HICL
INFRASTRUCTURE

Interim Report

for the six months ended 30 September 2011

HICL Infrastructure Company Limited
(formerly HSBC Infrastructure Company Limited)

HICL
INFRASTRUCTURE

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Highlights

for the six months ended 30 September 2011 (on an Investment basis unless noted otherwise[1])

Interim dividend of 3.35p per share declared (2010: 3.275p), payable in December, with scrip alternative

Net Asset Value per share (post interim dividend) of 111.5p, up 1.8p from 109.7p at 31 March 2011

Acquisition of 6 new investments and 3 incremental stakes totalling £70.4m in the period

Successful reinvestment of the funds from the Kemble Water redemption in April

Portfolio performance and cash receipts in line with plans

A healthy and sizeable pipeline of further investment opportunities, with some at an advanced stage of procurement

Value of portfolio at 30 September 2011 rose 6.9% to £719.3m from £673.1m at 31 March 2011

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

Results on an Investment Basis

for the six months to	30 September 2011	30 September 2010
Profit before tax (Revenue)	£15.7m	£9.0m
Profit before tax (Capital)	£15.0m	£14.4m
Profit before tax	£30.7m	£23.4m
Earnings per share	5.0p	4.9p
Interim dividend per share	3.35p	3.275p

Net Asset Values

	Investment basis	Consolidated IFRS basis
Net Asset Value (NAV) per share at listing	98.4p	98.4p
NAV per share at 30 September 2011	114.8p	116.7p
Interim dividend per share (declared 10 November 2011)	3.35p	3.35p
NAV per share at 30 September 2011 after deducting the interim dividend	111.5p	113.4p
NAV per share at 31 March 2011 after deducting the second interim dividend	109.7p	107.0p

Results on a Consolidated IFRS Basis

for the six months to	30 September 2011	30 September 2010
Profit before tax (Revenue)	£10.8m	£7.5m
Profit before tax (Capital)	£53.5m	£30.8m
Profit before tax	£64.3m	£38.3m
Earnings per share	9.6p	7.2p
Interim dividend per share	3.35p	3.275p

Chairman's Statement

Introduction

On behalf of the Board, I am once again pleased to report a successful six months for the Company in the period to 30 September 2011. The portfolio is performing in line with expectations, we have made further acquisitions and raised further equity capital.

Despite the global economic and financial challenges, the Company's share price has maintained a modest premium to net asset value per share. This reflects investor confidence in the yield and quality of the underpinning low risk infrastructure assets that make up the Group's portfolio of investments.

Financial Results and Performance

Financial Results

Consistent with previous practice, the Company has prepared pro-forma accounts on an Investment basis (treating all 43 holdings as investments). Profit before tax on an Investment basis was £30.7m (2010: £23.4m) and earnings per share on an Investment basis were 5.0p (2010: 4.9p per share). This increase is attributable to the contribution made by new investments, as well as the solid performance of the existing portfolio, supported by the annual inflation rate for the Retail Price Index exceeding the Directors' valuation assumption of 2.75%.

Cash received from the portfolio by way of distributions, capital repayments and fees was £29.2m (2010: £21.8m). After Group costs, net cash generated of £24.9m adequately covers the distributions paid in the six month period.

On a consolidated IFRS basis, the profit before tax was £64.3m (2010: £38.3m). Profit before tax has benefited from significant gains on finance receivables caused by a 0.9% reduction in UK long term gilt rates over the six months to September which has only partly been offset by adverse interest rate swap mark to market movements.

The Company has issued a total of 35.2m new shares in the six month period from tap issues, raising £40.5m before costs to fund the Group's future equity commitments. A further 10m shares were issued and commenced trading on 3 October 2011.

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) amounted to £4.7m in the six months, made up of its 1.1% per annum management fee (1.5% pa assets in construction), 1.0% fee on acquisitions made, and £0.1m advisory fees. The Investment Adviser does not receive any fees from the investment project companies in the portfolio, and hence all fees from these companies are for the benefit of the Group.

The total expense ratio for the Group on an Investment basis in the six month period was 1.27% (being the Group's operational expenses excluding acquisition costs, divided by the Group's net assets on an Investment basis). This compares with 1.20% for the year to 31 March 2011.

Portfolio Performance

The Group's portfolio continues to perform well, and as at 30 September 2011 consisted of 43 PFI/PPP/P3 projects.

On the Bradford BSF Schools project, construction work was finished in the period and the schools are now operational. The Group had three projects under construction at 30 September 2011. Since the period end construction work has completed on the Northwest Anthony Henday Road in Canada. Pontefract and Pinderfields Hospitals is expected to complete imminently. The majority of the construction work on the M80 DBFO Road in Scotland has been completed, with the remaining work due to be finished in the next six months.

The Investment Adviser's team has been proactively engaged across the whole portfolio in dialogue with our public sector clients and partners seeking ways to increase efficiencies and find savings.

Valuation

As in previous periods, the Investment Adviser has prepared a fair market valuation for each investment in the portfolio as at 30 September 2011. This valuation is based on a discounted cash flow analysis of the future expected equity and loan note cash flows accruing to the Group from each investment. The valuation uses key assumptions which are derived from a review of recent comparable market transactions in order to arrive at a fair market value.

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

The Directors have approved the valuation of £719.3m for the portfolio of 43 investments as at 30 September 2011. On the M80 Motorway DBFO and Northwest Anthony Henday Road P3 projects there were combined outstanding investment commitments of £46.0m at 30 September 2011, which have reduced to £28.9m following completion of construction on the Northwest Anthony Henday Road.

The valuation of £719.3m compares with £673.1m as at 31 March 2011 and £563.3m as at 30 September 2010. An analysis of the growth in the valuation is detailed in the Investment Adviser's Report.

On an Investment basis the NAV per share is 114.8p at 30 September 2011 (31 March 2011: 113.1p). The Investment basis NAV per share after the interim distribution at 30 September 2011 was 111.5p; an increase of 1.8p over the comparable figure at 31 March 2011.

The resulting NAV per share on an IFRS basis 30 September 2011 is 116.7p (31 March 2011: 110.4p).

Acquisitions

The Group has made six new investments and acquired three incremental stakes in existing projects in the six month period, for a total consideration of £70.4m. In April 2011, the Kemble Water junior loan was repaid. Further details are included in the Investment Adviser's Report.

Since the period end the Group has acquired a new PFI investment in Sheffield Hospital, and acquired an additional stake in the Blackburn Hospital project, for total consideration of £19.0m.

"The Board is pleased with the performance of the Company in the last six months, and the continued demand for the Company's stock"

Distributions

The Board declared on 10 November 2011 an interim distribution of 3.35p per share for the year to 31 March 2012 (2010: 3.275p), based on the Interim Results for the six months to 30 September 2011. This represents growth of 2.3% on the interim dividend for the previous financial year.

A scrip dividend alternative is being offered to shareholders and a circular will be sent to shareholders on 26 November 2011 to explain this alternative. Shareholders must decide by 12 December 2011 whether they wish to take up the offer of the scrip dividend (either in part or in full). The distribution (or scrip dividend) will be paid to those shareholders on the register as at 18 November 2011, and will be settled at the end of December 2011.

Risks and Uncertainties

The six month period has seen further scrutiny of PFI in the UK and the development of new initiatives. Two UK Government Select Committees produced reports looking at the performance of PFI projects and how the PFI model might be improved for new procurement initiatives.

HM Treasury guidance on managing PFI contracts was updated and re-issued in July following the pilot reviews (in which the Investment Adviser was involved). A new voluntary code on information disclosure and variation protocols is expected later this year.

Notwithstanding some critical media comment following these reviews, the UK Government is committed to its £200bn infrastructure plan and speeches by ministers have reinforced the need for private sector investment. The Board believes and expects that current and future contracts will be honoured.

The Board believes that the principal risks and uncertainties have not changed since the publication of the Company's Annual Report for the year to 31 March 2011 (available on the website) and the last Company Prospectus (November 2010 – available on the website).

The Group's policy for managing foreign exchange risk is being updated to recognise in part the increased cost of debt in the current environment. The net effect on the Group will be to provide more yield certainty but with a small measure of NAV sensitivity to forex movements. Further detail on foreign exchange risk is included in the Financial Results.

Outlook

The strategy of focusing on low risk PFI/PPP/P3 projects, with good counterparties providing essential services to public sector clients, has enabled the Company to perform in line with expectations. Our established investment proposition, simple and transparent fee structure (with no hidden fees), good share liquidity and low total expense ratio are clearly valued by investors. The positive statements by the UK Government on the need for private sector investment in infrastructure underscore the importance of maintaining confidence in our sector.

The demand for the Company's stock has encouraged the Company to issue new shares and to look to grow the portfolio through further acquisitions. The Investment Adviser has initiated discussions to renew the Group's revolving debt facility so that we always have sufficient fire power to make investments when attractive opportunities arise.

There is a healthy pipeline of new investment opportunities, both single investments and portfolios, which are being evaluated. Good progress is being made and the Board is confident that further acquisitions will soon be announced.

