Interim Report

for the six months ended 30 September 2014

HICL Infrastructure Company Limited

Company Overview

HICL Infrastructure Company Limited ("HICL") is an investment company registered in Guernsey specialising in investing in operational social and transportation infrastructure projects such as hospitals, schools, courthouses, fire stations, roads, railways and other public sector buildings and accommodation. The current investments are located primarily in the UK, but also in Australia, Canada, France, Ireland and Holland.

The Company seeks to provide investors with long-term distributions, at sustainable levels, and to preserve the capital value of its investment portfolio over the long-term with potential for capital growth.

As the first infrastructure investment company to list on the London Stock Exchange, the IPO in March 2006 raised £250m. Since then the Company has raised a further £1.18bn through subsequent equity issues and had a market capitalisation of £1.8bn as at 30 September 2014.

The Board comprises seven independent non-executive directors, while the investment management of the Group is undertaken on an arm's length basis by the Investment Adviser and Operator, InfraRed Capital Partners Limited, an experienced investment manager with over £3.5bn of equity under management in infrastructure projects and around 50 staff engaged in infrastructure investment and management from four offices internationally.

As at 30 September 2014 the Company's portfolio comprised investments in 96 infrastructure projects which are mainly operational, with public sector clients and contractual, long-term, inflation-linked project revenues. The majority of these projects have availability-based revenues (i.e. are not dependent on volumes or usage), and the projects' costs have similar long-term contractual profiles, resulting in the investment cashflow to the Group being largely predictable.

Dividends are cash covered from operating cashflow and have increased year-on-year since launch in 2006. The Company has met its dividend targets to date, and the Board has set a target distribution for the year to 31 March 2015 of 7.25p per share, and for the year to 31 March 2016 of 7.40p per share.

At the time of the Company's most recent share issuance prospectus in February 2013, a longterm total return for new investors of approximately 7% per annum was targeted on the basis of an issue price of 119.5p per share. Since inception to 30 September 2014 the total shareholder return on shares acquired in the IPO has been 10.4% per annum.

£1.8 billion
Market Capitalisation*

96 investments
in the portfolio*

7.25p dividend
target in aggregate for the year to 31 March 2015*

5.0% cash yield
annually on the shares*

** At 30 September 2014*

Contents

Highlights

for the six months ended 30 September 2014

Interim dividends plus uplift in NAV per share contributed to total shareholder return of 9.0% in the six month period.

Aggregate quarterly dividends declared in first half of 3.62p per share (2013: 3.50p) and on track to achieve the 7.25p per share dividend target for the year to 31 March 2015. Target dividend guidance for the financial year to 31 March 2016 of 7.40p per share.

Value of the Group's investment portfolio as at 30 September 2014 of £1,639.1m[1], up 9.2% from £1,500.6m at 31 March 2014.

Valuation growth of 9.2%, driven by accretive acquisitions, revaluation of certain investments including an investment the Group has contracted to sell, portfolio performance and a net positive impact from valuation assumptions.

Net asset value ("NAV") per share (post interim dividend) of 130.5p, up 7.4p (6.0%) from 123.1p at 31 March 2014.

Three new investments and three incremental stakes acquired during the period for £63.7m funded by £51m equity tap issue in June and drawings under the Group's revolving credit facility.

Four additional acquisitions of incremental stakes made since the period end for a combined consideration of £103.6m have resulted in a net funding requirement of £104m.

Continued strong interest in UK PPP/PFI infrastructure investment driving up valuations and making sourcing of similar UK investments more challenging.

Investment Adviser continues to pursue a disciplined acquisition strategy focused on using its network of industry contacts in the UK and internationally to source new investment opportunities.

1. Includes £8.1m of future investment obligations (March 2014: £5.1m).

Summary Financial Results

for the six months to	30 September 2014	30 September 2013 Restated [1]
Income	£142.3m	£82.1m
Profit after tax	£131.9m	£71.3m
Earnings per share	10.7p	6.2p
Interim dividend(s) per share [2]	3.62p	3.50p

Net Asset Values

NAV per share as at 31 March 2014 after deducting the second interim dividend of 3.60p per share	123.1p
Second quarterly interim dividend per share (declared 14 November 2014)	1.81p
NAV per share as at 30 September 2014 before deducting the quarterly interim dividend	132.3p
NAV per share as at 30 September 2014 after deducting the quarterly interim dividend	130.5p

1. *Comparatives have been restated to reflect the early adoption of IFRS 10 Consolidated Financial Statements and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).*

2. *Quarterly interim dividends were introduced in the current financial year to 31 March 2015.*

Chairman's Statement

Allenby & Connaught Ministry of Defence accommodation project, England

Chairman's Statement

Introduction

The Company's performance in the six months to 30 September 2014 has met, or in the case of valuations, exceeded our forecasts. The quality of the portfolio and the active asset management undertaken by the Investment Adviser has delivered investment cashflows ahead of budget. The valuation of the portfolio has benefited in part from an uplift in asset prices as a result of increased market appetite for infrastructure projects in general, and operational PFI/PPP investments in the UK in particular.

While this has contributed to strong growth in the net asset value ("NAV") of the Group, it also makes it more challenging to find new investments which deliver returns that meet the investment objectives of the Company.

Nevertheless, the Board is pleased that the Investment Adviser has been able to source a number of new investments on terms which provide incremental value to the portfolio over the long-term and fit within our appetite for risk.

The Company has moved to the payment of quarterly dividends with the second quarterly interim dividend declared on 14 November 2014 and due to be paid on 31 December 2014. The Company is on track to achieve the 7.25p per share annual target dividend for the year to 31 March 2015. Furthermore, the expected performance of the portfolio enables the Board to set a target of 7.40p per share for the year to 31 March 2016.

Financial Results and Performance

Financial Results

As with the accounts for the year to 31 March 2014, the Company has prepared its interim accounts for the period in accordance with IFRS, early adopting IFRS 10, 11 and 12 and the Investment Entity amendments. The Company's financial statements do not consolidate project company subsidiaries and hence closely resemble the pro-forma Investment basis financial reporting which has featured in the interim accounts for prior years. Comparatives for the six months to 30 September 2013 have been restated.

As a result of a good performance from existing investments, coupled with contributions from new acquisitions and the positive impact of valuation uplifts (including the asset the Group has contracted to sell), the profit after tax rose to £131.9m (2013 restated: £71.3m) and earnings per share rose to 10.7p (2013 restated: 6.2p).

Cash received from the portfolio by way of distributions, capital repayments and fees was £63.7m (2013 restated: £52.6m). After Group operating and finance costs, net operating cashflow of £53.9m (2013 restated: £45.1m) covered the interim dividends paid in the six month period 0.9 times (2013: 1.5 times). This fall in the cover ratio is a timing issue due to the move to quarterly dividends, with both a semi-annual and a quarterly interim dividend being paid in the period. On a pro-rata basis, the cover is 1.3 times.

Using the Association of Investment Companies' methodology, the Company's Ongoing Charges Percentage was 1.12% (year to 31 March 2014: 1.15%) on an annualised basis, reflecting further economies of scale.

More details of the financial results are set out in the Financial Results section.

Portfolio Performance

The operational performance of the Group's portfolio was generally in line with projections during the period whilst investment cashflows from the portfolio were ahead of expectations, mainly due to timing differences which are expected to correct in the second half of the year.

The Investment Adviser's asset management team continues to engage actively with all key stakeholders and has been working closely with the project company management teams to ensure services are appropriately delivered and efficiencies are identified and realised.

The period saw the completion of the Group's first investment in Australia for £47m. This contract is an availability PPP concession with the State of Victoria for a desalination plant.

With investment in the N17/18 Road project in Ireland in May, there are now five assets under construction representing 5% of the portfolio by value. The largest, the Allenby and Connaught Ministry of Defence Accommodation project, accounts for 4%, and is materially complete with one building remaining to be finished next year.

Valuation and NAV

The Investment Adviser has prepared a fair market valuation for each investment in the portfolio as at 30 September 2014 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 and the Group's updated economic assumptions.

The Directors have again taken independent third party advice on the valuation carried out by the Investment Adviser and are satisfied with the methodology used, the economic assumptions, the discount rates applied and the revaluation of the investment which the Group has contracted to sell.

The Directors have approved the increased valuation of £1,639.1m for the portfolio of 96 investments as at 30 September 2014 (31 March 2014: £1,500.6m), which includes £8.1m of future investment obligations (£5.1m as at 31 March 2014). The increase was driven by a number of factors, including:

- new acquisitions;
- the performance of the investment portfolio, which included:
  - the benefits from previous accretive acquisitions;
  - the revaluation of certain investments in light of relevant asset specific market data, in part relating to the contracted disposal;
  - a reduction in the weighted average discount rate by 0.2% to 8.0%; and
  - a reduction in the UK tax rate by 1% to 20% from April 2015.

The £50.7m tap issue in June at a premium to the prevailing NAV per share was also value accretive to shareholders.

Overall the NAV per share increased by 7.4p, after deducting the second quarterly interim dividend, to 130.5p at 30 September 2014 (31 March 2014: 123.1p). There were a number of factors contributing to this greater-than-expected growth, the largest of which (uplift of 3.0p per share) was the revaluation of certain investments, including the investment the Group has contracted to sell and the reduction in the weighted average discount rate (uplift of 2.0p per share).

A fuller analysis of the increase in the valuation is detailed in the Investment Adviser's Report.

Acquisitions and Disposals

The Group made three new investments and acquired three incremental stakes in existing projects in the six month period, for a total consideration of £63.7m. Since the period end the Group has acquired a further four incremental stakes for an aggregate consideration of £103.6m. Further details are included in the Investment Adviser's Report.

In the UK, prices obtained in auction processes have often been at levels which do not satisfy the Company's investment return objectives. Greater success has been achieved by investing in projects in which the Group is an existing shareholder. These transactions generally proceed quickly, as only limited due diligence is necessary; and post-acquisition risk is lower due to our existing detailed knowledge of the project.

Although no asset sales were made during the period, the Group remains open to disposals where such transactions would be in shareholders' best interests e.g. where the price being offered exceeds the value the Group could derive from the investment over time, and/or where a sale offers benefits for the composition of the portfolio overall. In such circumstances we might selectively divest and look to reinvest the proceeds in assets that enhance performance.

Since the period end, the Group has contracted to sell an investment, subject to certain consents, the effect of which is partly reflected in the Directors' valuation. We have chosen to dispose of this significant investment in order to optimise the composition of the portfolio and crystallise value that we believe is unachievable through continued ownership. Further details will be announced when the transaction completes.

Capital Raising

In June 2014 the Company issued 37.0m Ordinary Shares by way of a tap issue, raising £50.7m of gross proceeds to repay drawings under the Group's £150m revolving credit facility which had been utilised to finance two acquisitions in May.

Following recent acquisitions, the Group currently has a net funding requirement of £104m which has again been funded by way of drawings under the Group's £150m revolving credit facility. The Company currently has approximately £100m of tap capacity available.

Distributions

The Company moved to a quarterly dividend cycle at the start of the financial year, with a scrip dividend continuing to be offered. Full details of the scrip dividend alternative can be found in the "Scrip Dividend Circular 2014-15" available on the Company's website (www.hicl.com).

The first quarterly interim dividend for the year to 31 March 2015 of 1.81p was paid on 30 September 2014 and, following the declaration of the second quarterly interim dividend of 1.81p on 14 November 2014, the latter will be paid on 31 December 2014.

Governance and Regulation

Frank Nelson was appointed to the Board on 1 June 2014. As a former Finance Director of Galliford Try plc he has considerable experience in the construction, contracting and infrastructure sectors which complements the skills and experience of the other Directors, all of whom are non-executive and independent.

The Board has also spent time with the Investment Adviser reviewing and determining the overall strategy of the Group, in particular the scope of the current investment acquisition strategy. The strategy has been reaffirmed subject to some changes of emphasis which were driven by market conditions, and more detail is set out in the Investment Adviser's Report.

This period saw the introduction of the Alternative Investment Fund Managers Directive ("AIFMD") which came into force following expiry of the one year transitional arrangements in July 2014. I am pleased to report that the Company has registered as a Guernsey domiciled self-managed Alternative Investment Fund via the AIFMD National Private Placement Regime. The Company implemented the changes to processes and procedures to enable the Board to fulfil its prescribed role in the supervision of investment decisions and the management of risk across the Group. Monitoring of risk within the Group has been formalised through the introduction of a Risk Committee, the terms of reference for which may be found on the Company's website.

The Board submitted a National Private Placement notification to the Financial Conduct Authority on 20 August 2014 and Central Bank of Ireland on 7 October 2014 in order to market the Company under the UK and Irish Private Placement regimes, respectively.

The Board are aware of their obligations relating to disclosure and transparency as a result of their private placement notification and will comply with these requirements in the Annual Report for the financial year ending 31 March 2015, and reporting to competent authorities.

