5	21.9
Less: transaction costs incurred	(0.7)	(1.1)
Gain on investments	4.8	20.8

The gains have been included in Gains on investments presented in the condensed unaudited consolidated income statement as capital items.

The Investment Adviser has carried out fair market valuations of the investments as at 30 September 2012. The Directors have satisfied themselves as to the methodology used, the discount rates applied, and the valuation. The Directors have also obtained an independent opinion from a third party, with considerable expertise in valuing these type of investments, supporting the reasonableness of the valuation. All investments in PFI/PPP/P3 projects are valued using a discounted cashflow methodology. The valuation techniques and methodologies have been applied consistently with the prior period. Discount rates applied range from 8.1% to 10.0% (weighted average of 8.5%) (31 March 2012: 8.2% to 11.0% (weighted average of 8.6%)).

Refer to the Investment Advisor's Report for the valuation techniques and key model inputs used for determining investment fair values.

9. Investments at Fair Value Through Profit or Loss *(continued)*

The following economic assumptions were used in the discounted cashflow valuations:

UK inflation rates	2.75%
Holland, Ireland and Canada inflation rates	2.0%
UK deposit interest rates	1% to March 2016 and 3.75% thereafter
UK corporation tax rates	24%
Euro/Sterling exchange rate	0.80 for all future periods
Can$/Sterling exchange rate	0.63 for all future periods

The following economic assumptions for the year ended 31 March 2012 were as follows:

UK inflation rates	2.75%
Holland, Ireland and Canada inflation rates	2.0%
UK deposit interest rates	1% to March 2015 and 3.75% thereafter
UK corporation tax rates	24%
Euro/Sterling exchange rate	0.83 for all future periods
Can$/Sterling exchange rate	0.63 for all future periods

On 4 May 2012 the Group completed an incremental acquisition in RMPA Holdings Limited ("Colchester Garrison") for a consideration of £15.0 million taking its interests to 56% equity and loanstock.

On 18 May 2012 the Group completed an acquisition of 30% equity and loanstock in Consort Healthcare (Birmingham) Holdings Limited ("Birmingham Hospitals PFI") for a consideration of £34.6 million.

On 21 May 2012 the Group completed an acquisition of 19.5% equity and loanstock in Citylink Telecommunications Holdings Limited ("Connect PFI") for a consideration of £39.0 million.

On 4 July 2012 the Group completed an acquisition of 75% equity and loanstock of Central Blackpool PCC Holding Company Limited ("Blackpool Primary Care") for a consideration of £2.9 million via Redwood Partnership Ventures 2 Limited.

On 31 August 2012 the Company completed an incremental acquisition of equity and loanstock in Catalyst Healthcare (Romford) Holdings Limited ("Romford Hospital") for a consideration of £8.1 million taking its interests to 66.7% equity and loanstock.

On 28 September 2012 the Group completed an incremental acquisition in Ealing Care Alliance (Holdings) Limited ("Ealing Care Homes") for a consideration of £1.1 million taking its interests to 84% equity and loanstock.

The Directors have analysed the shareholder rights of these projects and are of the opinion that they should be treated as investments in joint ventures in accordance with IAS 31 Interests in Joint Ventures.

10. Acquisition of Subsidiaries

Investments which become subsidiaries through the acquisition of an additional equity interest are previously held as investments at fair value and therefore there is no gain or loss as a result of re-measuring to fair value the interests held prior to the acquisitions. Fair values were determined using the income approach which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values.

Intangible assets represent the fair value of customer contracts for operating subsidiary projects recognised on acquisition, which are primarily attributable to the service portion of the project contracts, and intangible assets recognised under IFRIC 12. Intangibles are amortised on a straight line basis over the remaining life of the concessions concerned.

Dorset Fire and Rescue Project ("DFR")

On 27 September 2012 the Group obtained control of DFR, by acquiring 33.0% of the equity in the project. As a result, the Group's equity interest increased from 67.0% to 100.0%. The Group also acquired the remaining 33.0% of the loanstock. The transaction cost was de minimus.