Graham Picken
Chairman
15 November 2011

THE GROUP'S INVESTMENT PORTFOLIO

as at 15 November 2011

Health

- Barnet Hospital
- Bishop Auckland Hospital
- Blackburn Hospital
- Brentwood Community Hospital
- Central Middlesex Hospital
- Oxford John Radcliffe
- Pontefract & Pinderfields Hospitals
- Queen Alexandra Hospital
- Romford Hospital
- Sheffield Hospital
- Stoke Mandeville Hospital
- West Middlesex Hospital

Education

- Bradford Schools
- Conwy Schools
- Darlington Schools
- Defence 6th Form College
- Ealing Schools
- Haverstock School
- Health & Safety Laboratories
- Helicopter Training
- Highlands Schools

Education

- Kent Schools
- North Tyneside Schools
- Norwich Schools
- Oldham Schools
- Pinnacle Schools Fife
- Renfrewshire Schools
- Sheffield Schools
- South Ayrshire Schools
- Wooldale Centre

Law & Order

- D & C Firearms Training
- Exeter Crown Court
- GMPA Police Stations
- MPA Firearms Training
- MPA SEL Police Stations
- Sussex Custodial

Utilities

- Kemble Water Junior Loan

Accommodation

- Colchester Garrison
- Health & Safety HQ
- Home Office
- Newcastle Libraries

Transport

- Dutch High Speed Rail
- Kicking Horse Canyon P3
- M80 Motorway DBFO
- NW Anthony Henday P3

Key:

- Portfolio at 31 March 2011
- Acquired in six months to 30 September 2011
- Additional stake acquired in six months to 30 September 2011
- Acquired in November 2011
- Repaid in April 2011
- Additional stake acquired in November 2011

Investment Adviser's Report

Market Developments

Whilst there are fewer new projects being tendered in the UK this year, as at March 2011 61 projects were still in procurement (source: HM Treasury website). The Group does not participate in the public procurement phase of PFI/PPP/P3 projects but makes investments at the operational stage or, selectively, late in construction. A new school building initiative has been announced which will require funding. New models for PFI funding of future infrastructure procurement in the UK are being considered by Government.

The secondary market for PFI/PPP/P3 assets remains active, with a steady flow of assets onto the market, comprising both individual assets and portfolios marketed by contractors and financial institutions.

The return levels from PFI/PPP/P3 assets continue to stimulate the launch of new listed and unlisted funds in our sector. However, in the last six months, pricing for such assets has largely been unaffected. Investment demand has been matched by the supply of assets for sale.

Current Investment Priorities

Our main focus for new investments remains PFI/PPP/P3 concessions, most likely to be operational, although we will consider projects still under construction.

Of possible secondary interest, but only selectively, are:

- Operational renewable energy projects such as wind farms, solar parks or hydro-electric schemes, where there are suitable contractual structures in place which enable the Group to secure long term income streams, comparable in nature to those in PFI/PPP/P3 projects.
- Regulated utilities, albeit most investment opportunities in this sector are too large for the Group.
- Debt funding of infrastructure projects, where and when attractively priced and appropriately structured.

In addition to the UK, which remains our core market, we continue to seek new assets in Canada, Australia and certain countries in northern Europe where there are developed pipelines of investment opportunities and stable fiscal positions.

Portfolio Update

Current Performance

The Group's strategy remains to maximise value from the portfolio by active asset management. In this context, our key driver is to provide the operational services to satisfy or exceed the contractual requirements. From successful service delivery, we build strong relationships with our clients and supply chain. We believe these relationships, fostered by our asset management team, assist all stakeholders in identifying and developing cost efficiencies and savings, an area of great importance to our public clients, whose budgets are under growing pressure.

The Group's portfolio continues to perform as expected with good cash generation. Higher inflation is increasing both revenues and costs where indexed. This is offset in part by low deposit rates. The focus for the team has been on working with our public sector clients to seek cost efficiencies, through the implementation of the guidelines published by HM Treasury in July 2011. This has been successful with a number of savings being identified and implemented. We expect this work to continue.

Acquisitions in the period increased the Group's portfolio to 43 infrastructure investments as at 30 September 2011. The Kemble Water junior loan was repaid at par in April, and the Group acquired four PFI schools projects and 2 health projects in the period. Since the period end, the Group has acquired a further health project increasing the overall size of the Group's portfolio to 44 as at 15 November 2011.

Construction of the Bradford schools is complete, and the schools are now in use. Construction was completed on the Northwest Anthony Henday Road in Canada on 1 November 2011. Completion on Pontefract and Pinderfields Hospitals is expected imminently. The M80 DBFO Road project is materially complete in terms of construction, with the remaining works due to be finished in the next six months.

Acquisitions

As noted in the Chairman's Statement, the Group made six new investments and three incremental acquisitions in the six months for an aggregate consideration of £70.4m.

In May 2011, the Group announced the acquisition of three school PFI projects from subsidiaries of Kier Group plc and Dexia SA for a consideration of £17.2m. The interests acquired are 75% of the equity and loan note interests in both Norwich and Oldham Schools and 37.5% of the equity and loan note interests in Sheffield Schools. All three projects are operational and are now jointly owned with Kajima, who are providing the day-to-day project company management. Services are provided by Kier Facilities Services Limited.

In May 2011, the Group acquired a 75% interest in the Brentwood Community Hospital project from Kajima for £4.6m, and this investment is being managed with the three schools mentioned above.

In June 2011, the Group acquired a 100% interest in the South Ayrshire Schools PPP Project for £15.8m. The project involves the operation of three new primary schools, two new secondary schools and a new performing arts annex at an existing secondary school.

Also in June 2011, the Group acquired a 50% interest in the Pontefract and Pinderfields Hospitals PFI Project together with three incremental stakes in existing investments. These three additional stakes were in the Oxford John Radcliffe Hospital and Queen Alexandra Hospital, Portsmouth, together with a small stake in the Medium Support Helicopter Aircrew Training Facility. Total consideration was £32.8m.

In April 2011, the £30.0m Kemble Water junior loan was repaid at par and the proceeds of the repayment were used on the new investments made in May and June.

Since the period end, the Group has acquired a 75% interest in the Sir Robert Hadfield Wing PFI project ("Sheffield Hospital") from Kajima Partnerships Limited. Sheffield Hospital is a 32 year concession to design, build, finance and maintain a 168 bed after-care facility at the Northern General Hospital in Sheffield. The project reached Financial Close in December 2004 and construction was completed in March 2007. Hard FM services are undertaken by Dalkia Utilities Services Limited. Kajima is responsible for management of the project.

The Group has also completed the acquisition of an incremental 50% equity and loan note interest in the Blackburn Hospital PFI project, taking its total equity and loan note interests in the project to 100%.

Valuation and Discount Rates

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

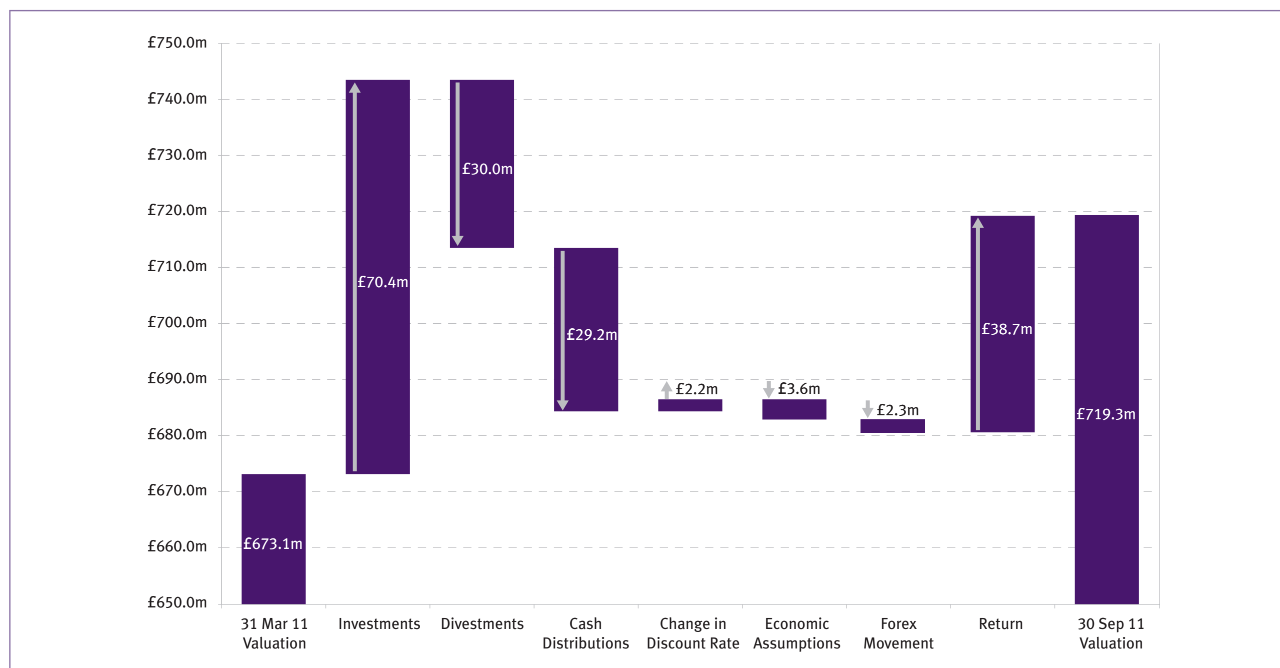
The Directors receive an independent third party report and opinion on these valuations.

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

This is the same method used at the time of launch and each subsequent six month reporting period (further details can be found in the November 2010 C Share prospectus, available from the Company's website).

The Directors' Valuation of the portfolio as at 30 September 2011 is £719.3m (including £46.0m of future investment obligations). This portfolio valuation compares to £673.1m as at 31 March 2011 (up 6.9%). A reconciliation between the valuation at 30 September 2011 and that shown in the financial statements is given in Note 1 to the unaudited consolidated proforma financial statements, the principal difference being the £46.0m of equity commitments on the M80 motorway DBFO and Northwest Anthony Henday P3.