Market Developments

As the Company indicated in its Interim Management Statement in July, the secondary market for social and transportation infrastructure continues to attract new investors and this in turn is exerting upward pricing pressure, particularly in the UK where the supply of investments in operational PPP projects has decreased. The primary market pipeline is subdued and unlikely to show increased levels of activity until after the UK general election next year.

One consequence of this supply and demand imbalance has been a reduction of 0.2% in the discount rate used to value operational UK projects which has led to a similar fall in the overall weighted average discount rate.

Markets outside the UK offer potential investment opportunities as their infrastructure procurement programmes continue to develop. Such opportunities will be pursued where the investment return meets the Company's requirements and where there is an appropriate premium for political, fiscal and currency risks.

Risks and Uncertainties

The risks to which the Group is exposed and the strategies employed to manage and mitigate those risks have not changed materially from those set out in detail in section 2.10 of the Company's Annual Report for the year ended 31 March 2014. Any concerns which may have arisen over the Group's 13 investments in Scotland had the country voted for independence have receded; Scottish assets do not attract any additional risk premium in the Directors' valuation over those investments located elsewhere in the UK.

Given the competitive market conditions, the Board and the Investment Adviser continue to impose appropriate pricing and risk appetite disciplines in relation to acquisition opportunities. However, management of the share price premium to NAV per share becomes harder in the current investment climate if new equity is not required. Nevertheless, the Group does not need to make new investments in order to achieve its stated target returns.

The portfolio is performing well and although a small number of the project companies in which the Group invests are experiencing operational challenges, none are considered material to the performance of the portfolio overall.

Over the period, the Directors continued to visit a selection of the Group's investments, attending as an observer at project company board meetings and witnessing first-hand the interaction between the Investment Adviser's asset managers and other project stakeholders. These visits provide valuable insight for the Board in developing its understanding of operational performance and risk.

Looking forward, the OECD's initiative to address base erosion and profit shifting (BEPS) is a key tax priority of governments around the globe and further clarity is likely to appear in consultation documents in early 2015. The Board and the Investment Adviser will continue to monitor developments and currently, it is too early to assess whether the implementation of changes from this initiative will affect the Group or its investments.

In the UK, it is unlikely there will be a fresh or material implementation of the National Infrastructure Plan until after the general election next year. We expect the newly elected government to continue to leverage private sector capital in order to deliver the infrastructure required to enable the economy to grow efficiently.

The Investment Adviser's Report provides more details regarding the sensitivities of the portfolio's valuation to potential changes in discount rates, inflation rates, deposit interest rates and tax.

Outlook

With the demand for investments in secondary infrastructure continuing to exceed the lessening supply, particularly in the UK market, the Board expects further downward pressure on discount rates. Whilst this increases the value of the Group's current portfolio, it also becomes more challenging to secure new investments which are value accretive.

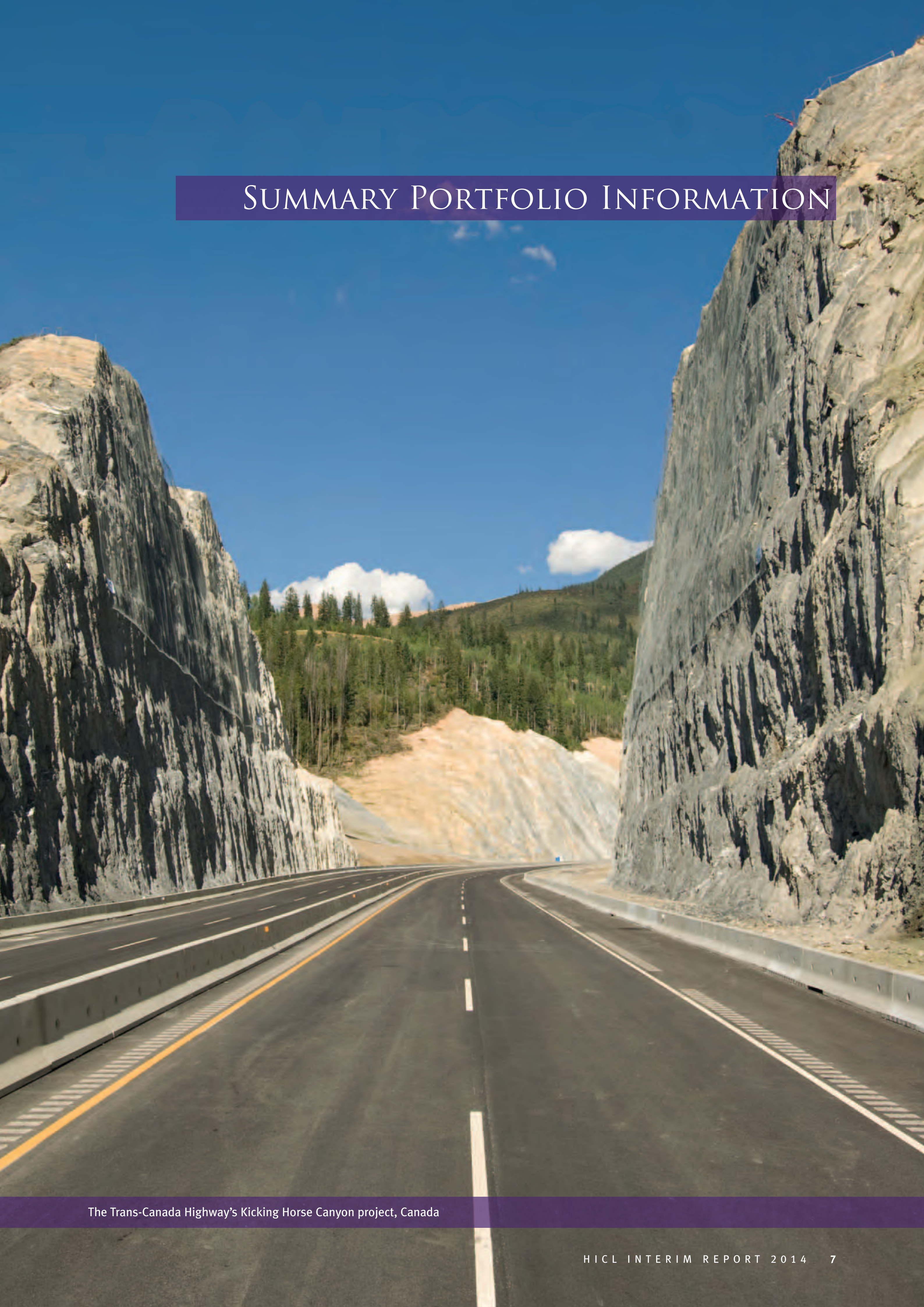
That said, and notwithstanding the competitive market conditions, the Board is confident that the Investment Adviser will be able to seek out new investments through its industry relationships and reputation for effective execution and fair pricing of transactions. The Group currently has a good pipeline of new opportunities in the UK, and internationally, and whilst broader by sector, geography and stage of investment, all of the opportunities we are looking at fit the Company's stated investment objectives. We remain confident that we will be able to acquire further suitable investments for the Group

The attractions of the Group's investment portfolio, coupled with the Company's listed status, market capitalisation and share liquidity, have led to an increase in the proportion of the Company's shares held by pension funds and other long-term investors seeking to match long-term liability profiles with the Company's targeted distributions. The Board is delighted that the shareholder base remains loyal and supportive of the Company's development approach.

It remains the Board's policy that increases in the annual dividend are only appropriate if they are considered sustainable in the long-term. The current portfolio's forecast cashflows provide confidence that the Company can achieve the target 7.25p per share for the year to 31 March 2015, and enable the Board to set a target of 7.40p per share for the following year to 31 March 2016.

Graham Picken
Chairman
18 November 2014

Summary Portfolio Information



The Trans-Canada Highway's Kicking Horse Canyon project, Canada

Company's Key Performance Indicators ("KPIs")

KPI	30 September 2014	30 September 2013	Target
Interim dividends declared for the half year	3.62p per share	3.5p per share	7.10p dividend per share 2014 achieved 7.25p dividend per share 2015 target
Total return in half year (NAV per share growth plus dividends per share)	9.0%	5.8%	7% p.a. IRR as per latest guidance [2]
Total return in half year (share price plus dividends per share)	10.2%	2.7%	7% p.a. IRR as per latest guidance [2]
Total return since IPO (NAV per share plus dividends per share)	9.5% p.a.	8.9% p.a.	7% to 8% p.a. as set out at IPO
Total return since IPO (share price plus dividends per share)	10.4% p.a.	9.4% p.a.	7% to 8% p.a. as set out at IPO
Cash cover in half year	1.3 times [1]	1.5 times	To be cash covered
Ongoing Charges Percentage (annualised)	1.12%	1.15%	To reduce ongoing charges where possible
Weighted average discount rate	8.0%	8.3%	To equate to the market rate
Rebased growth in the half year (annualised)	18.4%	11.6%	To outperform the discount rate
Weighted average portfolio life	21.6 years	22.4 years	Seek to maintain, where possible, by suitable acquisitions
Weighted average life of portfolio project debt	19.6 years	20.9 years	To limit refinancing risk
Ten largest investments as percentage of the portfolio by value	40%	42%	To limit concentration risk
Largest investment (as percentage of portfolio valuation)	6%	7%	To be less than 20%
Inflation correlation of the portfolio	0.6% change in gross return for a 1.0% p.a. change in inflation	0.6% change in gross return for a 1.0% p.a. change in inflation	To maintain current correlation

1. *On a pro-rata basis as the Company moved to quarterly dividends in the period.*
2. *February 2013 prospectus based on 119.5p issue price.*

THE GROUP'S INVESTMENT PORTFOLIO

as at 19 November 2014

Education

Barking & Dagenham Schools	Derby Schools	Highland Schools PPP	Renfrewshire Schools
Boldon School	Ealing Schools	Irish Grouped Schools	Rhondda Schools
Bradford Schools 1	Edinburgh Schools	Kent Schools	Sheffield BSF Schools
Bradford Schools 2	Falkirk NPD	Manchester School	Sheffield Schools
Conwy Schools	Fife Schools	Newport Schools	South Ayrshire Schools
Cork School of Music	Fife Schools 2	North Tyneside Schools	University of Bourgogne
Croydon School	Haverstock School	Norwich Schools	West Lothian Schools
Darlington Schools	Health & Safety Labs	Oldham Schools	Wooldale Centre for Learning
Defence Sixth Form College	Helicopter Training Facility	Perth & Kinross Schools	

Health

Barnet Hospital	Central Middlesex Hospital	Nuffield Hospital	Sheffield Hospital
Birmingham Hospitals	Doncaster Mental Health Hospital	Oxford Churchill Oncology	Staffordshire LIFT
Birmingham & Solihull LIFT	Ealing Care Homes	Oxford John Radcliffe Hospital	Stoke Mandeville Hospital
Bishop Auckland Hospital	South West Hospital, Enniskillen	Pinderfields & Pontefract Hospitals	Tameside General Hospital
Blackburn Hospital	Glasgow Hospital	Queen Alexandra Hospital	West Middlesex Hospital
Blackpool Primary Care Facility	Lewisham Hospital	Redbridge & Waltham Forest LIFT	Willesden Hospital
Brentwood Community Hospital	Medway LIFT	Romford Hospital	
Brighton Hospital	Newton Abbot Hospital	Salford Hospital	

Fire, Law & Order

Addiewell Prison	Greater Manchester Police Stations	South East London Police Stations
Dorset Fire & Rescue	Gloucester Fire & Rescue	Sussex Custodial Centre
D & C Firearms Training Centre	Medway Police	Tyne & Wear Fire Stations
Exeter Crown Courts	Metropolitan Police Training Centre	

Transport

A249 Road	Dutch High Speed Rail Link	N17/N18 Road
A92 Road	Kicking Horse Canyon P3	NW Anthony Henday P3
Connect PFI	M80 Motorway DBFO	RD 901

Accommodation

Allenby & Connaught MoD Accommodation	Health & Safety Headquarters	Newcastle Libraries	Royal School of Military Engineering
AquaSure	Home Office	Northwood MoD HQ	University of Sheffield Accommodation
Colchester Garrison	Miles Platting Social Housing	Oldham Library	

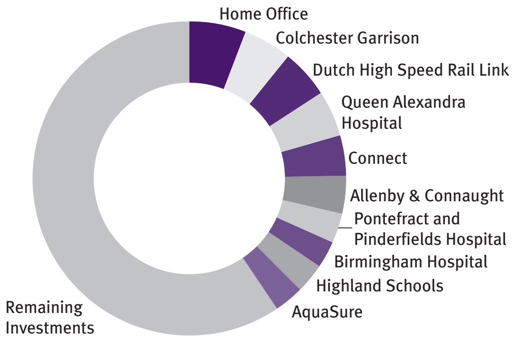
KEY:

Portfolio as at 31 March 2014	Acquired in period to 30 September 2014	Additional stake acquired since 31 March 2014	Additional stake acquired since 30 September 2014

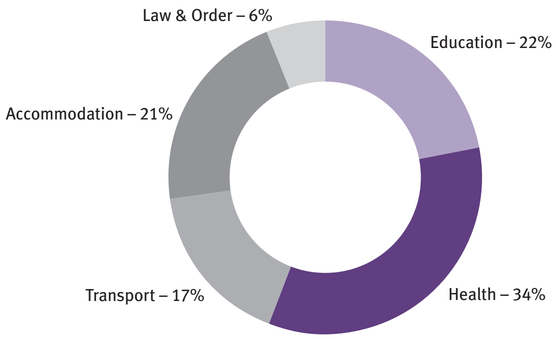
Analysis of the Group's Investment Portfolio

as at 30 September 2014

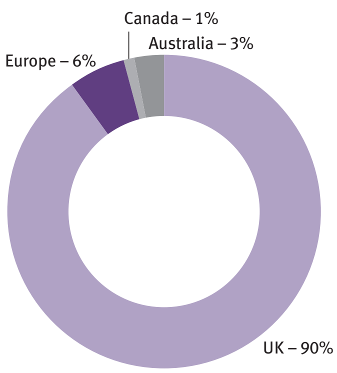
Ten Largest Investments



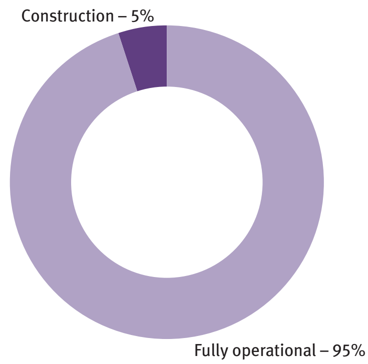
Sector Breakdown



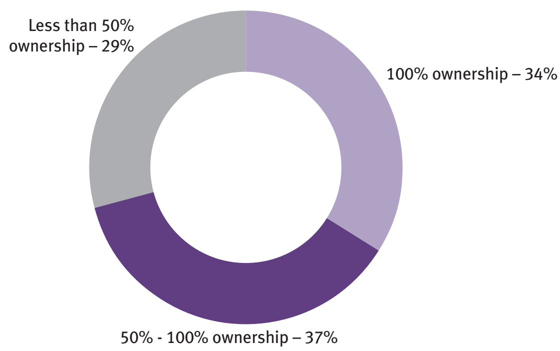
Geographic Analysis



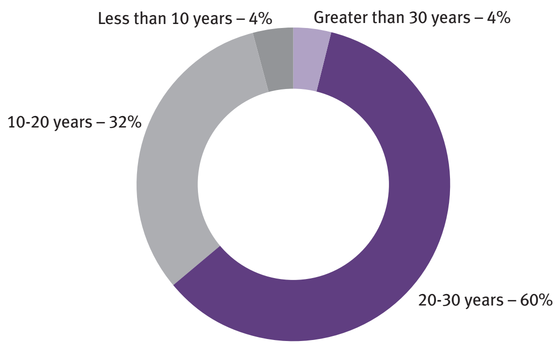
Investment Status



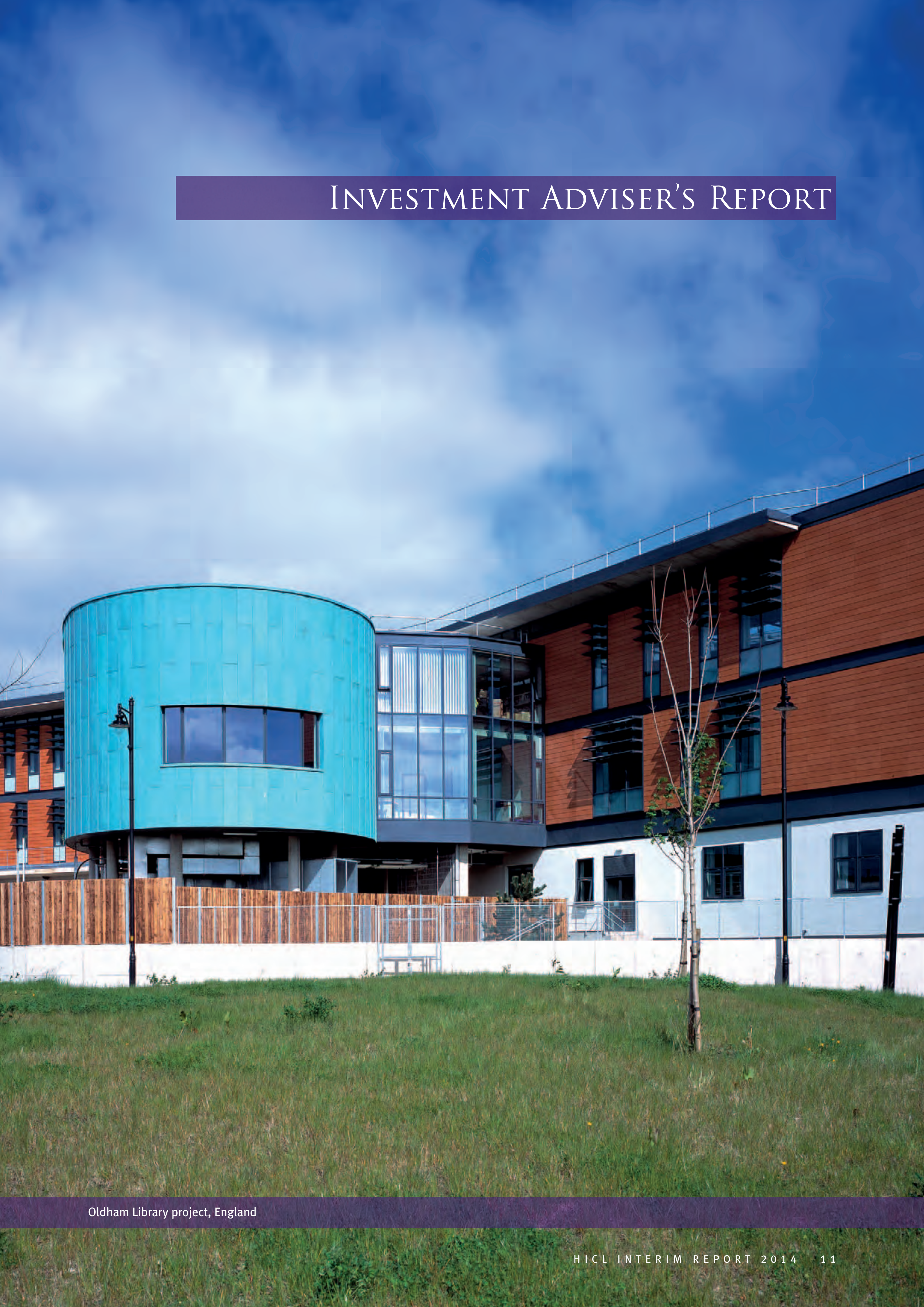
Ownership Analysis



Concession Length Remaining



Investment Adviser's Report



Oldham Library project, England

Investment Adviser's Report

The Investment Adviser

InfraRed Capital Partners Limited ("InfraRed") acts as the Company's Investment Adviser and Operator in respect of the origination of new investments, and the management of the Group's investment portfolio. InfraRed, which is authorised and regulated by the Financial Conduct Authority, has been the Investment Adviser since inception, having sourced and developed the original seed portfolio which was acquired at the time of listing. The investment advisory agreement can be terminated with twelve months' notice.

InfraRed is one of the pioneers in the field of investment in PFI/PPP infrastructure, having advised the UK Government during the formative years of PFI procurement during the late 1990s, before becoming an investor in PFI projects and launching a number of private funds to develop greenfield projects, first in the UK and then internationally. In 2006 it launched the Company, the first listed secondary infrastructure investment company on the London Stock Exchange, and in July 2013 it listed The Renewables Infrastructure Group Limited ("TRIG") which focuses on operational renewable energy infrastructure such as wind farms and solar parks. InfraRed's infrastructure team of around 50 professionals advises on, or manages, £3.5bn of committed equity, through offices in London, New York, Paris and Sydney targeting opportunities across all the developed infrastructure markets.

Portfolio Developments

Current Performance

Acquisitions in the period increased the Group's portfolio to 96 infrastructure investments as at 30 September 2014.

Operational performance was above our projections and generated operating cashflows of £63.7m (2013 restated: £52.6m). After operating and finance costs, net operating cashflow of £53.9m (2013 restated: £45.1m) covered the interim dividends paid in the six month period 0.9 times (2013: 1.5 times). As noted in the Chairman's statement this is lower due to the move to quarterly dividends, with a semi-annual interim dividend of 3.6p per share and a quarterly interim dividend of 1.81p per share paid in the period. On a pro-rata basis, the cash cover is 1.3 times, in line with previous years.

The increase in the total income by £60.2m to £142.3m, which includes the capital value uplift from the Group's portfolio over the period, was attributable principally to new investments, a 0.2% reduction in the weighted average discount rate used to value the portfolio, the benefits from previous accretive acquisitions, the revaluation of certain investments including one the Group has contracted to sell and continued strong performance from the investment portfolio.

Whilst a small number of investments were revalued upwards to reflect comparable evidence in the market, we also revalued one health investment down notably to reflect our assessment of the current operational issues. As reported in the Company's Annual Report and Consolidated Financial Statements for the year to 31 March 2014, the Group has previously revalued down one road project, due to a number of construction and operational problems. Whilst it is too early to be certain, we believe satisfactory settlements will be found on both investments which address the issues.

With the period of ownership of projects increasing, achieving fresh cost savings becomes harder to achieve. However, the Investment Adviser's portfolio and asset management teams continue to generate incremental value, especially from recent acquisitions. We actively explore possibilities for further value enhancement through initiatives which are typically undertaken jointly with clients and sub-contractors. This approach ensures that stakeholders are aligned through the collective sharing of the financial benefit from any upsides generated.

InfraRed is a signatory of the former United Nations Principles of Responsible Investment which is now known simply as Principles of Responsible Investment ("PRI"). As InfraRed's asset managers represent the Group as its nominated directors on each project company, they continue to ensure that the Company's Environmental, Social and Governance principles and practices are being passed down and implemented as far as possible.

With the acquisition of one new asset under construction in the period (see below), the Group has currently five investments in their construction phase. The largest of these, Allenby and Connaught MoD accommodation, representing approximately 4% of the portfolio by value, is substantially complete, with the last remaining building due to be finished in 2015.

Acquisitions

The Group made three new investments and three incremental acquisitions in the period for an aggregate consideration of £63.7m.

As previously noted in the Company's Annual Report and Consolidated Financial Statements for the year to 31 March 2014 the following investments were successfully completed in the period for an aggregate consideration of £52.1m:

- a new investment of a 10% interest in the N17/N18 Gort to Tuam PPP road scheme. The project is located in the Republic of Ireland, and reached financial close in May 2014. It involves the financing, design, construction and operation of a new 57km dual carriageway section of the N17/N18 near Galway for the National Roads Authority of Ireland. Construction of the new road commenced in June 2014 and is expected to be completed at the end of 2017;
- an incremental acquisition of a further 16.7% interest (equity only) in the Miles Platting Social Housing PFI Project in Manchester from Adactus Housing Association Limited; and
- the acquisition of a 5.85% equity stake in the AquaSure Desalination PPP Project near Melbourne in the State of Victoria, Australia. The investment completed at the end of May 2014 following shareholder approval of the acquisition from a fund managed by the Investment Adviser. The Project was procured under the State of Victoria's Partnerships Victoria Policy and is the largest desalination plant in the southern hemisphere capable of producing 444 megalitres of drinking water per day. The project reached financial close in September 2009 and became fully operational in December 2012.

One further new investment was made in the period:

- the acquisition for £6.5m of a 29.2% equity and loan note interest in the Bradford Schools BSF (Phase I) project was completed in May 2014. This investment was identified in the Company's February 2013 Prospectus as one of the Conditional Investments. The project is a 27 year concession for the design, construction, financing and operation of three new secondary schools, along with routine and major lifecycle maintenance for the life of the concession. The client is the City of Bradford Metropolitan District Council and it is fully operational.