The project involved the design, construction, financing, operation and maintenance of the fire and police facilities at three sites in Dorset for the Dorset Fire Authority & Dorset Police Authority. The facilities have been operational since 2008.

a) Consideration

	£million
Cash	3.8

b) Identifiable assets acquired and liabilities assumed

	£million
Intangibles	3.5
Finance receivables at fair value through profit or loss	61.0
Deferred tax assets	1.7
Cash and cash equivalents	1.3
Other current assets	0.7
Current liabilities	(0.5)
Deferred tax liabilities	(3.1)
Other non-current liabilities	(52.3)
	12.3

c) Goodwill

	£million
Total consideration transferred	3.8
Fair value of previous interest in acquiree	8.5
Less fair value of net identifiable assets	(12.3)
	–

If the acquisition had occurred on 1 April 2012, management estimates that consolidated revenue for the Group would have increased by £3.5 million to £226.4 million, and consolidated profit for the period for the Group would remain unchanged at £80.3 million.

On 7 September 2012 the Group acquired an additional 10% of the equity and loanstock in two subsidiaries, Exeter Crown Court and Stoke Mandeville Hospital. As a result, the Group's equity and loanstock interest in both increased to 100%. The total consideration paid for these interests was £1.7 million and an immaterial movement in non-controlling interests resulted from this transaction.

11. Finance Receivables at Fair Value Through Profit or Loss

	30 September 2012 £million	31 March 2012 £million
Opening balance	1,770.6	779.1
Acquisition of subsidiaries	61.0	908.8
Gain on valuation	64.0	107.2
Repayments in the period	(14.4)	(25.3)
Other movements	(1.2)	0.8
Carrying amount at period end	1,880.0	1,770.6
This is represented by:		
Less than one year	31.8	31.2
Greater than one year	1,848.2	1,739.4
Carrying amount at period end	1,880.0	1,770.6

The Operating Subsidiaries' concession contracts with public sector bodies are considered as financial assets. Gain in fair values of financial assets of £64.0 million for the period ended 30 September 2012 (31 March 2012: £107.2 million), are separately disclosed in the consolidated income statement as a capital amount. The maximum exposure to credit risk at the reporting date is the fair value of the financial assets in the balance sheet.

Interest income in relation to finance receivables of £45.9 million has been recognised in the consolidated income statement for the period ended 30 September 2012 as a revenue amount (2011: £28.1 million).

12. Capital and Reserves

	Ordinary Shares		C Shares	
	30 September 2012 million	31 March 2012 million	30 September 2012 million	31 March 2012 million
In issue at beginning of period	665.4	595.1	250.0	–
C Shares converted to Ordinary Shares	218.1	–	(250.0)	–
Issued for cash	–	65.9	–	250.0
Issued as a scrip dividend alternative	1.5	4.4	–	–
In issue at end of period – fully paid	885.0	665.4	–	250.0

The holders of the 884,968,860 Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company (31 March 2012: 665,422,215).

250,000,000 C Shares were converted to 218,050,000 Ordinary Shares on 27 April 2012 at a conversion rate of 0.8722 Ordinary Shares for each C Share.

At the Annual General Meeting of the Company on 25 July 2012, a special resolution was passed to redeem the 2 issued Management Shares at their par value of 0.01p each and subsequently cancel them.

Ordinary share capital and share premium

	30 September 2012 £million	31 March 2012 £million
Opening balance	470.9	390.7
Premium arising on issue of Ordinary Shares	248.6	80.9
Expenses of issue of Ordinary Shares	–	(0.7)
Closing balance	719.5	470.9

Share capital is £88.5 thousand (31 March 2012: £66.5 thousand).

12. Capital and Reserves (continued)

C share capital and share premium

	30 September 2012 £million	31 March 2012 £million
Opening balance	246.8	–
Converted to Ordinary Shares	(246.8)	–
Premium arising on issue of C shares	–	250.0
Expenses of issue of C shares	–	(3.2)
Closing balance	–	246.8

C Share capital is £Nil (31 March 2012: £25.0 thousand).