Valuation movement in six months to 30 September 2011



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

Valuation movement during the six months to 30 September 2011	£million
Valuation at 31 March 2011	673.1
Investments	70.4
Divestment	(30.0)
Cash receipts	(29.2)
Change in DCF rate	2.2
Economic assumptions	(3.6)
Forex movement on Euro & CAD$	(2.3)
Return	38.7
Valuation at 30 September 2011	719.3

Netting out acquisitions in the period of £70.4m, the redemption of £30.0m, and investment receipts of £29.2m, the growth over the rebased value of £684.3m was 5.1%. This increase is driven by the return of £38.7m from the portfolio, which includes the benefit of actual inflation being above the 2.75% valuation assumption and contributions from new investments.

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

Discount Rates

The discount rates used for valuing each PFI/PPP/P3 investment are based on the appropriate risk free rate (derived from the relevant government bond or gilt) 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:

	PFI/PPP/P3 portfolio		Whole portfolio (including Kemble Water Junior Loan)	
Period ending	Range	Weighted average	Range	Weighted average
30 September 2010	8.4% to 10.0%	8.7%	8.4% to 10.3%	8.7%
31 March 2011	8.4% to 10.0%	8.7%	7.8% to 10.0%	8.7%
30 September 2011	**8.4% to 9.4%**	**8.7%**	**n/a**	**n/a**

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

An analysis of the movements in the weighted average risk free rate and risk premium for the PFI/PPP/P3 assets (excluding the Kemble Water Junior Loan) is shown below:

PFI/PPP/P3 portfolio	30 September 2011	31 March 2011	Movement
Risk free rate	3.3%	4.2%	(0.9%)
Risk premium	5.4%	4.5%	0.9%
Discount Rate	**8.7%**	**8.7%**	**0.0%**

Government bonds have seen some volatility over the year driven by a combination of fiscal concerns and the effects of quantitative easing. This has not translated into volatile pricing of PFI/PPP/P3 assets as the market has tried to look through this near term volatility. As outlined in the Market commentary, the increased flow of PFI/PPP/P3 assets for sale has been broadly matched by increased demand for the assets with little impact on pricing or the discount rates used to value these assets.

An analysis of the movements in the weighted average discount rates analysed between operational and construction phase PFI/PPP/P3 projects is shown below:

Discount rate	30 September 2011	31 March 2011	Movement
Operational phase	8.6%	8.6%	0.0%
Construction phase	9.1%	9.3%	(0.2%)
PFI/PPP/P3 Portfolio	**8.7%**	**8.7%**	**0.0%**

The discount rate to reflect market pricing for an operational asset has been judged as 8.6% – unchanged from the prior year. The average discount rate applied to value construction assets has reduced by 0.2% reflecting a lower level of risk premium as these assets have now materially completed their construction phases.

An analysis of the weighted average discount rates for the PFI/PPP/P3 portfolio analysed by territory is shown below:

Country	30 September 2011			31 March 2011	Movement
	Risk free rate	Risk premium	Discount rate		
UK	3.4%	5.2%	8.6%	8.6%	0.0%
Eurozone	2.7%	6.1%	8.8%	8.9%	(0.1%)
Canada	2.8%	6.0%	8.8%	8.8%	0.0%
PFI/PPP/P3 Portfolio	**3.3%**	**5.4%**	**8.7%**	**8.7%**	**0.0%**

The risk premiums and discount rates applied to value the overseas assets are higher than those used for the UK PFI portfolio because they include a premium for the foreign exchange risk, less mature PFI/PPP/P3 markets and the nature and status of the underlying assets, which include a rail asset and an asset in construction.

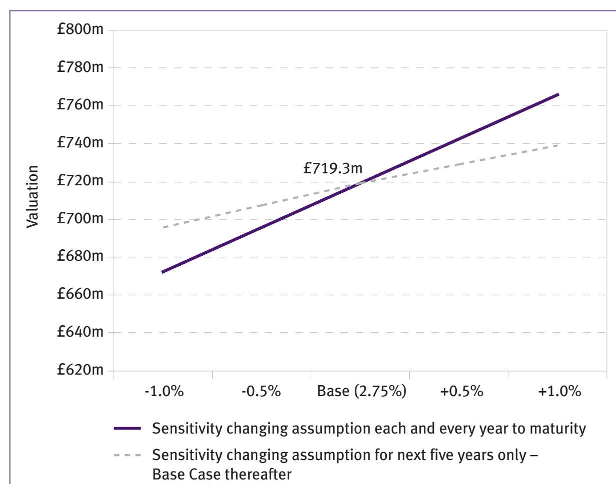
Valuation Assumptions

Discount Rate Sensitivity

Inflation Rate

The PFI 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 subcontracts have similar indexation arrangements.

The portfolio valuation assumes UK inflation of 2.75% per annum for both RPI and RPIx, the same assumption as used at 31 March 2011.



Deposit Rate

Each PFI project in the portfolio has cash held in bank deposits, which is a requirement of their senior debt financing. As at 30 September 2011 cash deposits for the portfolio were earning interest at a rate of 0.9% per annum on average.

The portfolio valuation assumes UK deposit interest rates are 1% to March 2014 and 4.0% thereafter. This is lower than applied in the March 2011 valuation which assumed 1% deposit interest rates to March 2013 and 4.0% thereafter. This change has reduced the portfolio valuation by approximately £3.6m which accounts for the total reduction in portfolio value attributable to changes in economic assumptions.

Each of the project's interest costs is at a fixed rate, either through fixed rate bonds or bank debt, which is hedged with an interest rate swap. The project's sensitivity to interest rates relates to the cash deposits required as part of the project funding.

Tax Rate

The profits of each UK PFI project company are subject to UK corporation tax. In the March Budget the Coalition Government announced that corporation tax would reduce from 26% to 25% from April 2012 with an aspiration to reduce corporation tax further to 23% in 1% annual increments.

The UK corporation tax assumption for the portfolio valuation remains 26%, with no further step down, consistent with the approach at 31 March 2011.

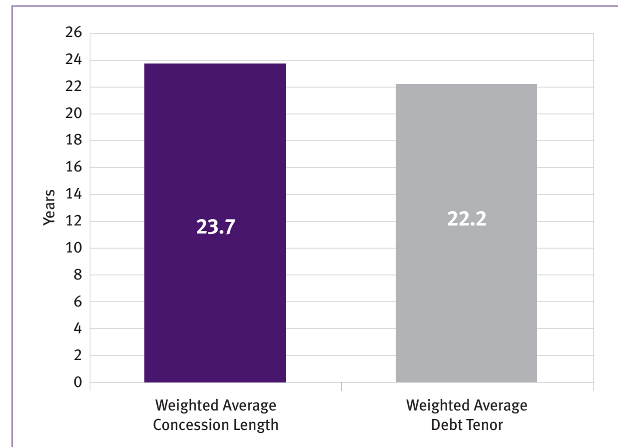
Financing

The Company successfully issued 35.2m shares by way of tap issues in the six months raising £40.5m before costs. These net proceeds were used to fund new investments. As at 30 September 2011, the Group had net cash of £60.7m and outstanding future investment obligations on two projects totalling £46.0m. A further 10m shares were listed in early October raising £11.6m before costs.

The strategy is to use the Group's £200m revolving debt facility, which is committed through to December 2012, to fund new acquisitions, to provide letters of credit for future investment obligations, and to provide a prudent level of debt for the portfolio to improve the operational gearing. A process is underway to seek a replacement for this facility prior to the Company's financial year-end.

The PFI/PPP/P3 projects in the portfolio all have long term debt in place which does not need refinancing to meet their business plan. The weighted average PFI/PPP/P3 project concession length remaining is 23.7 years at 30 September 2011 and the weighted average debt tenor is 22.2 years.

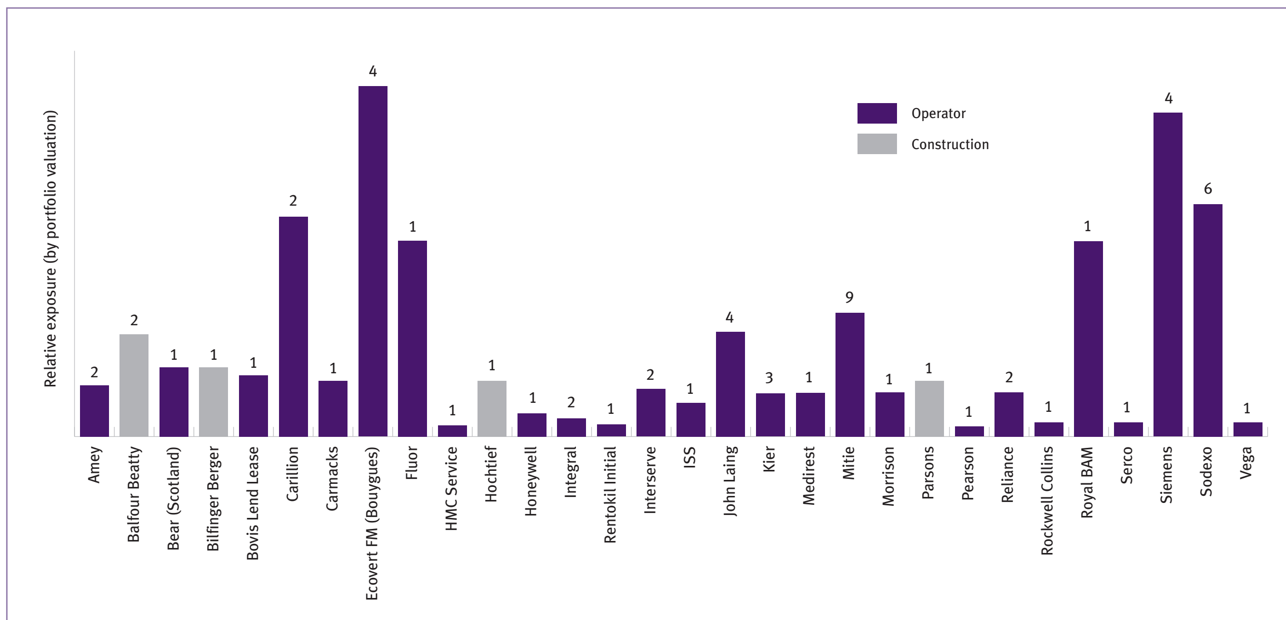
Weighted Averages



Counterparty Exposures

All the PFI clients are public sector bodies. The Group has a broad diversified range of facilities management companies, with the acquisitions providing further diversification of the supply chain.