The Group also acquired incremental stakes in the following investments for an aggregate consideration of £5.1m:

- a further 19% interest in the Sheffield BSF Schools project from Building Schools for the Future Investments LLP, which takes the Group's ownership to 59%. It is a 27-year PFI concession which involved the design, construction, financing, maintenance and operation of two new secondary schools and one new special educational needs secondary school in Sheffield, on behalf of the Sheffield City Council. The project was signed in July 2007 and has been fully operational since September 2009.
- a further 50% of the Oldham Library PFI project in conjunction with an existing joint venture partner, Kajima Partnerships Limited ("KPL"), from a subsidiary of Kier plc. The Group and KPL have established a new joint venture holding company ("HoldCo") in which the Group has a 90% shareholding. Following the Kier transaction, HoldCo now owns 100% of Oldham Library, increasing the Group's ownership from 50% to 90%. Oldham Library is a 25-year PFI concession which involved the design, construction, financing, maintenance and operation for Oldham Borough Council. The project was signed in May 2004 and has been fully operational since January 2006.

Since the period end the Group has completed four further acquisitions for a combined consideration of £103.6m. These are:

- an incremental 50% interest in the Pinderfields and Pontefract Hospitals PPP Project from Balfour Beatty Infrastructure Investments Limited, a subsidiary of Balfour Beatty plc for £61.5m. The incremental stake takes the Group's ownership stake to 100%. The project involves the financing, design and construction and operation of two hospital facilities for the Mid Yorkshire Hospitals NHS Trust, delivering a combined total of 774 beds. Construction of the new hospital facilities on the two sites was completed in 2011.
- a further 3.4% interest in the AquaSure Desalination PPP Project (described above) for A$46.0m (£25.2m) from a number of private investors taking the Group's overall interest in the project to approximately 9.3%.
- a further interest in the existing primary care projects developed by the Birmingham and Solihull LIFT Company and the Staffordshire LIFT Company ("LIFTCos") which have together successfully developed 26 new health and social care facilities with a total development cost of approximately £210m over the last ten years. The acquisition price was £16.9m. The Group now owns 60% interest in the existing investments, and continues to work with Prime Plc and its development subsidiary to provide new and improved health and social care facilities within the Birmingham and Solihull and Staffordshire areas.

Market Developments and Investment Priorities

Demand from investors for infrastructure investment opportunities continues to grow, with some commentators estimating that there is over US$100bn of equity capital available for investment globally. A portion of this is being targeted at lower risk, operational, social and transportation infrastructure concession projects with availability-based revenue flows which remain a key part of the Company's core investment focus.

The UK has procured over 700 PFI/PPP projects, and this has created continued investor focus in terms of secondary market activity. The number of new secondary investments opportunities is declining, as most investment opportunities have now been acquired by long-term, buy and hold investors, like the Company. With continued investor interest and a reducing supply of new investment opportunities, we have seen prices rising throughout 2014 and currently, there are no signs of this abating. Pricing discipline remains key and all new investments sourced by the Investment Adviser need to complement and add value to the Group's portfolio.

With limited progress being made on the UK Government's National Infrastructure Plan, other than the Priority Schools Building Programme, the supply and demand imbalance in the UK is not expected to change in the near term.

In addition to the UK, we are focusing attention on other developed countries and regions such as Europe, Australia and Canada where relative value on a risk adjusted basis can be higher than in the UK. We are encouraged by the continuing popularity of PPP procurement in these territories and expect to be able to source attractive investment opportunities which fit the Company's investment strategy and offer appropriate returns without compromising on risk. InfraRed's international presence through offices in New York, London, Paris and Sydney provides local platforms to access these opportunities and build on existing relationships as well as developing new ones with potential vendors.

Geographic diversification can be positive for the portfolio but only to the extent that these new investments have the appropriate balance of risk and return, and complement the Group's existing portfolio.

Following a strategic review with the Board in September, the Board has reaffirmed the Company's investment strategy with small changes in emphasis. In terms of geographic focus, our preferred jurisdictions remain the UK, certain countries in Europe, North America, and Australasia. Countries outside these regions might be considered, but only after prior discussion and agreement from the Board.

Whilst operational social and transportation infrastructure assets remain core, other areas of focus include:

- Investments in assets under construction. Currently, only 5% by value of the portfolio is under construction and this could increase without coming close to the cap in the Investment Policy of 35% by value (with other asset categories).
- Investments in transmission lines, particularly like the UK Offshore Transmission lines ("OFTOs") which have availability-type payment mechanisms.
- Investments in transportation projects, where income is from user-paid revenue streams and can be evaluated against good quality operational data and solid investment metrics.

The Board and its Risk Committee review the strategy and risk appetite of the Group on a quarterly basis.

Valuation and Discount Rates

The Investment Adviser is responsible for preparing the fair market valuation of the Group's investments which is presented 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.

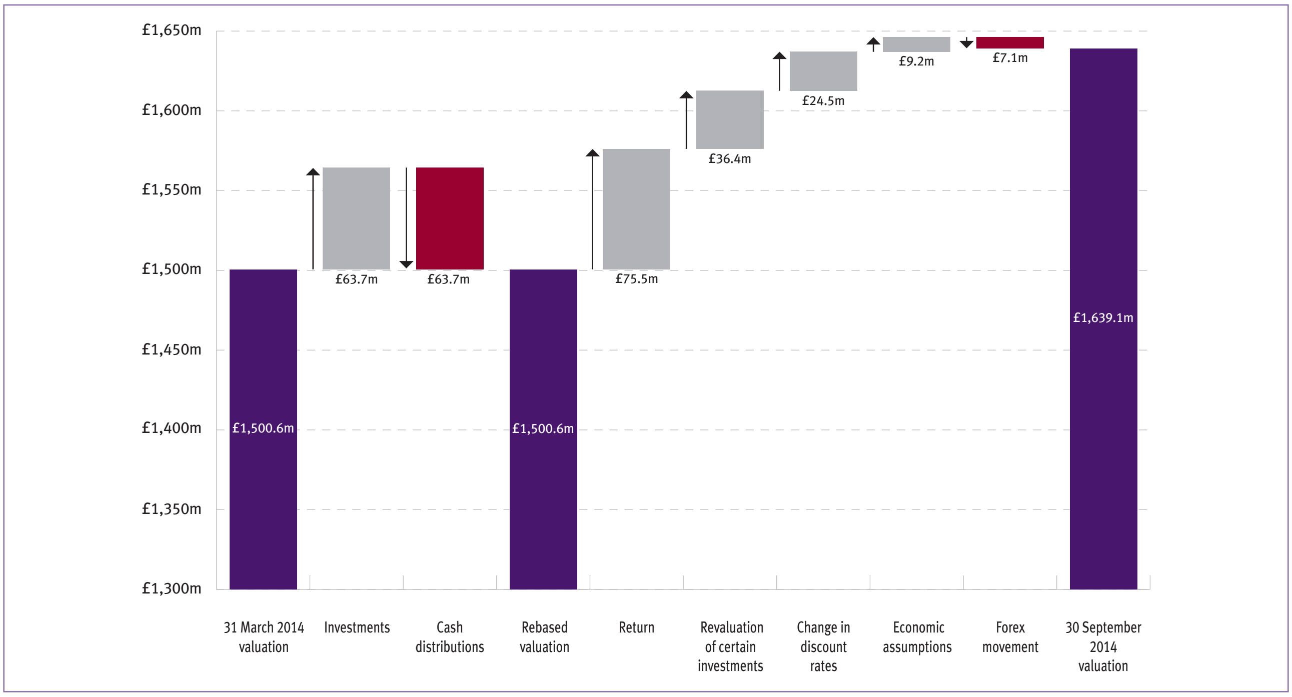
As mentioned earlier the Directors, who are ultimately responsible for the valuation, receive an independent third party report and opinion on these valuations.

For non-market traded investments, the valuation principles used are based on a discounted cash flow methodology, adjusted in accordance with the European Venture Capital Association's valuation guidelines where appropriate to comply with IAS39, given the special nature of infrastructure investments.

This is the same method used at the time of launch and for each subsequent six month reporting period (further details can be found in the February 2013 Ordinary Share prospectus, available from the Company's website).

The Directors' Valuation of the portfolio as at 30 September 2014 is £1,639.1m, compared to £1,500.6m as at 31 March 2014 (up 9.2%). This includes £8.1m of future investment commitments (£5.1m as at 31 March 2014).

Valuation Movement in six months to 30 September 2014



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

Valuation movement during the six months to 30 September 2014		£million	As % of rebased valuation
Valuation at 31 March 2014		**1,500.6**	
Investments	63.7		
Cash receipts from investments	(63.7)		
Rebased valuation of the portfolio		**1,500.6**	
Return	75.5		5.0%
Revaluation of certain investments	36.4		2.4%
Changes in discount rates	24.5		1.6%
Change in the UK tax rate	9.2		0.6%
Forex movement on Euro & CAD$	(7.1)		(0.5%)
	138.5		
Valuation at 30 September 2014	**1,639.1**		**9.2%**

After taking into account acquisitions and cash distributions in the period of £63.7m, the growth over the rebased valuation of £1,500.6m at 31 March 2014 was 9.2%. This increase is driven by the return of £75.5m from the portfolio, £61.5m of which is due to the unwinding of the discount rate complemented by positive contributions from value accretive acquisitions in previous periods and, as discussed earlier, £36.4m from the net upward revaluation of certain investments where data is available on relevant market transactions and from the revaluation of the investment the Group has contracted to sell.

Further growth of £24.5m was derived from a 0.2% reduction in the weighted average discount rate. There was also a £9.2m benefit from the reduction in the UK rate of corporation tax with effect from April 2015, albeit this was partly offset by £7.1m of foreign exchange losses (which at the Group level is reduced to a £2.9m loss after gains from the Group's hedging arrangements).

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, as amended to reflect known or expected changes to future cashflows.

Discount rates

The discount rates used for valuing each 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 2013	7.9% to 10.0%	8.3%
31 March 2014	7.8% to 11.0%	8.2%
30 September 2014	**7.6% to 11.0%**	**8.0%**

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 in our markets and publicly available information on relevant transactions.

An analysis of the movements in the weighted average government bond yield (being in the case of the UK the average of the 20 and 30 year rates, and for other countries being the longest duration bond rates that match the concession lengths remaining) and risk premium for the assets is shown below:

Rate	30 September 2014	31 March 2014	Movement
Government Bond yield	2.9%	3.3%	(0.4%)
Risk premium	5.1%	4.9%	0.2%
Discount Rate	**8.0%**	**8.2%**	**(0.2%)**

As outlined in the Company's Interim Management Statement in July 2014, increasing competition from new investors is providing upwards pressure on pricing, especially in the UK, resulting in the 0.2% reduction in the weighted average discount rate for the period. This was despite the reduction in the Government Bond yields 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 2014	31 March 2014	Movement
Operational phase	8.0%	8.2%	(0.2%)
Construction phase	8.9%	8.9%	0.0%
Portfolio	**8.0%**	**8.2%**	**(0.2%)**

The weighted average discount rate to reflect market pricing for operational assets is 8.0% which is 0.2% lower than the beginning of the period. The discount rates applied to value assets in construction range from 8.8% to 11.0%.

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

	30 September 2014			31 March 2014	Movement
Country	Government Bond yield	Risk premium	Discount rate		
UK	3.0%	5.0%	8.0%	8.2%	(0.2%)
Australia	3.8%	4.5%	8.3%	n/a	n/a
Canada	2.6%	5.1%	7.7%	7.9%	(0.2%)
France	2.2%	8.4%	10.6%	10.6%	–
Holland	1.8%	6.3%	8.1%	8.3%	(0.2%)
Ireland	1.9%	7.0%	8.9%	9.0%	(0.1%)
Portfolio	**2.9%**	**5.1%**	**8.0%**	**8.2%**	**(0.2%)**

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

Valuation Assumptions

Discount Rate Sensitivity

The determination of 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 which 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 8.0% 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	+£79.8m	£1,639.1m	-£73.9m
Implied change in NAV per Ordinary Share [1]	+6.4p/share		-5.9p/share

1. NAV per share based on 1,248m Ordinary Shares issued and outstanding as at 30 September 2014.

Inflation Rates

The social and transportation infrastructure projects in the portfolio have contractual income streams with public sector clients which are rebased every year for the change in 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 2014. For non-UK investments, long-term CPI of 2.0% per annum is used for Holland, Ireland and Canada and 2.5% for Australia.

A change to the inflation rate of plus or minus 0.5% has the following effect on the valuation:

Inflation assumption [1]	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Directors' valuation	-£45.6m	£1,639.1m	+£49.8m
Implied change in NAV per Ordinary Share [2]	-3.7p/share		+4.0p/share

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

2. NAV per share based on 1,248m Ordinary Shares issued and outstanding as at 30 September 2014.

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 8.0% (being the weighted average discount rate) to 8.6% (based on an analysis of the 20 largest investments, which is extrapolated for the whole portfolio).

Deposit Rates

Each project in the portfolio has cash held in bank deposits, which is a requirement of its senior debt financing. As at 30 September 2014 cash deposits for the portfolio were earning interest at a rate of 0.4% per annum on average.