For the six month period ended 30 September 2012

On 30 June 2012 1.5 million new Ordinary Shares of 0.01p each fully paid in the Company were issued as a scrip dividend alternative in lieu of cash for the second interim dividend in respect of the year ending 31 March 2012 (2011: 1.9 million).

Retained reserves

Retained reserves comprise retained earnings and the balance of the share premium account, as detailed in the condensed consolidated unaudited statement of changes in shareholders' equity.

13. Loans and Borrowings

In the six month period ending 30 September 2012 no debt was drawn to fund acquisitions (2011: £Nil). Debt repayments and bond indexation adjustments of £158.5 million were recognised in the six month period ended 30 September 2012 (2011: £16.0 million).

On 24 April 2012, the £200 million five year revolving facility with Bank of Scotland plc used by the Investment Group was fully repaid and duly cancelled.

Following the cancellation on 21 August 2012 of the £50 million 18 month tranche of the Group's £150 revolving credit facility provided by Royal Bank of Scotland and National Australia Bank, the Group's committed financing now comprises the remaining £100 million three year tranche which expires in February 2015.

14. Related Party Transactions

The Investment Adviser to the Company and the Operator of a limited partnership through which the Group holds its investments is InfraRed Capital Partners Limited ("IRCP"). The total Operator fees charged to the Income Statement was £5.4 million of which the balance remained payable at the period end (2011: £4.0 million). The total charge for new portfolio investments (disclosed within investment fees in Note 4) was £0.7 million of which the balance remained payable at the period end (2011: £0.7 million).

The following summarises the transactions between the Group and its associates and joint ventures in the period:

	Transactions		Balance	
	Six months ended 30 September 2012 £million	Six months ended 30 September 2011 £million	30 September 2012 £million	31 March 2012 £million
Loanstock investments	26.7	30.1	304.8	285.4
Loanstock repayments	(5.3)	(31.4)	–	–
Equity investments	70.7	21.2	254.3	189.8
Equity amortisation	(3.9)	(1.5)	–	–
Loanstock interest	14.9	9.7	10.8	19.6
Dividends received	3.2	3.3	–	–
Fees and other income	2.9	0.4	–	0.6

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £81 thousand (disclosed as directors' fees in Note 4) in the period (2011: £63 thousand). One Director also receives fees for serving as Director of the two Luxembourg subsidiaries. The fees were £5 thousand (2011: £3 thousand).

All of the above transactions were undertaken on an arm's length basis and there have been no changes in material related party transactions since the last annual report.

15. Guarantees and Other Commitments

As at 30 September 2012 the Group had £Nil commitments for future project investments (31 March 2012: £Nil) and £10.2 million in capital commitments (31 March 2012: £11.8 million).

16. Events after Balance Sheet Date

On 17 October 2012 the Group completed an acquisition of 30% equity and 45% loanstock of two PFI projects held through Prime LIFT Investments Limited ("Bas LIFTCo" and "Prima LIFTCo") for a consideration of £16.5 million.

On 18 October 2012 the Group completed an incremental acquisition of 9% equity and loanstock in Citylink Telecommunications Holdings Limited ("Connect PFI") for a consideration of £17.2 million, taking its shareholding to 28.5% equity and loanstock.

On 19 October 2012 the Group completed an acquisition of 30% equity and loanstock in Emblem Schools (Holdings) Limited ("Fife Schools 2 PPP") for a consideration of £3.9 million.

On 15 November 2012 the Group signed a contract to acquire a UK PFI project, details of which are confidential pending completion, for a consideration of £30.6 million.

The Directors have analysed the shareholder rights of these projects and are of the opinion that they should be treated as investments in joint ventures in accordance with IAS 31 Interests in Joint Ventures.

On 16 November 2012 the Group sold its 50% equity and loanstock interest in the Doncaster Schools PFI for a consideration of £5.3 million.

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