Spread of subcontractors on the PFI/PPP/P3 projects



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

On a quarterly basis we review the portfolio's counterparty exposure to both the operational supply chain and the financial providers of bank deposit accounts and interest rate swaps. The review processes in the period have not identified any significant counterparty concerns for any of the portfolio's construction or facilities management contractors.

Financial Results

Accounting

At 30 September 2011, the Group had 14 investments which it was deemed to control by virtue of having the power, directly or indirectly, to govern the financial and operating policies of the project entities. This is an increase of three from 31 March 2011. Under International Financial Reporting Standards ("IFRS"), the results of these companies are required to be consolidated in the Group's financial statements on a line-by-line basis.

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

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

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

Income and Costs

Summary income statement

	Six months to 30 September 2011			Six months to 30 September 2010		
	Investment basis *£million*	**Consolidation adjustments** *£million*	**IFRS basis** *£million*	**Investment basis** *£million*	**Consolidation adjustments** *£million*	**IFRS basis** *£million*
Total revenue income	21.7	82.0	103.7	15.2	72.6	87.8
Expenses & finance costs	(6.0)	(86.9)	(92.9)	(6.2)	(74.1)	(80.3)
Profit/(loss) before tax & valuation movements	**15.7**	**(4.9)**	**10.8**	**9.0**	**(1.5)**	**7.5**
Fair value movements	15.0	38.5	53.5	14.4	16.4	30.8
Tax and non-controlling interests	0.0	(5.5)	(5.5)	(0.0)	(4.0)	(4.0)
Earnings	**30.7**	**28.1**	**58.8**	**23.4**	**10.9**	**34.3**
Earnings per share	**5.0p**		**9.6p**	**4.9p**		**7.2p**

On an Investment basis, Profit before tax and valuation movements was £15.7m (2010: £9.0m) and increased due to contributions from acquisitions and reduced finance costs.

Fair value movements are a £15.0m profit (2010: £14.4m) which represents the increase in the portfolio valuation recognised in the income statement. The portfolio valuation benefited from a strong performance from the portfolio, supported by inflation above the valuation assumption. Further detail on the valuation movement is given in the Investment Adviser's Report.

Earnings on an Investment basis were £30.7m, an increase of £7.3m compared to the comparative period, with earnings per share of 5.0p up 0.1p or 2.0% as compared to 2010. The increase in earnings reflects the positive contribution from acquisitions coupled with good performance from the portfolio.

On a consolidated IFRS basis, the earnings per share were 9.6p (2010: 7.2p). The results on a consolidated IFRS basis show a more significant improvement than on an Investment basis due to increased gains on finance receivables. Gains on finance receivables have increased due to a 0.9% fall in UK long term gilt rates in the period compared to 0.7% in the comparative period and higher finance receivables due to the acquisition of the three subsidiaries in the period.

Total income on a consolidated IFRS basis increased to £103.7m (2010: £87.8m) driven by the acquisition of the three subsidiaries in the period.

Cost analysis

	Six months to 30 September 2011 Investment basis *£million*	Six months to 30 September 2010 Investment basis *£million*
Interest income	0.1	0.0
Interest expense	(0.8)	(1.5)
Investment Adviser fees	(4.7)	(3.5)
Auditor fees – KPMG – for the Group	(0.1)	(0.1)
Directors fees & expenses	(0.1)	(0.1)
Other expenses	(0.4)	(1.0)
Expenses & finance costs	**(6.0)**	**(6.2)**

Interest was a net cost of £0.7m in the period (2010: £1.5m cost) reduced from the prior year due to lower levels of borrowing and interest rate swaps during the six month period.

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) totalled £4.7m (2010: £3.5m) in the six month period, comprising the 1.1% per annum management fee (1.5% for assets in construction), the 1.0% fee on the acquisitions made, and the £0.1m per annum advisory fee. The increase is a combination of the 1.0% acquisition fee on a larger volume of acquisitions and the management fee on a growing portfolio value.

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

Other expenses amounted to £0.4m (2010: £1.0m), reflecting a reduced level of unsuccessful bid costs.

Total Expense Ratio ('TER')

	Six months to 30 September 2011 Investment basis *£million*	Six months to 30 September 2010 Investment basis *£million*
Administrative expenses	5.3	4.7
Less operator acquisition investment fees	(0.7)	(0.5)
Total expenses	4.6	4.2
Net assets	726.1	558.1
TER	1.27%	1.51%

The TER for the Group has improved year on year from economies of scale as acquisitions and subsequent capital raisings enable the Group's expenses to be spread over an enlarged capital base. Equity issuance in the period to September has been lower than in the year to March 2011, which has caused a slight increase from the March 2011 TER of 1.20%.

Balance Sheet

Summary balance sheet

	30 September 2011			31 March 2011		
	Investment basis *£million*	Consolidation adjustments *£million*	IFRS basis *£million*	Investment basis *£million*	Consolidation adjustments *£million*	IFRS basis *£million*
Investments at fair value	**673.3**	**(312.5)**	**360.8**	**626.1**	**(200.1)**	**426.0**
Other non-current assets	–	1,792.0	1,792.0	–	957.9	957.9
Working capital	(6.3)	26.6	20.3	(5.3)	8.8	3.5
Net cash/(borrowings)	60.7	(1,100.0)	(1,039.3)	54.7	(587.5)	(532.8)
Other non-current liabilities	(1.6)	(386.5)	(388.1)	(2.3)	(185.4)	(187.7)
Non-controlling interests	–	(7.9)	(7.9)	–	(9.9)	(9.9)
Net assets	**726.1**	**11.7**	**737.8**	**673.2**	**(16.2)**	**657.0**
NAV per share (before distribution)	114.8p		116.7p	113.1p		110.4p

On an Investment basis, Investments at fair value were £673.3m (31 March 2011: £626.1m) net of £46.0m of future investment obligations on the M80 motorway DBFO and the Northwest Anthony Henday P3 projects. This is an increase of £47.2m or 7.5%. Further detail on the movement in Investments at fair value is given in the Investment Adviser's Report under Valuation.

Following the equity capital raisings in the six months the Group has a net cash position on an Investment basis of £60.7m (31 March 2011: £54.7m). An analysis of the movements in net cash is shown in the cash flow analysis below.

Other financial liabilities of £1.6m (31 March 2011: £2.3m) comprise the mark to market valuation of the Group's interest rate swaps and foreign currency hedging contracts.

On an Investment basis, NAV per share was 114.8p before the 3.35p distribution (31 March 2011: 113.1p).

On a consolidated IFRS basis, net assets have increased to £737.8m (31 March 2011: £657.0m) reflecting £42.4m from the issue of shares (net of costs) since March and £38.4m of retained profits following payment of the second interim dividend of 3.425p per share. NAV per share was 116.7p (31 March 2011: 110.4p).

Cash Flow Analysis

Summary cash flow

		Six months to 30 September 2011 Investment basis *£million*		Six months to 30 September 2010 Investment basis *£million*
Net cash at start of period		54.7		11.0
Cash from investments	29.2		21.8	
Operating + finance costs	(4.3)		(5.5)	
Net cash inflow before acquisitions/financing		**24.9**		**16.3**
Redemption of investment		30.0		0.0
Cost of new investments		(71.9)		(48.9)
Share capital raised net of costs		40.1		46.6
Forex movement on borrowings/hedging		1.0		5.3
Dividend for operational assets	(15.7)		(14.5)	
Dividend for construction assets	(2.4)		(0.3)	
Dividends paid		(18.1)		(14.8)
Net cash at end of period		**60.7**		**15.5**

On an Investment basis the Group's net cash at 30 September 2011 was £60.7m (31 March 2011: £54.7m).

Cash inflows from the portfolio were £29.2m (2010: £21.8m). The growth in cash generation was driven by contributions from acquisitions combined with active cash management across the portfolio, which brought forward a number of distributions. For the full year, we expect cash generation in line with forecast.

Cost of investments of £71.9m (2010: £48.9m) represents the cash cost of the six new investments, three incremental acquisitions, £0.3m loan note subscriptions on the Helicopter Facility, coupled with associated acquisition costs of £1.2m.

The £1.0m (2010: £5.3m) movement in forex and hedging arises from strengthening of Sterling relative to the Euro and Canadian Dollar partly offset by the timing of the forward Euro and Canadian Dollar sales. The forward sales are to hedge the Group's forex exposure on the Dutch High Speed Rail Link and two Canadian assets.

