Interim Report

for the six months ended 30 September 2015

HICL Infrastructure Company Limited

Company Overview

HICL Infrastructure Company Limited ("HICL") is an investment company registered in Guernsey. It is a 'buy-and-hold' equity investor in social, transportation and similar infrastructure projects such as hospitals, schools, courthouses, fire stations, roads, railways and other public sector buildings and accommodation. Its current investments are located primarily in the UK, but also in Australia, Canada, and Europe.

The Company seeks to provide investors with long-term (yield) distributions, at sustainable levels, and to preserve the capital value of its investment portfolio with the 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 £1.3bn through subsequent equity issues and had a market capitalisation of £2.0bn as at 30 September 2015.

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. InfraRed's infrastructure team comprise around 50 professionals across four international offices, and it advises on, or manages, almost US$6.0bn of committed equity in infrastructure projects.

As at 30 September 2015, the Company's portfolio comprised investments in 102 infrastructure projects which are mainly operational, with predominantly 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 investment cashflows 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 2016 of 7.45p per share, and for the year to 31 March 2017 of 7.60p per share.

At the time of the Company's most recent share issuance prospectus in February 2013, a long-term total return for new investors of approximately 7% p.a. was targeted on the basis of an issue price of 119.5p per share. Since inception to 30 September 2015, the total shareholder return on shares acquired in the IPO has been 10.4% p.a. (on a share price plus dividends basis).

£2.0 billion
Market Capitalisation*

102 investments
in the portfolio*

7.45p dividend
target in aggregate for the year to 31 March 2016

4.9% cash yield
annually on the shares**

** As at 30 September 2015.*

*** Based on the dividend target for FYE 31 March 2016 and the Company's share price as at 30 September 2015.*

Contents

IFC Company Overview
01 Highlights
02 Summary Financial Results
02 Net Asset Values
03 **Chairman's Statement**
07 **Summary Portfolio Information**
08 Company's Key Performance Indicators ("KPIs")
09 The Group's Investment Portfolio
10 Analysis of the Group's Investment Portfolio
11 **Investment Adviser's Report**
21 **Financial Results**
26 **Consolidated Financial Statements**
27 Directors' Statement of Responsibilities
28 Independent Review Report to HICL Infrastructure Company Limited
29 Condensed Unaudited Consolidated Financial Statements
33 Notes to the Condensed Unaudited Consolidated Financial Statements
42 Directors and Advisers

Highlights

for the six months ended 30 September 2015

Net asset value ("NAV") per share (as at 30 September 2015) of 139.1p; up 2.4p (1.8%) from the NAV per share of 136.7p at 31 March 2015.

Total shareholder return for the period of 9.0% (annualised), based on interim dividends declared plus uplift in NAV per share in the six month period.

Aggregate quarterly dividends declared for the first half of 3.72p per share (2014: 3.62p); on track to achieve the Company's aggregate dividend target of 7.45p per share for the full year[1].

Target dividend guidance for the financial year to 31 March 2017 of 7.60p per share[1].

Value of the Group's investment portfolio up 8.1% in the six months, based on a 30 September 2015 valuation of £1,872.1m[2] (31 March 2015: £1,732.2m[2]).

Weighted average discount rate reduced from 7.9% to 7.7% over the six month period, reflecting projects reaching construction completion and ongoing, strong demand for similar infrastructure investments.

Two new investments and two incremental stakes acquired during the period for £130.7m funded by £91.2m equity tap issue in July and drawings under the Group's revolving credit facility.

Current net funding requirement of approximately £30m – Board considering a tap issue in the near future.

Since the period end, the Group has increased its revolving credit facility from £150m to £200m on improved terms, including a reduction in the margin.

1. These are targets only and not profit forecasts. There can be no assurance that these targets will be met or that the Company will make any distributions at all.

2. Includes £21.8m of future investment obligations (March 2015: £22.5m).

Summary Financial Results

for the six months to	30 September 2015	30 September 2014
Income[1]	£84.4m	£142.3m
Profit before tax	£71.7m	£132.0m
Earnings per share	5.6p	10.7p
Total interim dividends declared per share for the year to date	3.72p	3.62p

Net Asset Values

Net Asset Value (NAV) per share as at 31 March 2015	136.7p
NAV movement in the six months	2.4p
NAV per share as at 30 September 2015	139.1p

1. Includes forex hedging gain of £1.2m (2014: £4.2m gain).

Chairman's Statement

University of Bourgogne, France

Chairman's Statement

Introduction

The Company's performance in the six months to 30 September 2015 has been robust despite some valuation headwinds. The active management of assets and the value enhancement work undertaken by the Investment Adviser has delivered sound operational performance from the portfolio and strong investment cashflows. The valuation of the portfolio has seen a net gain over the six months. Notwithstanding a number of adverse movements, principally macro-economic in nature, the valuation benefited from Group-specific and sector-wide factors, including a modest reduction in the weighted average discount rate.