The Directors' valuation at 30 September 2014 assumes UK deposit interest rates are 1% p.a. to March 2018 and 3.5% p.a. thereafter. These rates and timings remain the same as those applied in the March 2014 valuation.

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.

A change to the deposit rate of plus or minus 0.5% has the following effect on the valuation:

Cash deposit rate Base case is 1.0% p.a. until March 2018, then 3.5% p.a. thereafter [1]	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Directors' valuation	-£19.1m	£1,639.1m	+£18.6m
Implied change in NAV per Ordinary Share [2]	-1.5p/share		+1.5p/share

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

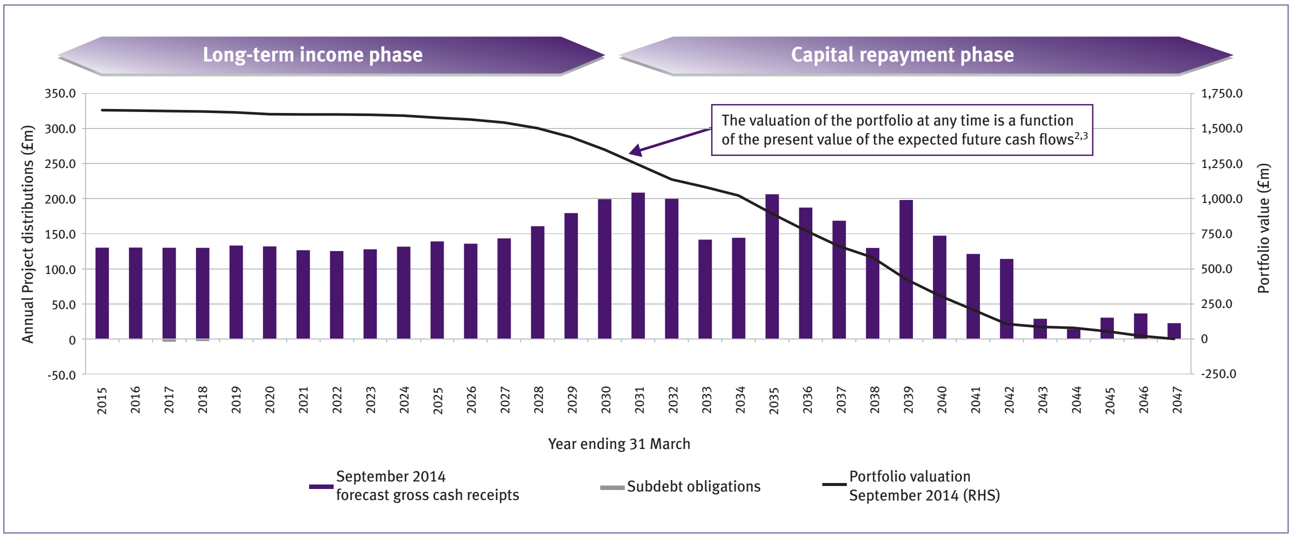
2. NAV per share based on 1,248m Ordinary Shares issued and outstanding as at 30 September 2014.

Tax Rates

The profits of each UK project company are subject to UK corporation tax. On 1 April 2014 the prevailing rate of corporation tax fell 2% to 21%, and this was the UK corporation tax assumption for the portfolio valuation at 31 March 2014. As the legislation is enacted to lower the UK corporation tax rate by 1% to 20% from 1 April 2015, the UK corporation tax assumption for the portfolio valuation at 30 September 2014 has been lowered to 20% for all periods from 1 April 2015 onwards.

FUTURE CASHFLOWS

The chart below sets out the expected future cashflows to be received by the Group from the portfolio as at 30 September 2014 and how the portfolio valuation is expected to evolve over time using current forecasts and assumptions, and comparing this to the previous forecast as at 31 March 2014.



Source: Investment Adviser

1. *The chart represents a target only and is not a profit forecast. There can be no assurance that this target will be met.*
2. *Portfolio valuation assumes a Euro to Sterling exchange rate of 0.78, a Canadian dollar to Sterling exchange rate of 0.55, an Australian dollar to Sterling exchange rate of 0.54 and a weighted average discount rate of 8.0% per annum. These assumptions and the valuation of the current portfolio may vary over time.*
3. *The cashflows and the valuation are from the portfolio of 96 investments as at 30 September 2014 and do not include other assets or liabilities of the Group, and assume that during the period illustrated above (i) no new investments are purchased, (ii) no existing investments are sold and (iii) the Group suffers no material liability to withholding taxes, or taxation on income or gains.*

The chart shows the steady long-term nature of the cashflows from the portfolio, coupled with a stable portfolio valuation to 2030. The benefit of the new investments made in the six month period, increasing forecast cashflows and the valuation over time is also shown. From 2030, based on current forecasts, the portfolio will move into a repayment phase whereby cash receipts from the portfolio will be paid to the Company's shareholders and the portfolio valuation reduces as projects reach the end of their concession term, assuming that the proceeds are not invested in new investments, until 2047 when the last concession ends.

FINANCING

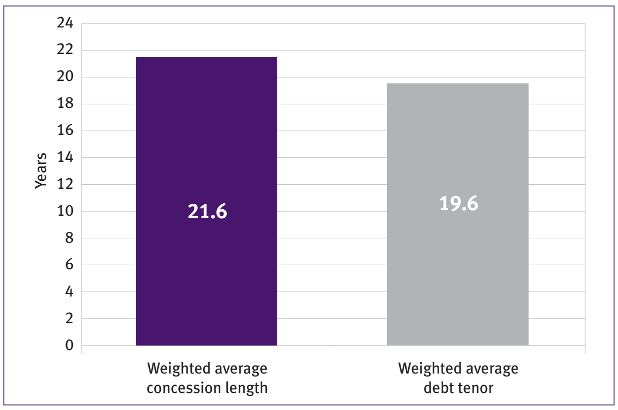
The strategy is to use the Group's £150m revolving debt facility to fund new acquisitions, to provide letters of credit for future investment obligations, and, if appropriate, to provide a prudent level of debt for the portfolio to improve the operational gearing. This acquisition financing is then repaid through tap issuance or, where the annual tap capacity limit of 10% of shares in issue is fully utilised, through the issue of new shares accompanied by a full prospectus.

In June the Group raised £50.7m of gross proceeds through tap issuance of 37m shares to repay drawings under the debt facility, utilised for acquisitions made in May. As noted in the Chairman's statement the Company has a net current funding requirement of £104m as at 19 November 2014 and unutilised tap capacity of 70m shares representing approximately £100m of capital.

There continues to be good take-up of the scrip dividend alternative by shareholders with 2.6m new Ordinary Shares being issued in June 2014 and a further 1.3m shares at the end of September for the first quarterly interim dividend.

Every project in the portfolio has project specific debt in place. All are long-term debt financing, with the exception of AquaSure which requires refinancing, in a series of tranches, to meet its business plan. As at 30 September 2014 the weighted average project concession length remaining is 21.6 years (31 March 2014: 22.0 years) and the weighted average debt tenor is 19.6 years (31 March 2014: 20.3 years). Excluding AquaSure, the weighted average debt tenor is 20.1 years.

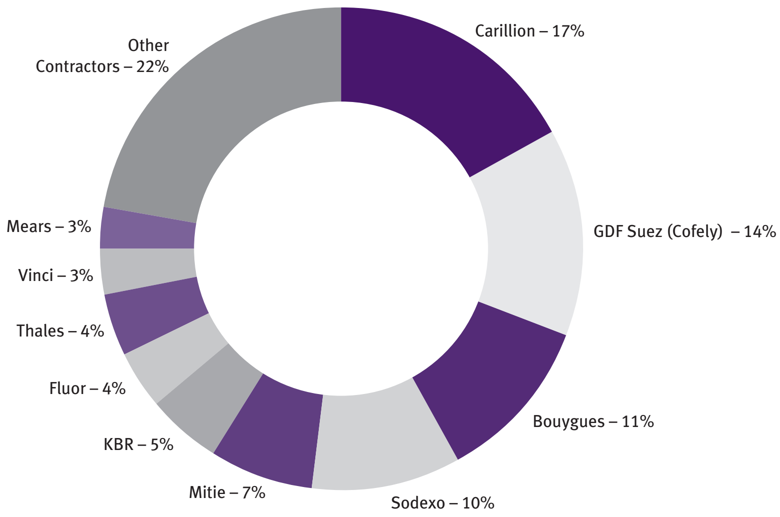
Weighted Averages



Counterparty Exposures

All the infrastructure projects in the portfolio have clients that 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 six months have provided greater diversification of this supply chain.

Spread of Key Contractors Providing Operational Services to Projects in the Portfolio



1. *By value, as at 30 September 2014, using Directors' valuation.*
2. *Ten largest exposures shown.*
3. *Where a project has more than one operations contractor in a joint and several contract, the better credit counterparty has been selected (based on analysis by the Investment Adviser).*
4. *Where a project has more than one operations contractor, not in a joint and several contract, the exposures is split equally among the contractors, so the sum of the pie segments equals the Directors' valuation.*
5. *At 30 September 2014 there were five projects in the portfolio that are in construction, representing c.5% of the portfolio by value.*

On a quarterly basis we review, and report to the Board, 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 main facilities management contractors. The largest exposure by value as at 30 September 2014 was to Carillion plc and/or its subsidiaries.

Financial Results

Dutch High Speed Rail Link project, Holland

Financial Results

Accounting

For the year ending 31 March 2014 onwards the Company has adopted IFRS 10, 11 and 12 as well as Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27. These revised accounting standards require the Company to prepare IFRS financial statements which do not consolidate project subsidiaries, in a similar manner to the pro-forma Investment basis tables that the Company prepared in previous Interim Financial Statements.

The Company and its advisers have concluded that these revised standards improve stakeholders' understanding of the financial performance and position of the Group. In particular they 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.

This change in accounting has had a material impact on the Consolidated Group's financial statements as described in Note 2(b) to the financial statements, and relevant 30 September 2013 comparatives have been restated accordingly.

Summary Income Statement

	Six months to 30 September 2014	Six months to 30 September 2013
		Restated
	£million	*£million*
Total Income [1]	142.3	82.1
Fund expenses & finance costs	(10.3)	(10.7)
Profit/(loss) before tax	**132.0**	**71.4**
Tax	(0.1)	(0.1)
Earnings	**131.9**	**71.3**
Earnings per share	**10.7p**	**6.2p**

1. Includes forex hedging movement of £4.2m gain (2013: £3.0m gain).

Total Income has increased 73% to £142.3m (2013 restated: £82.1m) which represents the return from the portfolio recognised in the income statement from dividends, sub-debt interest and valuation movements. The drivers for the increase are contributions from acquisitions, uplift from the contracted disposal combined with a 1% reduction in UK corporation tax rate and a 0.2% reduction in the weighted average discount rate applied in the Directors' valuation supported by continued outperformance from the portfolio. Further detail on the valuation movements is given in the Investment Adviser's Report.

Foreign exchange movements have not materially impacted profits as a £7.1m foreign exchange loss (2013 restated: £3.3m loss) on revaluing the non-UK assets in the portfolio using 30 September 2014 exchange rates has been offset by £4.2m foreign exchange hedging gains (2013 restated: £3.0m gain).

Earnings were £131.9m, an increase of £60.6m against the prior period. This reflected growth primarily due to the factors stated above which drove income higher as fund expenses and finance costs were relatively static at £10.3m compared with £10.7m in the prior period. Earnings per share were 10.7p (2013 restated: 6.2p) as a result of the strong increase in revenue but with only a modest growth in the equity base (41.0m new shares issued in the period representing a 3.4% increase on the shares outstanding as at 31 March 2014).

Cost Analysis

	Six months to 30 September 2014	Six months to 30 September 2013
		Restated
	£million	*£million*
Interest expense	1.0	0.9
Investment Adviser fees	8.3	8.9
Auditor – KPMG – for the Group	0.1	0.1
Directors fees & expenses	0.1	0.1
Investment bid costs	0.2	0.1
Professional fees	0.5	0.5
Other expenses	0.1	0.1
Expenses & finance costs	10.3	10.7

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) were £8.3m (2013: £8.9m) for the period, comprising the 1.1% per annum management fee for assets up to £750m, 1.0% for assets above £750m, 0.9% for assets above £1.5bn and 0.8% for assets above £2.25bn, a 1.0% fee on acquisitions made from third parties, and the £0.1m per annum advisory fee.

The reduction in the Investment Adviser's fees is due to lower acquisition fees of £0.1m (2013: £1.8m) and the removal of the incremental fee charged for assets in construction from 1 April 2014 partly offset by increased fees from a larger portfolio.

In the period, the Group incurred £0.2m of third party bid costs (2013: £0.1m) on unsuccessful bids (mainly legal, technical and tax due diligence).

Neither the Investment Adviser nor any of its affiliates receives other fees from the Group or the Group's portfolio of investments.