Share capital was raised by the placing of 35.2m shares providing cash receipts in the six months of £40.1m (2010: £46.6m). A further 10m shares were admitted for listing in October, raising £11.6m.

Dividends paid were £18.1m (2010: £14.8m) for the six months being the payment of 3.425p per share in June 2011.

Dividend cash cover was 1.6 times (2010: 1.1 times) which compares operational cash flow of £24.9m (2010: £16.3m) with dividends attributable to operational assets. The dividend attributable to operational assets (86.5%) and construction assets (13.5%) was based on their respective share of the portfolio valuation during the period.

Gearing

The Group has a committed £200m five year revolving facility from Bank of Scotland plc ('BoS') expiring in December 2012. 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 2011, the Group's only drawings under the facility were in respect of letters of credit.

To manage interest rate risk the Group has interest rate swaps to partially hedge the Group's debt facility.

On a consolidated IFRS basis, the Group had net debt of £1,039.3m at 30 September 2011 (31 March 2011: £532.8m). The increase in net debt is due to consolidation of the debt from the three subsidiaries acquired in the period.

Foreign Exchange Risk

Foreign exchange risk from non-sterling assets has been managed on a balance sheet basis through the forward sale of Euros and Canadian Dollars and by debt drawings in Euros and Canadian Dollars under the BoS debt facility. This is to minimise the volatility in the Group's NAV from foreign exchange movements.

The Group proposes to adjust its foreign currency hedging strategy following the renewal of the Group's revolving debt facility, in part to reflect the increased cost of the debt facility. The change will result in increased hedging of investment income from overseas assets coupled with a reduced balance sheet hedge. The net effect of the changes is expected to give more yield certainty and a NAV/share sensitivity of up to 1.0p for a 10% forex movement.

Unaudited Consolidated Proforma Income Statement

for the six months ended 30 September 2011

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

	Six months ended 30 September 2010				
	Investment basis			Consolidation	Consolidated
	Revenue	Capital	Total	adjustments	IFRS basis
	£million	*£million*	*£million*	*£million*	*£million*
Services revenue	–	–	–	57.0	57.0
Gains on finance receivables	–	–	–	68.2	68.2
Gains/(loss) on investments	15.2	12.5	27.7	(11.6)	16.1
Total income	15.2	12.5	27.7	113.6	141.3
Services costs	–	–	–	(47.9)	(47.9)
Administrative expenses	(4.7)	–	(4.7)	(1.4)	(6.1)
Profit before net finance costs and tax	10.5	12.5	23.0	64.3	87.3
Finance costs	(1.5)	(0.4)	(1.9)	(49.5)	(51.4)
Finance income	–	2.3	2.3	0.1	2.4
Profit before tax	9.0	14.4	23.4	14.9	38.3
Income tax expense	–	–	–	(2.5)	(2.5)
Profit for the period	9.0	14.4	23.4	12.4	35.8
Attributable to:					
Equity holders of the parent	9.0	14.4	23.4	10.9	34.3
Non-controlling interests	–	–	–	1.5	1.5
	9.0	14.4	23.4	12.4	35.8
Earnings per share – basic and diluted *(pence)*	1.9	3.0	4.9	2.3	7.2

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

Unaudited Consolidated Proforma Balance Sheet

as at 30 September 2011

	30 September 2011			31 March 2011		
	Investment basis *£million*	Consolidation adjustments *£million*	Consolidated IFRS basis *£million*	Investment basis *£million*	Consolidation adjustments *£million*	Consolidated IFRS basis *£million*
Non-current assets						
Investments at fair value through profit or loss *(Note 1)*	673.3	(312.5)	360.8	596.4	(200.1)	396.3
Finance receivables at fair value through profit or loss	–	1,419.4	1,419.4	–	761.6	761.6
Intangible assets	–	286.2	286.2	–	162.0	162.0
Deferred tax assets	–	86.4	86.4	–	34.3	34.3
Total non-current assets	673.3	1,479.5	2,152.8	596.4	757.8	1,354.2
Current assets						
Investments at fair value through profit or loss *(Note 1)*	–	–	–	29.7	–	29.7
Trade and other receivables	0.7	28.4	29.1	1.0	14.7	15.7
Finance receivables at fair value through profit or loss	–	24.4	24.4	–	17.5	17.5
Cash and cash equivalents	60.7	76.4	137.1	54.7	60.2	114.9
Total current assets	61.4	129.2	190.6	85.4	92.4	177.8
Total assets	734.7	1,608.7	2,343.4	681.8	850.2	1,532.0
Current liabilities						
Trade and other payables	(6.7)	(25.6)	(32.3)	(6.0)	(22.9)	(28.9)
Current tax payable	(0.3)	(0.6)	(0.9)	(0.3)	(0.5)	(0.8)
Loans and borrowings	–	(42.3)	(42.3)	–	(31.4)	(31.4)
Total current liabilities	(7.0)	(68.5)	(75.5)	(6.3)	(54.8)	(61.1)
Non-current liabilities						
Loans and borrowings	–	(1,134.1)	(1,134.1)	–	(616.3)	(616.3)
Other financial liabilities (fair value of derivatives)	(1.6)	(207.0)	(208.6)	(2.3)	(80.5)	(82.8)
Deferred tax liabilities	–	(179.5)	(179.5)	–	(104.9)	(104.9)
Total non-current liabilities	(1.6)	(1,520.6)	(1,522.2)	(2.3)	(801.7)	(804.0)
Total liabilities	(8.6)	(1,589.1)	(1,597.7)	(8.6)	(856.5)	(865.1)
Net assets/(liabilities)	726.1	19.6	745.7	673.2	(6.3)	666.9
Equity						
Shareholders' equity	726.1	11.7	737.8	673.2	(16.2)	657.0
Non-controlling interests	–	7.9	7.9	–	9.9	9.9
Total equity	726.1	19.6	745.7	673.2	(6.3)	666.9
Net assets/(liabilities) per share *(pence)*	114.8	1.9	116.7	113.1	(2.7)	110.4

Unaudited Consolidated Proforma Cash Flow Statement

for the six months ended 30 September 2011

	Six months ended 30 September 2011			Six months ended 30 September 2010		
	Investment basis *£million*	Consolidation adjustments *£million*	Consolidated IFRS basis *£million*	Investment basis *£million*	Consolidation adjustments *£million*	Consolidated IFRS basis *£million*
Cash flows from operating activities						
Profit before tax	30.7	33.6	64.3	23.4	14.9	38.3
Adjustments for:						
(Gains)/loss on investments	(35.1)	8.6	(26.5)	(27.7)	11.6	(16.1)
Gains on finance receivables	–	(126.5)	(126.5)	–	(68.2)	(68.2)
Interest payable and similar charges	0.8	31.6	32.4	1.5	24.9	26.4
Changes in fair value of derivatives	(1.6)	59.8	58.2	(1.9)	24.5	22.6
Operator acquisition investment fees	0.7	–	0.7	0.5	–	0.5
Interest income	(0.1)	(0.2)	(0.3)	–	(0.1)	(0.1)
Amortisation of intangible assets	–	5.5	5.5	–	4.3	4.3
Operating cash flow before changes in working capital	(4.6)	12.4	7.8	(4.2)	11.9	7.7
Changes in working capital:						
Decrease/(increase) in receivables	0.3	0.2	0.5	(0.4)	(8.7)	(9.1)
Increase/(decrease) in payables	0.4	(7.4)	(7.0)	0.2	0.7	0.9
Cash flow (used in)/from operations	(3.9)	5.2	1.3	(4.4)	3.9	(0.5)
Interest received on bank deposits and other similar income	1.0	0.2	1.2	4.9	0.3	5.2
Cash received from finance receivables	–	40.1	40.1	–	30.3	30.3
Interest paid and similar charges	(0.8)	(27.8)	(28.6)	(1.1)	(17.9)	(19.0)
Corporation tax received/(paid)	0.4	(0.5)	(0.1)	–	(0.4)	(0.4)
Interest received on investments	20.1	(8.0)	12.1	14.8	(4.7)	10.1
Dividends received	8.3	(2.8)	5.5	6.1	(1.0)	5.1
Fees and other operating income	0.6	(0.2)	0.4	0.9	(0.1)	0.8
Loan stock and equity repayments received	30.1	–	30.1	–	–	–
Net cash from operating activities	55.8	6.2	62.0	21.2	10.4	31.6
Cash flows from investing activities						
Purchases of investments	(71.9)	19.8	(52.1)	(48.9)	–	(48.9)
Acquisition of subsidiaries net of cash acquired	–	10.8	10.8	–	–	–
Net cash (used in)/from investing activities	(71.9)	30.6	(41.3)	(48.9)	–	(48.9)
Cash flows from financing activities						
Proceeds from issue of share capital	40.2	–	40.2	46.6	–	46.6
Proceeds from issue of loans and borrowings	–	–	–	44.4	–	44.4
Repayment of loans and borrowings	–	(18.7)	(18.7)	(47.5)	(11.6)	(59.1)
Distributions paid to Company shareholders	(18.1)	–	(18.1)	(14.8)	–	(14.8)
Distributions paid to non-controlling interests	–	(1.9)	(1.9)	–	(2.0)	(2.0)
Net cash from/(used in) financing activities	22.1	(20.6)	1.5	28.7	(13.6)	15.1
Net increase/(decrease) in cash and cash equivalents	6.0	16.2	22.2	1.0	(3.2)	(2.2)
Cash and cash equivalents at beginning of period	54.7	60.2	114.9	12.8	54.3	67.1
Exchange gains on cash	–	–	–	1.7	–	1.7
Cash and cash equivalents at end of period	60.7	76.4	137.1	15.5	51.1	66.6