The change in the discount rate was attributable to a sizeable project (Allenby & Connaught MoD accommodation) reaching construction completion, coupled with a general uplift in the market price for assets similar to those held by the Group.

Despite this competitive market, the Investment Adviser has been able to source a number of new investments on terms which provide incremental value to the portfolio while fitting our risk appetite. Of particular note, sizeable investments were made in Southmead Hospital, a state of the art new medical facility for North Bristol, and a prestigious police headquarters in Canada.

The Company's second quarterly interim dividend for the financial year was declared on 12 November 2015 and is due to be paid on 31 December 2015. The Company is on track to achieve the 7.45p per share annual target dividend for the year to 31 March 2016.

Financial Results and Performance

Financial Results

As with the accounts for the year to 31 March 2015 and for the six months to 30 September 2014, the Company has prepared its interim accounts for the period in accordance with EU IFRS, including IFRS 10 and the Investment Entity amendments. These require the Company to prepare financial statements which do not consolidate the project company subsidiaries and instead treat them as investments at fair value.

As a result of a sound performance from existing investments, coupled with contributions from new acquisitions and the positive impact of valuation uplifts, the profit after tax was £71.6m (2014: £131.9m) and earnings per share were 5.6p (2014: 10.7p). The comparative figures for the six months to 30 September 2014 were higher due to one-off items in that period; more details are set out in the Investment Adviser's Report and the Financial Results.

Cash received from the portfolio by way of distributions, capital repayments, profit on disposals and fees was £70.0m (2014: £63.7m). After Group operating and finance costs, net operating cashflow of £58.9m (2014: £53.9m) covered the interim dividends paid in the six month period 1.3 times (2014: 1.3 times, on a pro-rated basis to account for the move to paying quarterly dividends).

The Company's Ongoing Charges Percentage was 1.13% on an annualised basis (2014: 1.12%). The level is one of the lowest amongst the peer group of listed infrastructure funds.

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

Portfolio Performance

Investment cashflows remained strong despite the impact of the low UK and Eurozone inflationary environment where inflation rates have trended below the Company's forecast assumptions. The Investment Adviser continues to believe that the Company's long-term assumptions are appropriate, and the short-term assumptions for the year end valuation will be reassessed in light of market data.

As at 30 September, the portfolio comprised 102 social and transportation projects, located in the UK (89% by investment value) as well as France, Ireland, the Netherlands, Australia and Canada. During the period, two projects reached construction completion, namely the University of Bourgogne and the more sizeable Allenby & Connaught MoD accommodation project. The number of projects in construction at the end of the period was five, accounting for approximately 1% of the portfolio by value.

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

Valuation and NAV

Consistent with prior periods, the Investment Adviser has prepared a fair market valuation for the portfolio as at 30 September 2015 based on a discounted cashflow analysis of the future expected cashflows accruing to the Group from each investment.

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 and the discount rates applied.

The Directors have approved the increased valuation for the portfolio as at 30 September 2015 of £1,872.1m, which includes £21.8m of future investment obligations. This compares with £1,732.2m as at 31 March 2015 (with £22.5m future investment obligations) and £1,639.1m as at 30 September 2014 (with £8.1m future investment obligations).

Overall the NAV per share increased by 2.4p to 139.1p at 30 September 2015 (31 March 2015: 136.7p), which was ahead of budget.

The increase was driven by a number of factors, primarily a reduction in the portfolio's weighted average discount rate, though also from certain shared cost saving initiatives. The increase in value was net of adverse currency movements, partially hedged, and, as referenced above, lower UK inflation than assumptions had forecast.

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

Acquisitions and Disposals

The Group made two new investments and acquired two incremental stakes in existing projects in the six month period, for a total consideration of £130.7m. This included the Group's third investment in Canada, the Royal Canadian Mounted Police 'E' Division Headquarters P3 Project, which was referenced in the Annual Results in May as a prospective opportunity being offered for sale by an investment fund managed by the Investment Adviser. Approval for the related party transaction was given by the Company's shareholders at an extraordinary general meeting in August and the transaction completed in September.

Since the period end, the Group has made two incremental investments. Further details are included in the Investment Adviser's Report.

Two asset sales were made during the period. The first was the sale of the Group's interest in Fife Schools for £7.3m. The second was a partial disposal of the Ealing Care Homes Project for £1.6m, in line with the March 2015 valuation. The former transaction arose as part of the Board's strategy to crystallise value for shareholders where it believes such value cannot be achieved through continued ownership; the latter was undertaken to promote alignment of interest with a joint venture partner.