Ongoing Charges ('OCs')

	Six months to 30 September 2014 *£million*	Six months to 30 September 2013 Restated *£million*
Investment Adviser [1]	8.2	7.1
Auditor – KPMG – for the Group	0.1	0.1
Directors' fees and expenses	0.1	0.1
Other ongoing expenses	0.5	0.6
Total expenses	8.9	7.9
Average NAV	1,590.4	1,377.0
Ongoing Charges Percentage	1.12%	1.15%

1. Excludes acquisition fees of £0.1m (2013: £1.8m).

Ongoing Charges in accordance with AIC guidance is defined as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted net asset value in the period. On this basis, the Ongoing Charges percentage is 1.12% (2013: 1.15%) with the reduction arising from further scale economies as the Company grows in size. There are no performance fees paid to any service provider.

Balance Sheet

Summary Balance Sheet

	30 September 2014 *£million*	31 March 2014 *£million*
Investments at fair value	**1,631.0**	**1,495.5**
Working capital	(6.7)	(8.7)
Net cash/(borrowings)	26.9	42.7
Net assets attributable to Ordinary Shares	**1,651.2**	**1,529.5**
NAV per Ordinary Share (before distribution)	132.3p	126.7p
NAV per Ordinary Share (post distribution)	130.5p	123.1p

Investments at fair value were £1,631.0m (March 2014: £1,495.5m) net of £8.1m of future investment obligations on the RD901 Road, University of Bourgogne and N17/18 Road projects (March 2014: £5.1m). This is an increase from 31 March 2014 of £135.5m. Further detail on the movement in Investments at fair value is given in the Valuation section of the Investment Adviser's Report.

The Group had net cash at 30 September 2014 of £26.9m (31 March 2014: net cash of £42.7m) which covers the 1.81p second quarterly interim dividend of £23m due for payment at the end of December 2014. An analysis of the movements in net cash is shown in the cashflow analysis below.

NAV per share was 132.3p before the 1.81p distribution (31 March 2014: 126.7p). NAV per share has increased by 0.3p more than retained earnings per share over the period as a result of the 37m shares issued at a premium in June 2014.

Analysis of the Growth in NAV per Share

Pence per share			
NAV per share at 31 March 2014 [1]			**123.1p**
Valuation movements			
Reduction in discount rates of 0.2%	2.0p		
Reduction in UK tax rates by 1%	0.7p		
		2.7p	
Portfolio Performance			
Expected NAV growth	0.4p		
Revaluation of certain investments	3.0p		
Project outperformance	1.0p		
		4.4p	
Accretive Tap Issuance of shares		0.3p	
Total		**7.4p**	
NAV per share at 30 September 2014 [1]			**130.5p**

1. Post interim dividend declared.

Cashflow Analysis

Summary Cash Flow

		Six months to 30 September 2014 *£million*		**Six months to 30 September 2013 Restated** *£million*
Net cash at start of period		42.7		144.9
Cash from investments	63.7		52.6	
Operating and finance costs outflow	(9.8)		(7.5)	
Net cash inflow before acquisitions/financing		**53.9**		**45.1**
Cost of new investments		(61.3)		(213.2)
Share capital raised net of costs		50.3		84.9
Forex movement on borrowings/hedging		1.8		2.2
Distributions paid:				
Relating to operational investments	(56.8)		(29.2)	
Relating to investments in construction	(3.7)		(0.9)	
Distributions paid		(60.5)		(30.1)
Net cash at end of period		**26.9**		**33.8**

Cash inflows from the portfolio increased to £63.7m (2013 restated: £52.6m). The growth in cash generation was driven by contributions from acquisitions combined with active cash management across the portfolio.

Cost of investments of £61.3m (2013: £213.2m) represents the cash cost of the three new investments and the three incremental acquisitions and acquisition costs of £0.4m (2013: £2.6m).

The £1.8m cash inflow (2013: £2.2m cash inflow) in foreign exchange rate hedging arises from the strengthening of the Euro against Sterling in the year. The Group enters forward sales to hedge forex exposure on all its foreign investments, in line with the Company's hedging policy.

The placing of 37.0m Ordinary Shares via a tap issue in June 2014 provided net cash receipts in the year of £50.3m (2013: £84.9m).

As noted in the 2014 Annual Report, the Company has moved to a quarterly dividend cycle with the expectation that each interim dividend will be broadly equal in size and will be declared in July, November, February and May, with corresponding payments at the ends of September, December, March and June.

Dividends paid increased £30.4m to £60.5m (2013: £30.1m) for the period (being the payment of the second interim dividend for the year ended 31 March 2014 of 3.60p in June 2014 and the payment of the first quarterly dividend for the year to 31 March 2015 of 1.81p per share on 30 September 2014). Consequently on a proforma basis this figure would have been approximately £40m (being two quarterly interim dividends declared of 1.81p for the period). These two quarterly interim dividends represent a total of 3.62p per share (2013: 3.50p).

Dividend cash cover, which compares operational cash flow of £53.9m (2013: £45.1m) to dividends attributable to operational assets was 0.9 times, and on a proforma basis (see above regarding the move to quarterly interim dividends), was approximately 1.3 times (2013: 1.5 times). The proportion of the total dividend attributable to operational assets (93.9%) and construction assets (6.1%) is based on their respective share of the portfolio valuation during the period.

Gearing

The Group's committed financing comprises a £150m revolving credit facility provided by Royal Bank of Scotland, National Australia Bank, Lloyds Bank and Sumitomo Mitsui Banking Corporation which expires in May 2016. 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 2014, the Group had £8.1m letters of credit drawn under the facility. For the purposes of the Level 2 measures of the Alternative Investment Fund Managers Directive, this does not constitute substantial leverage.

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

Foreign Exchange Hedging

Foreign exchange risk from non-Sterling assets has been managed by hedging investment income from overseas assets through the forward sale of the respective foreign currency (for up to 24 months) combined with balance sheet hedging through the forward sale of Euros and Canadian dollars and by debt drawings under the Group's credit facility. This has minimised the volatility in the Group's NAV from foreign exchange movements. The hedging policy is designed to provide confidence in the near term yield and to limit NAV per share sensitivity to no more than 1.0p for a 10% forex movement.

Consolidated Financial Statements

Bradford Schools BSF (Phase 1) project, England

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, comprising the Chairman's Statement, Investment Adviser's Report and Financial Results, 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
18 November 2014

Independent Review Report to HICL Infrastructure Company Limited

Introduction

We have been engaged by HICL Infrastructure Company Limited (the "Company") to review the condensed set of financial statements in the interim report for the six months ended 30 September 2014 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 explanatory 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 Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

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

As disclosed in 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 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 UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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 six months ended 30 September 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Steven D. Stormonth
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 1WR

18 November 2014

Condensed Unaudited Consolidated Income Statement

for the six months ended 30 September 2014

	Note	Six months ended 30 September 2014 Unaudited *£million*	Six months ended 30 September 2013 Unaudited Restated* *£million*
Investment income	*4*	138.1	79.0
Total income		138.1	79.0
Fund expenses	*5*	(9.3)	(9.8)
Profit before net finance costs and tax		128.8	69.2
Finance costs	*6*	(1.0)	(0.9)
Finance income	*6*	4.2	3.1
Profit before tax		132.0	71.4
Income tax expense	*7*	(0.1)	(0.1)
Profit for the period		131.9	71.3
Attributable to:			
Equity holders of the parent		131.9	71.3
		131.9	71.3
Earnings per share – basic and diluted *(pence)*	*8*	10.7	6.2

All results are derived from continuing operations. There is no other comprehensive income or expense apart from those disclosed above. The Notes on pages 32 to 43 form an integral part of the financial statements.

* *Comparative information, including relevant Notes, has been restated as a result of applying IFRS 10, including Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). See Note 2 (b) for details.*

Condensed Unaudited Consolidated Balance Sheet

as at 30 September 2014

	Note	30 September 2014 Unaudited *£million*	31 March 2014 Audited *£million*
Non-current assets			
Investments at fair value through profit or loss	*11*	1,631.0	1,495.5
Total non-current assets		1,631.0	1,495.5
Current assets			
Trade and other receivables		0.8	1.1
Other financial assets		2.6	0.8
Cash and cash equivalents		26.9	42.7
Total current assets		30.3	44.6
Total assets		1,661.3	1,540.1
Current liabilities			
Trade and other payables		(10.1)	(10.1)
Other current financial liabilities		–	(0.5)
Total current liabilities		(10.1)	(10.6)
Total liabilities		(10.1)	(10.6)
Net assets		1,651.2	1,529.5
Equity			
Ordinary Share capital	*12*	0.1	0.1
Share premium	*12*	1,165.9	1,110.0
Retained reserves		485.2	419.4
Total equity attributable to equity holders of the parent		1,651.2	1,529.5
Total equity		1,651.2	1,529.5
Net assets per Ordinary Share *(pence)*	*9*	132.3	126.7

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 18 November 2014, 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 2014

	Year ended 30 September 2014		
	Attributable to equity holders of the parent		
	Share capital and share premium *£million*	**Retained reserves** *£million*	**Total shareholders' equity** *£million*
Shareholders' equity at 31 March 2014	1,110.1	419.4	1,529.5
Profit for the period	–	131.9	131.9
Distributions paid to Company shareholders in cash	–	(60.5)	(60.5)
Distributions paid to Company shareholders by scrip issue	–	(5.6)	(5.6)
Total distributions paid to Company shareholders in the period	–	(66.1)	(66.1)
Ordinary Shares issued for cash	50.7	–	50.7
Ordinary Shares issued for scrip dividend	5.6	–	5.6
Total Ordinary Shares issued in the period	56.3	–	56.3
Costs of Ordinary Shares issued	(0.4)	–	(0.4)
Shareholders' equity at 30 September 2014	1,166.0	485.2	1,651.2

	Year ended 30 September 2013 (Restated)*		
	Attributable to equity holders of the parent		
	Share capital and share premium *£million*	**Retained reserves** *£million*	**Total shareholders' equity** *£million*
Shareholders' equity at 31 March 2013	992.5	342.2	1,334.7
Profit for the period	–	71.3	71.3
Distributions paid to Company shareholders in cash	–	(30.1)	(30.1)
Distributions paid to Company shareholders by scrip issue	–	(4.8)	(4.8)
Total distributions paid to Company shareholders in the period	–	(34.9)	(34.9)
Ordinary Shares issued for cash	86.0	–	86.0
Ordinary Shares issued for scrip dividend	4.7	–	4.7
Total Ordinary Shares issued in the period	90.7	–	90.7
Costs of Ordinary Shares issued	(0.6)	–	(0.6)
Shareholders' equity at 30 September 2013	1,082.6	378.6	1,461.2

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

* *Comparative information, including relevant Notes, has been restated as a result of applying IFRS 10, including Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). See Note 2 (b) for details.*

Condensed Unaudited Consolidated Cash Flow Statement

for the six months ended 30 September 2014

	Six months ended 30 September 2014 Unaudited *£million*	Six months ended 30 September 2013 Restated* *£million*
Cash flows from operating activities		
Profit before tax	132.0	71.4
Adjustments for:		
Investment income	(138.1)	(79.0)
Finance costs	1.0	0.9
Finance income	(4.2)	(3.1)
Operator acquisition investment fees	0.1	1.8
Operating cash flow before changes in working capital	(9.2)	(8.0)
Changes in working capital:		
Decrease in receivables	0.2	1.9
Decrease in payables	(0.4)	(0.9)
Cash flow from operations	(9.4)	(7.0)
Interest received on bank deposits	–	0.1
Interest paid	(0.4)	(0.5)
Corporation tax paid	–	(0.1)
Interest received on investments	37.6	35.5
Dividends received	19.9	12.2
Fees and other operating income	4.1	3.0
Loanstock and equity repayments received	2.1	1.9
Net cash from operating activities	53.9	45.1
Cash flows from investing activities		
Purchases of investments	(61.3)	(213.2)
Net cash used in investing activities	(61.3)	(213.2)
Cash flows from financing activities		
Proceeds from issue of share capital	50.3	84.9
Proceeds from issue of loans and borrowings	55.5	57.1
Repayment of loans and borrowings	(55.5)	(85.6)
Distributions paid to Company shareholders	(60.5)	(30.1)
Net cash (used in)/from financing activities	(10.2)	26.3
Net decrease in cash and cash equivalents	(17.6)	(141.8)
Cash and cash equivalents at beginning of period	42.7	172.9
Exchange gains on cash	1.8	2.7
Cash and cash equivalents at end of period	26.9	33.8

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

* *Comparative information, including relevant Notes, has been restated as a result of applying IFRS 10, including Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). See Note 2 (b) for details.*

Notes to the Condensed Unaudited Consolidated Financial Statements

for the six months ended 30 September 2014

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 2014 comprise the Company and its consolidated subsidiaries (together referred to as "the Consolidated Group"). The Consolidated Group invests in infrastructure projects in the United Kingdom, Canada, Europe and Australia.