1. Investments

The valuation of the Group's portfolio at 30 September 2011 reconciles to the condensed consolidated balance sheet as follows:

	30 September 2011 *£million*	31 March 2011 *£million*
Portfolio valuation	719.3	673.1
Less: undrawn loanstock commitments	(46.0)	(47.0)
Portfolio valuation on an investment basis	673.3	626.1
Less: equity and loanstock investments in operating subsidiaries eliminated on consolidation	(312.5)	(200.1)
Investments per consolidated balance sheet on an IFRS basis	360.8	426.0
Portfolio valuation on an investment basis is represented by:		
Less than one year	–	29.7
Greater than one year	673.3	596.4
Carrying amount at period end	673.3	626.1
Investments per unaudited consolidated balance sheet on an IFRS basis is represented by:		
Less than one year	–	29.7
Greater than one year	360.8	396.3
Carrying amount at period end	360.8	426.0

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 Chairman's Statement and Investment Adviser's Report meets the requirements of an interim management report, and 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
15 November 2011

Independent Review Report to HICL Infrastructure Company Limited

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 30 September 2011 which comprise the Condensed Unaudited Consolidated Income Statement, Condensed Unaudited Consolidated Balance Sheet, Condensed Unaudited Consolidated Statement of Changes in Shareholders' Equity, Condensed Unaudited Consolidated Cash Flow Statement and the related notes. We have read the other information contained in the interim report including the proforma information and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the period ended 30 September 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the EU and the DTR of the UK FSA.

Mark R Thompson
For and on behalf of
KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
20 New Street
St Peter Port
Guernsey
GY1 4AN

15 November 2011

Condensed Unaudited Consolidated Income Statement

for the six months ended 30 September 2011

	Note	Six months ended 30 September 2011 Unaudited Revenue £million	Capital £million	Total £million	Six months ended 30 September 2010 Unaudited Revenue £million	Capital £million	Total £million
Services revenue		62.1	–	62.1	57.0	–	57.0
Gains on finance receivables		28.1	98.4	126.5	20.6	47.6	68.2
Gains on investments	*9*	13.5	13.0	26.5	10.2	5.9	16.1
Total income		103.7	111.4	215.1	87.8	53.5	141.3
Services costs	*4*	(53.7)	–	(53.7)	(47.9)	–	(47.9)
Administrative expenses	*4*	(6.9)	–	(6.9)	(6.1)	–	(6.1)
Profit before net finance costs and tax		43.1	111.4	154.5	33.8	53.5	87.3
Finance costs		(32.6)	(60.2)	(92.8)	(26.4)	(25.0)	(51.4)
Finance income		0.3	2.3	2.6	0.1	2.3	2.4
Profit before tax		10.8	53.5	64.3	7.5	30.8	38.3
Income tax credit/(expense)	*8*	0.8	(6.2)	(5.4)	4.0	(6.5)	(2.5)
Profit for the period		11.6	47.3	58.9	11.5	24.3	35.8
Attributable to:							
Equity holders of the parent		11.3	47.5	58.8	8.4	25.9	34.3
Non-controlling interests		0.3	(0.2)	0.1	3.1	(1.6)	1.5
		11.6	47.3	58.9	11.5	24.3	35.8
Earnings per share – basic and diluted *(pence)*	*5*	1.8	7.8	9.6	1.7	5.5	7.2

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

The notes on pages 25 to 35 form an integral part of the financial statements.

Condensed Unaudited Consolidated Balance Sheet

as at 30 September 2011

	Note	30 September 2011 Unaudited £million	31 March 2011 Audited £million
Non-current assets			
Investments at fair value through profit or loss	*9*	360.8	396.3
Finance receivables at fair value through profit or loss	*11*	1,419.4	761.6
Intangible assets		286.2	162.0
Deferred tax assets		86.4	34.3
Total non-current assets		2,152.8	1,354.2
Current assets			
Investments at fair value through profit or loss	*9*	–	29.7
Trade and other receivables		29.1	15.7
Finance receivables at fair value through profit or loss	*11*	24.4	17.5
Cash and cash equivalents		137.1	114.9
Total current assets		190.6	177.8
Total assets		2,343.4	1,532.0
Current liabilities			
Trade and other payables		(32.3)	(28.9)
Current tax payable		(0.9)	(0.8)
Loans and borrowings	*13*	(42.3)	(31.4)
Total current liabilities		(75.5)	(61.1)
Non-current liabilities			
Loans and borrowings	*13*	(1,134.1)	(616.3)
Other financial liabilities (fair value of derivatives)		(208.6)	(82.8)
Deferred tax liabilities		(179.5)	(104.9)
Total non-current liabilities		(1,522.2)	(804.0)
Total liabilities		(1,597.7)	(865.1)
Net assets		745.7	666.9
Equity			
Ordinary share capital	*12*	–	–
Share premium	*12*	433.1	390.7
Retained reserves		304.7	266.3
Total equity attributable to equity holders of the parent		737.8	657.0
Non-controlling interests		7.9	9.9
Total equity		745.7	666.9
Net assets per share *(pence)*	*7*	116.7	110.4

The notes on pages 25 to 35 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 15 November 2011, 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 2011

Six months ended 30 September 2011

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

Six months ended 30 September 2010

	Attributable to equity holders of the parent			Non-controlling interests	Total equity
	Share capital and share premium *£million*	Retained reserves *£million*	Total shareholders' equity *£million*	*£million*	*£million*
Shareholders' equity at beginning of period	234.0	252.6	486.6	12.8	499.4
Profit for the period	–	34.3	34.3	1.5	35.8
Distributions paid to Company shareholders	–	(15.2)	(15.2)	–	(15.2)
Distributions paid to non-controlling interests	–	–	–	(2.0)	(2.0)
Ordinary shares issued	47.3	–	47.3	–	47.3
Costs of share issue	(0.4)	–	(0.4)	–	(0.4)
Shareholders' equity at end of period	280.9	271.7	552.6	12.3	564.9

The notes on pages 25 to 35 form an integral part of these financial statements.

Condensed Unaudited Consolidated Cash Flow Statement

for the six months ended 30 September 2011

	Six months ended 30 September 2011 Unaudited *£million*	Six months ended 30 September 2010 Unaudited *£million*
Cash flows from operating activities		
Profit before tax	64.3	38.3
Adjustments for:		
Gains on investments	(26.5)	(16.1)
Gains on finance receivables	(126.5)	(68.2)
Interest payable and similar charges	32.4	26.4
Changes in fair value of derivatives	58.2	22.6
Operator acquisition investment fees	0.7	0.5
Interest income	(0.3)	(0.1)
Amortisation of intangible assets	5.5	4.3
Operating cash flow before changes in working capital	7.8	7.7
Changes in working capital:		
Decrease/(increase) in receivables	0.5	(9.1)
(Decrease)/increase in payables	(7.0)	0.9
Cash flow from/(used in) operations	1.3	(0.5)
Interest received on bank deposits and other similar income	1.2	5.2
Cash received from finance receivables	40.1	30.3
Interest paid and similar charges	(28.6)	(19.0)
Corporation tax paid	(0.1)	(0.4)
Interest received on investments	12.1	10.1
Dividends received	5.5	5.1
Fees and other operating income	0.4	0.8
Loanstock and equity repayments received	30.1	–
Net cash from operating activities	62.0	31.6
Cash flows from investing activities		
Purchases of investments	(52.1)	(48.9)
Acquisition of subsidiaries net of cash acquired *(Note 10)*	10.8	–
Net cash used in investing activities	(41.3)	(48.9)
Cash flows from financing activities		
Proceeds from issue of share capital	40.2	46.6
Proceeds from issue of loans and borrowings	–	44.4
Repayment of loans and borrowings	(18.7)	(59.1)
Distributions paid to Company shareholders	(18.1)	(14.8)
Distributions paid to non-controlling interests	(1.9)	(2.0)
Net cash from financing activities	1.5	15.1
Net increase/(decrease) in cash and cash equivalents	22.2	(2.2)
Cash and cash equivalents at beginning of period	114.9	67.1
Exchange gains on cash	–	1.7
Cash and cash equivalents at end of period	137.1	66.6

The notes on pages 25 to 35 form an integral part of these financial statements.

1. Reporting Entity

HICL Infrastructure Company Limited (the "Company") is a company domiciled in Guernsey, Channel Islands, whose shares are publicly traded on the London Stock Exchange. The interim condensed unaudited consolidated financial statements of the Company (the "interim financial statements") as at and for the six months ended 30 September 2011 comprise the Company and its subsidiaries (together referred to as "the Group"). The Group invests in infrastructure projects in the United Kingdom, Europe and Canada.

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

The statutory accounts for the year ended 31 March 2011 were approved by the Directors on 23 May 2011 and are available from the Company's Administrator and on the Company's website www.hicl.com. The auditor's report on these accounts was unqualified.

2. Key Accounting Policies

Basis of preparation

The interim financial statements were approved by the Board of Directors on 15 November 2011.

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

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

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

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

The same accounting policies, presentation and methods of computation are followed in these interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 March 2011, except for the adoption of new standards, noted below. Adoption of these standards did not have any material effect on the financial position or performance of the Group.

- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions – clarifies accounting for group cash-settled share-based payment transactions.
- Revised IAS 24 Related Party Disclosures – the revised standard has simplified the definition of a related party and removed inconsistencies.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability.
- Improvements to IFRSs 2010 – the IASB published amendments to various standards with various effective dates on 6 May 2010. The amendments are effective for annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 improvements contains eleven amendments to six standards and to one interpretation and is the result of the IASB's third annual improvements project (AIP).