As a result of changes in International Financial Reporting Standards ("IFRS") there has been a significant change in the way the Company presents its consolidated financial statements. In its March 2014 Annual Report and Consolidated Financial Statements, the Company early adopted IFRS 10, 11 and 12 as well as early adopted Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS27). These amendments require that entities categorised as "Investment Entities" exclude certain investments from consolidation. The impact of this amendment, which requires the Company to recognise its investments as Investments at fair value through profit or loss, is described in more detail in Note 2(b).

These changes have resulted in a number of entities that were previously consolidated into the financial statements not being consolidated in these financial statements and in the opinion of the Directors this presents the financial statements in a more consistent manner with the objectives and commercial substance of the Consolidated Group's investments.

At 31 March 2014, Infrastructure Investments Holdings Limited was included in the Consolidated Group. The involvement of Infrastructure Investments Holdings Limited in bidding activities has changed since 31 March 2014 such that it is no longer eligible for consolidation by the Company and therefore no longer forms part of the Consolidated Group, effective from 1 April 2014.

In September 2014, the Company provided feedback to the International Accounting Standards Board ("IASB") on the Exposure Draft for the proposed amendments to IFRS 10 in relation to Investment Entities. The IASB has tentatively decided to accept the proposed amendments which will require investment entities to measure at fair value, rather than consolidate, subsidiaries that are in themselves investment entities although this will only apply to the Company after EU endorsement. The potential impact on the Company's financial statements is unclear at this point.

The statutory accounts for the year ended 31 March 2014 were approved by the Directors on 21 May 2014 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

(a) Basis of preparation

The interim financial statements were approved by the Board of Directors on 18 November 2014.

The Company's annual financial statements are prepared using accounting policies in compliance with the recognition and measurement requirements of IFRS as adopted by the European Union ("EU"). The condensed financial statements included in this report have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting'. The interim consolidated financial statements have also been prepared in accordance with the Disclosure and Transparency Rules ("DTR") of the UK's Financial Conduct Authority ("FCA").

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 Consolidated 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 Directors believe that the Consolidated Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing 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 Consolidated Group's financial statements for the year ended 31 March 2014.

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

(b) Comparatives

Comparatives have been restated to reflect the early adoption of IFRS10 Consolidated Financial Statements and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS27).

The impact of adopting the amended Investment Entities standard is that a number of entities consolidated in previous periods are no longer consolidated and as a result the profit after tax has increased by £26.4 million for the six month period to 30 September 2013.

Below are reconciliations for the Condensed consolidated income statement and Condensed consolidated cash flow showing the results as reported originally for 30 September 2013 compared to the restated results for 30 September 2013.

The movements shown in the adjustments column are all as a result of the adoption of IFRS 10 and Investment Entities (Amendments to IFRS10, IFRS 12 and IAS 27).

2. KEY ACCOUNTING POLICIES *(continued)*

RESTATED UNAUDITED CONSOLIDATED INCOME STATEMENT

Six months ended 30 September 2013	Original £million	Adjustments £million	Restated £million	
Services revenue	129.0	(129.0)	–	Services revenue
Gains on finance receivables	(79.2)	79.2	–	Gains on finance receivables
Gains/(loss) on investments	52.8	26.2	79.0	Investment income
Total income	102.6	(23.6)	79.0	**Total income**
Services costs	(116.4)	116.4	–	Services costs
Administrative expenses	(13.2)	3.4	(9.8)	Fund expenses
Profit/(loss) before net finance costs and tax	(27.0)	96.2	69.2	**Profit before net finance costs and tax**
Finance costs	(65.0)	64.1	(0.9)	Finance costs
Finance income	110.9	(107.8)	3.1	Finance income
Profit before tax	18.9	52.5	71.4	**Profit before tax**
Income tax (expense)/credit	26.0	(26.1)	(0.1)	Income tax expense
Profit for the period	44.9	26.4	71.3	**Profit for the period**
Attributable to:				Attributable to:
Equity holders of the parent	44.5	26.8	71.3	Equity holders of the parent
Non-controlling interests	0.4	(0.4)	–	Non-controlling interests
	44.9	26.4	71.3	
Earnings per share – basic and diluted *(pence)*	**3.9**	**2.3**	**6.2**	

All results were derived from continuing operations. There was no other comprehensive income or expense apart from those disclosed above.

2. Key accounting policies *(continued)*

Restated unaudited consolidated cash flow statement

	Six months ended 30 September 2013			
	Original	Adjustments		Restated
	£million	*£million*	*£million*	
Cash flows from operating activities				**Cash flows from operating activities**
Profit before tax	18.9	52.5	71.4	Profit before tax
Adjustments for:				Adjustments for:
Gains on investments	(52.8)	(26.2)	(79.0)	Income from investments
Gains on finance receivables	79.2	(79.2)	–	
Interest payable and similar charges	65.0	(64.1)	0.9	Finance costs
Changes in fair value of derivatives	(110.4)	107.4	(3.0)	
Operator acquisition investment fees	1.8	–	1.8	Operator acquisition investment fees
Interest income	(0.6)	0.5	(0.1)	Finance income
Amortisation of intangible assets	10.2	(10.2)	–	
Operating cash flow before changes in working capital	11.3	(19.3)	(8.0)	Operating cash flow before changes in working capital
Changes in working capital:				Changes in working capital:
(Increase)/decrease in receivables	(4.3)	6.2	1.9	(Increase)/decrease in receivables
(Decrease)/increase in payables	14.7	(15.6)	(0.9)	(Decrease)/increase in payables
Cash flow (used in)/from operations	21.7	(28.7)	(7.0)	Cash flow (used in)/from operations
Interest received on bank deposits and finance receivables	0.9	(0.8)	0.1	Interest received on bank deposits
Cash received from finance receivables	81.1	(81.1)	–	
Interest paid	(45.9)	45.4	(0.5)	Interest paid
Corporation tax received/(paid)	(0.2)	0.1	(0.1)	Corporation tax paid
Interest received on investments	21.6	13.9	35.5	Interest received on investments
Dividends received	8.4	3.8	12.2	Dividends received
Fees and other operating income	2.5	0.5	3.0	Fees and other operating income
Loanstock and equity repayments received	1.9	–	1.9	Loanstock and equity repayments received
Net cash from operating activities	92.0	(46.9)	45.1	**Net cash from operating activities**
Cash flows from investing activities				**Cash flows from investing activities**
Purchases of investments	(212.5)	(0.7)	(213.2)	Purchases of investments
Acquisition of subsidiaries net of cash acquired	0.5	(0.5)	–	
Net cash used in investing activities	(212.0)	(1.2)	(213.2)	**Net cash used in investing activities**
Cash flows from financing activities				**Cash flows from financing activities**
Proceeds from issue of share capital	84.9	–	84.9	Proceeds from issue of share capital
Proceeds from issue of loans and borrowings	57.1	–	57.1	Proceeds from issue of loans and borrowings
Repayment of loans and borrowings	(126.3)	40.7	(85.6)	Repayment of loans and borrowings
Distributions paid to Company shareholders	(30.1)	–	(30.1)	Distributions paid to Company shareholders
Distributions paid to non-controlling interests	(2.5)	2.5	–	
Net cash from/(used in) financing activities	(16.9)	43.2	26.3	**Net cash from financing activities**
Net increase in cash and cash equivalents	(136.9)	(4.9)	(141.8)	**Net increase in cash and cash equivalents**
Cash and cash equivalents at beginning of year	326.6	(153.7)	172.9	Cash and cash equivalents at beginning of year
Exchange gains on cash	2.7	–	2.7	Exchange gains on cash
Cash and cash equivalents at end of year	192.4	(158.6)	33.8	**Cash and cash equivalents at end of year**

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 2014			
	Level 1 *£million*	**Level 2** *£million*	**Level 3** *£million*	**Total** *£million*
Investments at fair value through profit or loss (Note 11)	–	–	1,631.0	1,631.0
Other financial assets	–	2.6	–	2.6
	–	2.6	1,631.0	1,633.6
Other financial liabilities	–	–	–	–
	–	–	–	–

	31 March 2014			
	Level 1 *£million*	**Level 2** *£million*	**Level 3** *£million*	**Total** *£million*
Investments at fair value through profit or loss (Note 11)	–	–	1,495.5	1,495.5
Other financial assets	–	0.8	–	0.8
	–	0.8	1,495.5	1,496.3
Other financial liabilities	–	(0.5)	–	(0.5)
	–	(0.5)	–	(0.5)

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 11.

Level 2

Valuation methodology

The Directors have satisfied themselves as to the methodology used for the valuation of Level 2 financial assets and liabilities. All financial assets and liabilities are valued using a discounted cashflow methodology, consistent with the prior period. The key inputs to the methodology for these assets and liabilities are foreign currency exchange rates and foreign currency forward curves. Fair value is based on price quotations from financial institutions active in the relevant market.

Valuations are performed on a 6 monthly basis every September and March for all financial assets and liabilities.

Level 3

Valuation methodology

The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and 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. This valuation uses key assumptions which are benchmarked from a review of recent comparable market transactions in order to arrive at a fair market value. Valuations are performed on a 6 monthly basis every September and March for all investments.

For the valuation of investments, the Directors have also obtained an independent opinion from a third party with experience in valuing these type of investments, supporting the reasonableness of the valuation.

3. Financial Instruments *(continued)*

Investments – the key valuation assumptions and sensitivities for the valuation are:

Discount rates

The discount rates used for valuing each social infrastructure investment are based on the appropriate long-dated government bond yield 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.

Judgement is used in arriving at the appropriate discount rate. This is based on the Investment Adviser's knowledge of the market, taking into account intelligence gained from bidding activities, discussions with financial advisers knowledgeable of these markets and publicly available information on relevant transactions.

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

Period ending	Range	Weighted average
30 September 2014	**7.6% to 11.0%**	**8.0%**
31 March 2014	7.8% to 10.0%	8.2%
30 September 2013	7.9% to 10.0%	8.3%

1. *Analysis is based on the Group's 20 largest investments, pro-rata for the whole portfolio which the Directors feel provide an appropriate sensitivity analysis of the portfolio.*

A change to the weighted average rate of 8.0% 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 – September 2014	**+£79.8m**	**£1,631.0m**	**-£73.9m**
Directors' valuation – March 2014	+£72.1m	£1,495.5m	-£66.7m

1. *Analysis is based on the Group's 20 largest investments, pro-rata for the whole portfolio which the Directors feel provide an appropriate sensitivity analysis of the portfolio.*

Inflation rates

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 2014. For non-UK investments, long-term CPI of 2.0% per annum is used for Holland, Canada and France – the same assumption as used at 31 March 2014 – and 2.5% for Australia.

A change to the inflation rate by plus or minus 0.5% has the following effect on the valuation:

Inflation assumption	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Directors' valuation – September 2014	**-£45.6m**	**£1,631.0m**	**+£49.8m**
Directors' valuation – March 2014	-£44.1m	£1,495.5m	+£48.1m

1. *Analysis is based on the Group's 20 largest investments, pro-rata for the whole portfolio which the Directors feel provide an appropriate sensitivity analysis of the portfolio*

Deposit rates

Each PFI/PPP/P3 project in the portfolio has cash held in bank deposits, which is a requirement of their senior debt financing. As at 30 September 2014 cash deposits for the portfolio were earning interest at a rate of 0.4% per annum on average.

The portfolio valuation assumes UK deposit interest rates are 1% p.a. to March 2018 and 3.5% p.a. thereafter.

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.

3. Financial Instruments *(continued)*

Deposit rates (continued)

A change to the deposit rate by plus or minus 0.5% has the following effect on the valuation:

Cash deposit rate Base case is 1.0% p.a. until March 2018, then 3.5% p.a. thereafter	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Directors' valuation – September 2014	**-£19.1m**	**£1,631.0m**	**+£18.6m**
Directors' valuation – March 2014	-£18.5m	£1,495.5m	+£18.6m

1. *Analysis is based on the Group's 20 largest investments, pro-rata for the whole portfolio which the Directors feel provide an appropriate sensitivity analysis of the portfolio.*

Tax rates

The profits of each UK PFI/PPP project company are subject to UK corporation tax. On 1 April 2014 the prevailing rate of UK corporation tax fell from 23% to 21%. The Finance Act 2013 enacted a further reduction of 1% to 20% effective from 1 April 2015.

The UK corporation tax assumption for the portfolio valuation at 30 September 2014 was 20% for all future periods with no further step down.