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

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

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 2011			
	Level 1 *£million*	**Level 2** *£million*	**Level 3** *£million*	**Total** *£million*
Investments at fair value through profit or loss (Note 9)	–	–	360.8	360.8
Finance receivables at fair value through profit or loss (Note 11)	–	–	1,443.8	1,443.8
	–	–	1,804.6	1,804.6
Other financial liabilities (fair value of derivatives)	–	208.6	–	208.6
	–	208.6	–	208.6

	31 March 2011			
	Level 1 *£million*	**Level 2** *£million*	**Level 3** *£million*	**Total** *£million*
Investments at fair value through profit or loss (Note 9)	29.7	–	396.3	426.0
Finance receivables at fair value through profit or loss (Note 11)	–	–	779.1	779.1
	29.7	–	1,175.4	1,205.1
Other financial liabilities (fair value of derivatives)	–	82.8	–	82.8
	–	82.8	–	82.8

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

Reconciliation of investments at fair value through profit or loss from beginning balances to the ending balances, disclosing separately changes during the period are disclosed in Note 9.

4. Services Costs

	Six months ended 30 September 2011 *£million*	**Six months ended 30 September 2010** *£million*
Service costs	47.3	41.7
Amortisation of intangible assets	5.5	4.3
Other costs	0.9	1.9
	53.7	47.9

4. Services Costs *(continued)*

Administrative expenses

	Six months ended 30 September 2011 *£million*	Six months ended 30 September 2010 *£million*
Audit & accounting	0.2	0.2
Management fees	0.7	0.6
Operator fees (Note 14)	4.0	3.0
Investment fees (Note 14)	0.7	0.5
Directors' fees (Note 14)	0.1	0.1
Professional fees	0.4	0.2
Project bid costs	–	0.7
Other fees	0.8	0.8
	6.9	6.1

5. Earnings per Share 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 2011	Six months ended 30 September 2010
Profit attributable to equity holders of the Company	£58.8 million	£34.3 million
Weighted average number of ordinary shares in issue	610.0 million	473.1 million
Basic and diluted earnings per share	9.6 pence	7.2 pence

6. Dividends

	Six months ended 30 September 2011 *£million*	Six months ended 30 September 2010 *£million*
Amounts recognised as distributions to equity holders during the period:		
Second interim dividend for the year ended 31 March 2011 of 3.425p (2010: 3.35p) per share	20.4	15.2

The 2011 second interim dividend of £20.4 million, representing 3.425 pence per share, was paid on 30 June 2011 and is included in the condensed unaudited consolidated statement of changes in shareholders' equity.

The Board approved on 10 November 2011 an interim dividend for the period ended 30 September 2011 of 3.35 pence per share (2010: 3.275 pence per share) which will result in a total distribution of £21.5 million, payable by 31 December 2011. The interim dividend is offered to shareholders as a cash payment or alternatively as a scrip dividend. The interim dividend has not been included as a liability as at 30 September 2011.

	Year ending 31 March 2012	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2008	Year ended 31 March 2007
Interim dividend for the period ending September	3.35p	3.275p	3.2p	3.125p	3.05p	2.875p
Interim dividend for the period ending March		3.425p	3.35p	3.275p	3.20p	3.225p
		6.7p	6.55p	6.4p	6.25p	6.1p

7. Net Assets

The calculation of net assets per share is based on shareholders' equity of £737.8 million at 30 September 2011 and 632.2 million ordinary shares in issue at that date.

8. Tax

Income tax for the six month period includes a current tax charge of £0.8 million and a deferred tax charge of £4.6 million (2010: current tax charge of £0.1 million, deferred tax charge of £2.4 million). The current period charge of £5.4 million represents the best estimate of the average annual effective income tax rate expected for the full year, applied to the pre-tax income of the six month period.

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

The Company's Operating Subsidiaries are UK based and as a consequence are bound by UK tax legislation. Operating Subsidiaries in the UK have provided for UK corporation tax at the rate of 26% for current tax liabilities (31 March 2011: 28%) and 25% for deferred tax assets and liabilities (31 March 2011: 26%).

9. Investments at Fair Value Through Profit or Loss

	30 September 2011 *£million*	**31 March 2011** *£million*
Opening balance	426.0	307.4
Investments in the period	70.9	106.3
Accrued interest	(5.7)	2.3
Repayments in the period	(32.6)	(6.5)
Subscription obligations	0.3	8.0
Gain on valuation	13.5	10.9
Investments consolidated during the period	(113.2)	–
Other movements	1.6	(2.4)
Carrying amount at period end	360.8	426.0
This is represented by:		
Less than one year	–	29.7
Greater than one year	360.8	396.3
Carrying amount at period end	360.8	426.0
Gain on valuation as above	13.5	10.9
Less: transaction costs incurred	(0.5)	(1.2)
Gain on investments	13.0	9.7

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

On 11 April 2011, the Group received £30 million from its investment in the Kemble Water junior loan which was fully repaid at par. This asset was classified as Level 1 in the fair value hierarchy and had a gain in valuation of £0.3 million during the period (2010: gain of £2.9 million). The remaining investments were all classified as Level 3 in the fair value hierarchy.

The Investment Adviser has carried out fair market valuations of the investments as at 30 September 2011. The Directors have satisfied themselves as to the methodology used, the discount rates applied, and the valuation. The Directors have also obtained an independent opinion from a third party, with considerable expertise in valuing these type of investments, supporting the reasonableness of the valuation. These investments, which are all investments in PFI/PPP/P3 projects, are valued using a discounted cash flow methodology. The valuation techniques and methodologies have been applied consistently with the prior period. Discount rates applied range from 8.4% to 9.4% (weighted average of 8.7%) (31 March 2011: 8.4% to 10.0% (weighed average of 8.7%)).

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

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

The following economic assumptions were used in the discounted cash flow valuations:

UK inflation rates	2.75%
UK deposit interest rates	1% for 2.5 years to March 2014 and 4% thereafter
UK corporation tax rates	26% for all future periods
Euro/Sterling exchange rate	0.87 for all future periods
Can$/Sterling exchange rate	0.62 for all future periods

The following economic assumptions for the year ended 31 March 2011 were as follows:

UK inflation rates	2.75%
UK deposit interest rates	1% for 2 years to March 2013 and 4% thereafter
UK corporation tax rates	26% for all future periods
Euro/Sterling exchange rate	0.89 for all future periods
Can$/Sterling exchange rate	0.64 for all future periods

In May 2011 the Group and Kajima Partnerships Limited established a new joint venture holding company, Redwood Partnership Ventures 2 Limited ("RPV2L"). The Group has a 75% shareholding in RPV2L.

In May 2011 the Group through RPV2L completed the acquisition of equity investments in three UK PFI schools for £17.2 million. The three projects acquired by RPV2L were:

- a 100% interest in the Norwich Area Schools PFI Project;
- a 100% interest in the Oldham Secondary Schools PFI Project; and
- a 50% interest in the Sheffield Schools PFI Project.

In June 2011 the Group completed the acquisition of a 75.0% equity investment in Brentwood Community Hospital for £4.6 million through RPV2L.

In June 2011 the Group completed the acquisition of an indirect 50.0% equity investment in Pontefract and Pinderfields Hospitals and a further small equity interest in the Medium Support Helicopter Aircrew Training Facility for £28.8 million in aggregate.

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

10. Acquisition of Subsidiaries

In the six month period ended 30 September 2011 the Group acquired a 100.0% interest in the equity and loan stock of South Ayrshire Schools PPP Project for £15.8 million. The transaction costs were £0.1 million and have been expensed.

Also in the period the Group acquired additional interests in the equity of The Hospital Company (QAH) Limited and The Hospital Company (OJR) Limited, companies which are responsible for the Queen Alexandra Hospital and the Oxford John Radcliffe Hospital projects. These acquisitions take the Group's economic interest in these two projects to 100.0% in each. The total consideration paid in cash for the interests in these projects was £4.0 million. The transaction cost for these two acquisitions was de minimus.

Prior to the acquisition of the additional equity these PFI projects were held as investments at fair value and therefore there has been no gain or loss as a result of re-measuring to fair value the interests held prior to the acquisitions. Fair values were determined using the income approach which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values.

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

South Ayrshire Schools PPP Project ("SAS")

On 10 June 2011 the Group obtained control of SAS, by acquiring 100.0% of the equity and loanstock in the project.

The project involved the financing, design and construction, and now subsequent operation of three new primary schools, two new secondary schools and a new performing arts annex at an existing secondary school. All the schools became operational between January 2008 and January 2010.

a) Consideration

	£million
Cash	15.8

b) Identifiable assets acquired and liabilities assumed

	£million
Intangibles	23.4
Finance receivables at fair value through profit or loss	83.2
Deferred tax assets	3.9
Cash and cash equivalents	2.2
Other current assets	1.4
Current liabilities	(2.2)
Deferred tax liabilities	(5.9)
Other non-current liabilities	(90.2)
	15.8

c) Goodwill

	£million
Total consideration transferred	15.8
Less fair value of net identifiable assets	(15.8)
	–

In the three months to 30 September 2011 the acquisition contributed revenue of £5.9 million and losses of £3.6 million. If the acquisition had occurred on 1 April 2011, management estimates that consolidated revenue for the Group would have been £217.2 million, and consolidated profit for the period for the Group would have been £59.0 million.

The results for the three months to 30 September 2011 are materially impacted by movements in gilt rates between acquisition and period end. Therefore, it is not possible to extrapolate the results from the three months to get an indicative operating result for the subsidiary for the year. This is relevant for all subsidiaries acquired in the period.

10. Acquisition of Subsidiaries *(continued)*

The Hospital Company (QAH) Limited ("QAH")

On 23 June 2011 the Group obtained control of QAH, by acquiring 10.1% of the equity in the project. As a result, the Group's equity interest increased from 89.9% to 100.0%.

This project is a concession to design and construct a new hospital and retained estates work in Portsmouth, which became operational in 2010.

a) Consideration

	£million
Cash	2.8

b) Identifiable assets acquired and liabilities assumed

	£million
Intangibles	35.8
Finance receivables at fair value through profit or loss	345.4
Deferred tax assets	14.2
Cash and cash equivalents	17.9
Other current assets	9.6
Current liabilities	(7.0)
Deferred tax liabilities	(25.1)
Other non-current liabilities	(324.3)
	66.5

c) Goodwill

	£million
Total consideration transferred	2.8
Fair value of previous interest in acquiree	63.7
Less fair value of net identifiable assets	(66.5)
	–

In the three months to 30 September 2011 the acquisition contributed revenue of £33.3 million and profits of £16.8 million. If the acquisition had occurred on 1 April 2011, management estimates that consolidated revenue for the Group would have been £226.4 million, and consolidated profit for the period for the Group would have been £57.8 million.

10. Acquisition of Subsidiaries *(continued)*

The Hospital Company (OJR) Limited ("OJR")

On 23 June 2011 the Group obtained control of OJR, by acquiring 10.1% of the equity in the project. As a result, the Group's equity interest increased from 89.9% to 100.0%.

This project is a concession to design, construct, manage, finance, operate and maintain a new wing adjacent to the former Radcliffe Infirmary. Construction was completed ahead of schedule in March 2001.

a) Consideration

	£million
Cash	1.2

b) Identifiable assets acquired and liabilities assumed

	£million
Intangibles	70.5
Finance receivables at fair value through profit or loss	150.3
Deferred tax assets	19.4
Cash and cash equivalents	10.4
Other current assets	3.1
Current liabilities	(4.6)
Deferred tax liabilities	(24.4)
Other non-current liabilities	(191.6)
	33.1

c) Goodwill

	£million
Total consideration transferred	1.2
Fair value of previous interest in acquiree	31.9
Less fair value of net identifiable assets	(33.1)
	–

In the three months to 30 September 2011 the acquisition contributed revenue of £15.5 million and losses of £2.5 million. If the acquisition had occurred on 1 April 2011, management estimates that consolidated revenue for the Group would have been £222.0 million, and consolidated profit for the period for the Group would have been £58.4 million.

11. Finance Receivables at Fair Value Through Profit or Loss

	30 September 2011 *£million*	31 March 2011 *£million*
Opening balance	779.1	788.6
Acquisition of subsidiaries	578.9	–
Gain on valuation	98.4	6.6
Repayments in the period	(10.4)	(17.4)
Other movements	(2.2)	1.3
Carrying amount at period end	1,443.8	779.1
This is represented by:		
Less than one year	24.4	17.5
Greater than one year	1,419.4	761.6
Carrying amount at period end	1,443.8	779.1

The Operating Subsidiaries' concession contracts with public sector bodies are considered as financial assets. Gain in fair values of financial assets of £98.4 million for the period ended 30 September 2011 (31 March 2011: £6.6 million), are separately disclosed in the consolidated income statement as a capital amount. The maximum exposure to credit risk at the reporting date is the fair value of the financial assets in the balance sheet.

Interest income in relation to finance receivables of £28.1 million has been recognised in the consolidated income statement for the period ended 30 September 2011 as a revenue amount (2010: £20.6 million).

12. Capital and Reserves

	Ordinary shares		Management shares	
	30 September 2011 *million*	31 March 2011 *million*	30 September 2011 *million*	31 March 2011 *million*
In issue at beginning of period	595.1	454.3	–	–
Issued for cash	35.2	139.0	–	–
Issued as a script dividend alternative	1.9	1.8	–	–
In issue at end of period – fully paid	632.2	595.1	–	–

The holders of the 632,270,249 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 2011: 595,139,454).

The 2 Management Shares of 0.01p each carry one vote each on a poll, do not carry any right to dividends and, in winding-up, rank only for a return of the amount of the paid-up capital on such shares after return of capital on Ordinary Shares and Nominal Shares. The Management Shares are not redeemable and are accrued for and on behalf of a Guernsey charitable trust.

Share capital and share premium

	30 September 2011 *£million*	31 March 2011 *£million*
Opening balance	390.7	234.0
Premium arising on issue of equity shares	42.8	159.0
Expenses of issue of equity shares	(0.4)	(2.3)
Closing balance	433.1	390.7

Share capital is £64.2 thousand (31 March 2011: £59.5 thousand).

12. Capital and Reserves *(continued)*

For the six month period ended 30 September 2011

In the six month period ending 30 September 2011 35.2 million new ordinary shares were issued to various institutional investors at an issue price per share (before expenses) ranging between 115p and 115.5p (2010: 41.7 million ranging between 112.5p and 115.0p).

On 30 June 2011 1.9 million new ordinary shares of 0.01p each fully paid in the Company were issued as a scrip dividend alternative in lieu of cash for the second interim dividend in respect of the year ending 31 March 2011 (2010: 0.4 million).

Retained reserves

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

13. Loans and Borrowings

In the six month period ending 30 September 2011 no debt was drawn to fund acquisitions (2010: £44.4 million).

Debt repayments and bond indexation adjustments of £16.0 million were recognised in the six month period ended 30 September 2011 (2010: £56.6 million).

14. Related Party Transactions

The Investment Adviser to the Company and the Operator of a limited partnership through which the Group holds its investments is InfraRed Capital Partners Limited ("IRCP"). The total Operator fees charged to the Income Statement was £4.0 million of which the balance remained payable at the period end (2010: £3.0 million). The total charge for new portfolio investments (disclosed within investment fees in Note 4) was £0.7 million of which the balance remained payable at the period end (2010: £0.5 million).

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

	Transactions		Balance	
	Six months ended 30 September 2011 *£million*	Six months ended 30 September 2010 *£million*	30 September 2011 *£million*	31 March 2011 *£million*
Loanstock investments	30.1	19.6	228.6	285.2
Loanstock repayments	(31.4)	(1.3)	–	–
Equity investments	21.2	28.6	135.3	152.9
Equity amortisation	(1.5)	(4.0)	–	–
Outstanding subscription obligations	–	–	–	–
Loanstock interest	9.7	8.0	6.6	10.8
Dividends received	3.3	1.1	–	–
Fees and other income	0.4	0.8	–	–

The Group had total cash holdings with HSBC Bank plc at 30 September 2011 of £35.0 million (31 March 2011: £81.4 million). Total interest income earned from cash holdings held with HSBC Bank plc for the period was £0.1 million (2010: £0.1 million). HSBC Group holds a 19.9% indirect stake in InfraRed Capital Partners Limited.

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £63 thousand (disclosed as directors' fees in Note 4) in the period (2010: £58 thousand). One Director also receives fees for serving as Director of the two Luxembourg subsidiaries. The fees were £3 thousand (2010: £3 thousand).

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

15. Guarantees and Other Commitments

As at 30 September 2011 the Group had £46.0 million in commitments for future project investments (31 March 2011: £47.0 million) and £15.6 million in capital commitments (31 March 2011: £20.3 million).

16. Events after Balance Sheet Date

On 3 October 2011 10 million new ordinary shares were issued to various institutional investors at an issue price per share (before expenses) of 115.7p.

In October 2011 the Group received notice from Bilfinger Berger SE in accordance with the agreement for sale and purchase of the Northwest Anthony Henday ring road P3 project to contribute the loan note subscription and deferred loan consideration amounts. These were paid on 1 November 2011 and totalled £17.1 million at the exchange rate on the day.

On 10 November 2011 the Group completed the acquisition of 75.0% of the equity and loan note interests in Sheffield Hospital for £5.2 million through RPV2L.

On 10 November 2011 the Group obtained control of Blackburn Hospital, by acquiring 50.0% of the equity in the project. As a result, the Group's equity interest increased from 50.0% to 100.0%. The Group also acquired the remaining 50.0% of the loanstock.

The project involved the design, construction, financing and maintenance of new facilities at the Queens Park Hospital in Blackburn for the East Lancashire Hospitals NHS Trust. The new facilities have been operational since 2003.

Management have reviewed the assets and liabilities acquired and have made the following provisional assessment in respect of their fair values.

a) Consideration

	£million
Cash	13.8

b) Identifiable assets acquired and liabilities assumed

	£million
Intangibles	38.7
Finance receivables at fair value through profit or loss	170.9
Deferred tax assets	15.4
Cash and cash equivalents	7.7
Other current assets	2.5
Current liabilities	(3.4)
Deferred tax liabilities	(48.7)
Other non-current liabilities	(155.5)
	27.6

c) Goodwill

	£million
Total consideration transferred	13.8
Fair value of previous interest in acquire	13.8
Less fair value of net identifiable assets	(27.6)
	–

If the acquisition of the Blackburn Hospital interest had occurred on 1 April 2011, management estimates that consolidated revenue would have been £224.6 million, and consolidated profit for the period would have been £58.7 million.

There were no other events after the balance sheet date which are required to be disclosed.

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