A change to the tax rate by plus or minus 1.0% has the following effect on the valuation:

Tax rate assumption	-1.0% p.a. change	Total portfolio value	+1.0% p.a. change
Directors' valuation – September 2014	**+£9.9m**	**£1,631.0m**	**-£9.8m**
Directors' valuation – March 2014	+£9.7m	£1,495.5m	-£9.9m

1. *Analysis is based on the Group's 20 largest investments, pro-rata for the whole portfolio which the Directors feel provide an appropriate sensitivity analysis of the portfolio.*

4. Investment Income

	Six months ended 30 September 2014 *£million*	Six months ended 30 September 2013 (Restated) *£million*
Interest from investments	35.6	29.6
Dividend income from investments	16.2	7.6
Fees and other operating income	4.3	3.0
Gains on investments (Note 11)	82.0	38.8
	138.1	79.0

5. Fund Expenses

	Six months ended 30 September 2014 *£million*	Six months ended 30 September 2013 (Restated) *£million*
Fees paid to auditor and its associates	0.1	0.1
Operator fees (Note 13)	8.2	7.1
Investment fees (Note 13)	0.1	1.8
Directors' fees (Note 13)	0.1	0.1
Professional fees	0.5	0.5
Project bid costs	0.2	0.1
Other fees	0.1	0.1
	9.3	9.8

6. Net Finance Income

	Six months ended 30 September 2014 £million	Six months ended 30 September 2013 (Restated) £million
Interest on bank loans	(0.1)	(0.1)
Other finance costs	(0.9)	(0.8)
Total finance costs	(1.0)	(0.9)
Interest on bank deposits	–	0.1
Foreign exchange gain	4.2	3.0
Total finance income	4.2	3.1
Net finance income	3.2	2.2

7. Income Tax

Guernsey

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.

Overseas tax jurisdictions

The income tax expense in the Consolidated income statement relates to the tax charge for the three subsidiaries of the Company which form the Consolidated Group, of which two are subject to taxes in Luxembourg and one in the UK.

The Consolidated financial statements do not include the tax charges for any of the Consolidated Group's 96 investments as these are held at fair value. All of these investments are subject to taxes in the countries in which they operate.

8. 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 2014	Six months ended 30 September (Restated) 2013
Profit attributable to equity holders of the Company	£131.9 million	£71.3 million
Weighted average number of Ordinary Shares in issue	1,228.8 million	1,149.7 million
Basic and diluted earnings per Ordinary Share	10.7 pence	6.2 pence

9. Net assets per Ordinary Share

	30 September 2014	31 March 2014
Net assets attributable to equity holders of the Company	£1,651.2 million	£1,529.5 million
Ordinary Shares in issue	1,248.4 million	1,207.4 million
Net assets per Ordinary Share	132.3 pence	126.7 pence

10. Dividends

	Six months ended 30 September 2014 *£million*	Six months ended 30 September 2013 *£million*
Amounts recognised as distributions to equity holders during the period:		
Second interim dividend for the year ended 31 March 2014 of 3.6p (2013: 3.575p) per share	43.5	34.9
First quarterly interim dividend for the period ended 30 June 2014 of 1.81p per share	22.6	–
	66.1	34.9

The 2014 second interim dividend of £43.5 million, representing 3.6 pence per share, was paid on 30 June 2014. The 2015 first quarterly interim dividend of £22.6 million, representing 1.81 pence per share, was paid on 30 September 2014. Both dividends are included in the Condensed unaudited consolidated statement of changes in shareholders' equity.

The Board approved on 14 November 2014 a second quarterly interim dividend for the period ended 30 September 2014 of 1.81 pence per share which will result in a total distribution of £22.6 million, payable by 31 December 2014. The second quarterly interim dividend is offered to shareholders as a cash payment or alternatively as a scrip dividend, similar to previous distributions. The second quarterly interim dividend has not been included as a liability as at 30 September 2014.

	Year ending 31 March 2015	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012	Year ended 31 March 2011	Year ended 31 March 2010
Interim dividend for the 3 month period ending 30 June	1.81p					
Interim dividend for the 3 month period ending 30 September	1.81p					
Interim dividend for the 6 month period ending 30 September		3.5p	3.425p	3.35p	3.275p	3.2p
Interim dividend for the 6 month period ending 31 March		3.6p	3.575p	3.5p	3.425p	3.35p
		7.1p	7.0p	6.85p	6.7p	6.55p

11. Investments at Fair Value Through Profit or Loss

	30 September 2014 *£million*	31 March 2014 *£million*
Opening balance	1,495.5	1,200.4
Investments in the period	60.7	234.1
Disposals in the period	–	(9.4)
Accrued interest	3.0	(2.3)
Repayments in the period	(9.8)	(23.9)
Subscription obligations	–	12.7
Gain on valuation	82.2	80.7
Other movements	(0.6)	3.2
Carrying amount at period end	1,631.0	1,495.5
This is represented by:		
Greater than one year	1,631.0	1,495.5
Carrying amount at period end	1,631.0	1,495.5
Gains on valuation as above	82.2	80.7
Less: transaction costs incurred	(0.2)	(1.2)
Gains on investments	82.0	79.5

Refer to Note 3 for the valuation techniques and key model inputs used for determining investment fair values.

11. 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% p.a.
Non-UK inflation rates	2.0% p.a. Europe and Canada/2.50% p.a. Australia
UK deposit interest rates	1% p.a. to March 2018 and 3.50% p.a. thereafter
UK corporation tax rates	20%
Euro/Sterling exchange rate	0.78 for all future periods
Can$/Sterling exchange rate	0.55 for all future periods
Aus$/Sterling exchange rate	0.54 for all future periods

The economic assumptions for the year ended 31 March 2014 were as follows:

UK inflation rates	2.75% p.a.
Non-UK inflation rates	2.0% p.a.
UK deposit interest rates	1% p.a. to March 2018 and 3.50% p.a. thereafter
UK corporation tax rates	21%
Euro/Sterling exchange rate	0.83 for all future periods
Can$/Sterling exchange rate	0.54 for all future periods

The valuation of the Consolidated Group's portfolio at 30 September 2014 reconciles to the Consolidated balance sheet as follows:

	30 September 2014 *£million*	**31 March 2014** *£million*
Portfolio valuation	1,639.1	1,500.6
Less: future commitments	(8.1)	(5.1)
Investments per Consolidated balance sheet	1,631.0	1,495.5

Acquisitions

In May 2014 the Company announced a new investment in the form of a 10% interest in the N17/N18 Gort to Tuam PPP Scheme (the "N17/N18 Road"). The financial commitment to the N17/N18 Road comprises an obligation to subscribe for 10% of shareholder loans at the end of the construction works and a conditional commitment to acquire a further 32% interest, expected in 2019.

The Company also announced in May 2014 the acquisition of a further 16.7% equity interest in the Miles Platting Social Housing PFI Project taking the total interest to 50%.

The total investment for the initial 10% interest in the N17/N18 Road and the additional 16.7% interest in the Miles Platting Project was approximately £5.1 million.

In May 2014 the Company acquired a 5.85% equity interest in the AquaSure Desalination PPP Project, a desalination project in Victoria, Australia, for a consideration of Australian $84.5 million (£47.0 million).

In May 2014 the Company acquired a 29.2% equity and loan note interest in the Bradford Schools BSF (Phase I) project for a consideration of £6.5 million.

In September 2014 the Company acquired a further 19% equity and loan interest in the Sheffield BSF Schools project – which takes the Company's ownership to 59% – for a consideration of £3.2 million.

In September 2014 the Company acquired a further 40% equity and loan interest in the Oldham Library PFI Project for a consideration of £1.9 million in conjunction with an existing joint venture partner, Kajima Partnerships Limited. The Company and Kajima Partnerships Limited have established a new joint venture holding company, Redwood Partnership Ventures 3 Limited ("Redwood 3") in which the Company has a 90% shareholding. Following the incremental acquisition, Redwood 3 now owns 100% of Oldham Library, increasing the Company's ownership from 50% to 90%.

12. Share Capital and Reserves

	Ordinary Shares 30 September 2014 £million	Ordinary Shares 31 March 2014 £million
In issue at beginning of period	1,207.4	1,116.3
Issued for cash	37.0	83.7
Issued as a scrip dividend alternative	4.0	7.4
In issue at end of period – fully paid	1,248.4	1,207.4

The holders of the 1,248,449,578 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 2014: 1,207,428,625).

Ordinary Share capital and Share premium

	30 September 2014 £million	31 March 2014 £million
Opening balance	1,110.1	992.5
Premium arising on issue of Ordinary Shares	56.3	118.3
Costs of issue of Ordinary Shares	(0.4)	(0.7)
Closing balance	1,166.0	1,110.1

Share capital is £124.8 thousand (31 March 2014: £120.7 thousand).

For the six month period ended 30 September 2014

On 30 June 2014, 2.6 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 137.14p as a scrip dividend alternative in lieu of cash for the second interim dividend in respect of the year ending 31 March 2014 (2013: 3.9 million).

On 30 September 2014, 1.3 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 143.96p as a scrip dividend alternative in lieu of cash for the first quarterly interim dividend in respect of the period ending 30 June 2014.

In the period ending 30 September 2014, 37.0 million new Ordinary Shares were issued to various institutional investors at an issue price per share (before expenses) of 137.0p.

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. Related Party Transactions

The Investment Adviser to the Company and the Operator of a limited partnership through which the Consolidated Group holds its investments is InfraRed Capital Partners Limited ("IRCP").

The total Operator fees charged to the Income Statement was £8.2 million of which the balance remained payable at the period end (2013: £7.1 million). The total charge for new portfolio investments (disclosed within investment fees in Note 5) was £0.1 million of which the balance remained payable at the period end (2013: £1.8 million).

A number of transactions took place between the Consolidated Group and its associates in the year which are summarised below, further details on balances outstanding are provided in Note 11.

	Transactions Six months ended 30 September 2014 £million	Transactions Six months ended 30 September 2013 £million
Loanstock repayments	2.1	1.9
Loanstock interest	37.6	35.5
Dividends received	19.9	12.2
Fees and other income	4.3	3.0

13. Related Party Transactions *(continued)*

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £131,200 (disclosed as directors' fees in Note 5) in the period (2013: £105,000). One Director also receives fees for serving as Director of the two Luxembourg subsidiaries – the annual fees are £5,000 (2013: £5,000).

In May 2014 the Company acquired a 5.85% equity interest in the AquaSure Desalination PPP Project, a desalination project in Victoria, Australia, for a consideration of Australian $84.5 million (£47.0 million) from InfraRed Environmental Infrastructure Fund, a fund managed by IRCP.

In May 2014 the Company completed the acquisition of 29.2% equity and loanstock in the Bradford BSF Phase 1 project for a consideration of £6.5 million from InfraRed Infrastructure Fund II, a fund managed by IRCP. The acquisition was identified in the New Ordinary Share Prospectus of February 2013 as a Conditional Investment.

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.

14. Guarantees and Other Commitments

As at 30 September 2014 the Consolidated Group had £8.1 million commitments for future project investments (31 March 2014: £5.1 million).

The Consolidated Group has a contingent commitment of €16.8 million to acquire a further 32% equity and loanstock interest in the N17/N18 Road from existing co-shareholders following completion of construction which is currently expected to occur in 2019.

15. Events after Balance Sheet Date

On 2 October 2014 the Company announced the acquisition of a 50% incremental equity and loan interest in the Pinderfields and Pontefract Hospitals PPP Project ("P&P") from Balfour Beatty Infrastructure Investments Limited, a subsidiary of Balfour Beatty plc ("Balfour Beatty"). The incremental stake takes the Consolidated Group's ownership in P&P to 100%. The total consideration was £61.5 million.

On 9 October 2014 the Company announced the acquisition of a 3.4% incremental equity interest in the AquaSure Desalination PPP Project from a number of private investors. The incremental stake takes the Consolidated Group's ownership to approximately 9.3%. The total consideration was Australian $46.0 million (£25.2 million).

The Company announces through these financial statements the acquisition from Prime (UK) Investments Limited and Prime Plc of an incremental 30% equity and 25% loan interest in two PFI projects ("Birmingham and Solihull LIFT" and "Staffordshire LIFT") held through Prime LIFT Investments Limited. The incremental stakes take the Consolidated Group's ownership to 60%.

The total consideration for Birmingham and Solihull LIFT and Staffordshire LIFT was £16.9 million.

As a result of the above incremental acquisition, P&P becomes a subsidiary of the Company. However, as it does not provide investment related services to the Company, it will not be consolidated and will instead be held as an Investment at Fair Value through Profit or Loss in accordance with IFRS 10 and the amendments for Investment Entities.

The Directors have analysed the shareholder rights of the investments in AquaSure, Birmingham and Solihull LIFT and Staffordshire LIFT and are of the opinion that they should be treated as investments in joint ventures in accordance with IAS 28 Investments in Associates and Joint Ventures – these investments will therefore be held as Investments at Fair Value though Profit or Loss.

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