Capital Raising

In July 2015, the Company completed a tap issue for 60.0m Ordinary Shares at a premium to the then prevailing NAV per share. This raised £91.2m of gross proceeds to repay drawings under the Group's £150m revolving credit facility and to fund near term pipeline. The Directors decided to increase the issue from its initial target size of £48.0m in light of the Company's forecast capital needs arising from investment commitments, and the demand amongst investors to participate in the issue. The Company currently has a tap capacity of almost 56m shares. Assuming none of this capacity is used beforehand, this will increase on 15 December 2015 to approximately 67m shares following the anniversary of a tap issue in the last financial year.

The Group has a current net funding requirement of approximately £30m, and the Board is considering a further tap issue in the near future. The Investment Adviser has refinanced the Group's revolving credit facility, further details of which are set out in the Investment Adviser's Report.

Distributions

The Company paid the fourth quarterly interim dividend for the year to 31 March 2015 of 1.87p to shareholders on 30 June 2015, delivering a total of 7.30p per share for the prior financial year.

The first quarterly interim dividend for the year to 31 March 2016 of 1.86p was paid on 30 September 2015 and, following the declaration of the second quarterly interim dividend of 1.86p on 12 November 2015, the latter will be paid on 31 December 2015. The Company remains on target to deliver aggregate dividends of 7.45p per share this financial year.

The Company continues to offer a scrip dividend alternative. As previously, a number of shareholders took advantage of the offer in respect of the first quarterly interim dividend. Full details can be found in the new "Scrip Dividend Circular 2015-16" available on the Company's website (www.hicl.com).

Governance and Regulation

As in previous years and consistent with best practice, all Directors offered themselves for re-election at the AGM on 21 July 2015 and were duly re-elected.

As previously announced, effective from 1 March 2016, Ian Russell will take over my role as Chairman of the Board, and Frank Nelson will become the Senior Independent Director, succeeding John Hallam. Accordingly, this will be my final Chairman's Statement to you, before handing over to Ian to report on the Annual Results for the year ending 31 March 2016. John and I will retire from the Board no later than 30 June 2016.

In response to our forthcoming departures, changes have been made or are scheduled to occur to the Chairs of most of the Board's Committees.

The Board regularly reviews the structure of the Group and its residency to make sure they remain appropriate, mindful of possible changes with respect to legislation, taxation and regulation. We completed a thorough review in September which concluded that the current arrangements remain appropriate, but we will continue to monitor this going forward.

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 2.8 of the Company's Annual Report for the year ended 31 March 2015.

The portfolio is performing well and although a small number of the project companies in which the Group invests are experiencing construction or operational challenges, these are not uncommon for the type of assets held by the Group. A current example would be the bankruptcy of one of the joint venture construction partners on a project that is approximately 90% complete (as at the end of October). The Investment Adviser has a wealth of experience managing and successfully resolving such situations. None are currently considered material to the performance of the portfolio overall.

Separately, the Board and Investment Adviser are aware of material performance deductions being levied through strict contractual interpretation by some clients for asset-wide defects, an example of which is breaches in fire-compartment walls in buildings. The Group has no contractual situations materially impacting the portfolio currently, but we are using the lessons learned from this industry knowledge to manage and mitigate this risk as far as practicable.

In early October, the OECD published its final reports concerning its initiative to address base erosion and profit shifting ('BEPS'), a key tax priority of governments around the globe. The reports provide countries with a wide choice of which recommendations to apply and how they might be implemented, albeit the options are complex and difficult to interpret. As there is a broad range of potential outcomes from BEPS, it is too early to be definitive as to the materiality of its impact on the Group.

Further commentary on these risks and uncertainties, and details regarding the sensitivities of the portfolio's valuation to changes in discount rates and economic assumptions, are included in the Investment Adviser's Report.

Market Developments, Outlook and Investment Priorities

In the UK, there has been a reduction in secondary market PFI/PPP deal flow, reflecting the slowdown in public sector procurement since the 2010 election. The Conservative Party's Annual Conference in October 2015 signalled the first meaningful plans for a UK primary infrastructure programme for some time and announced the formation of the National Infrastructure Commission. However, our expectation is that, with the exception of a limited number of new PF2 projects, procurement activity will remain subdued. Energy-related investment has been a policy priority for the new Government, with less attention directed to date towards social and transportation infrastructure.

Internationally, key PPP markets such as Australia and Canada continue to produce a steady flow of new procurements, together with secondary market activity from historic transactions. European infrastructure procurement was severely impacted by the global financial crisis but, over the last 12 months we have seen increasing levels of activity and, encouragingly an uplift in secondary market transactions.

In response to these market conditions, the Investment Adviser continues to utilise its network of industry relationships to achieve off-market positions on transactions, allowing access to pockets of value in the UK and abroad. We believe that the Company's scale provides a competitive advantage; it helps us to achieve preferred positions for follow-on investments and provides a solid, well-diversified base from which to appraise new opportunities and execute transactions efficiently.

The Group currently has a steady pipeline of acquisition opportunities, ranging by sector, geography and/or stage of investment. The opportunities fall within the Company's stated investment objectives and Acquisition Strategy.

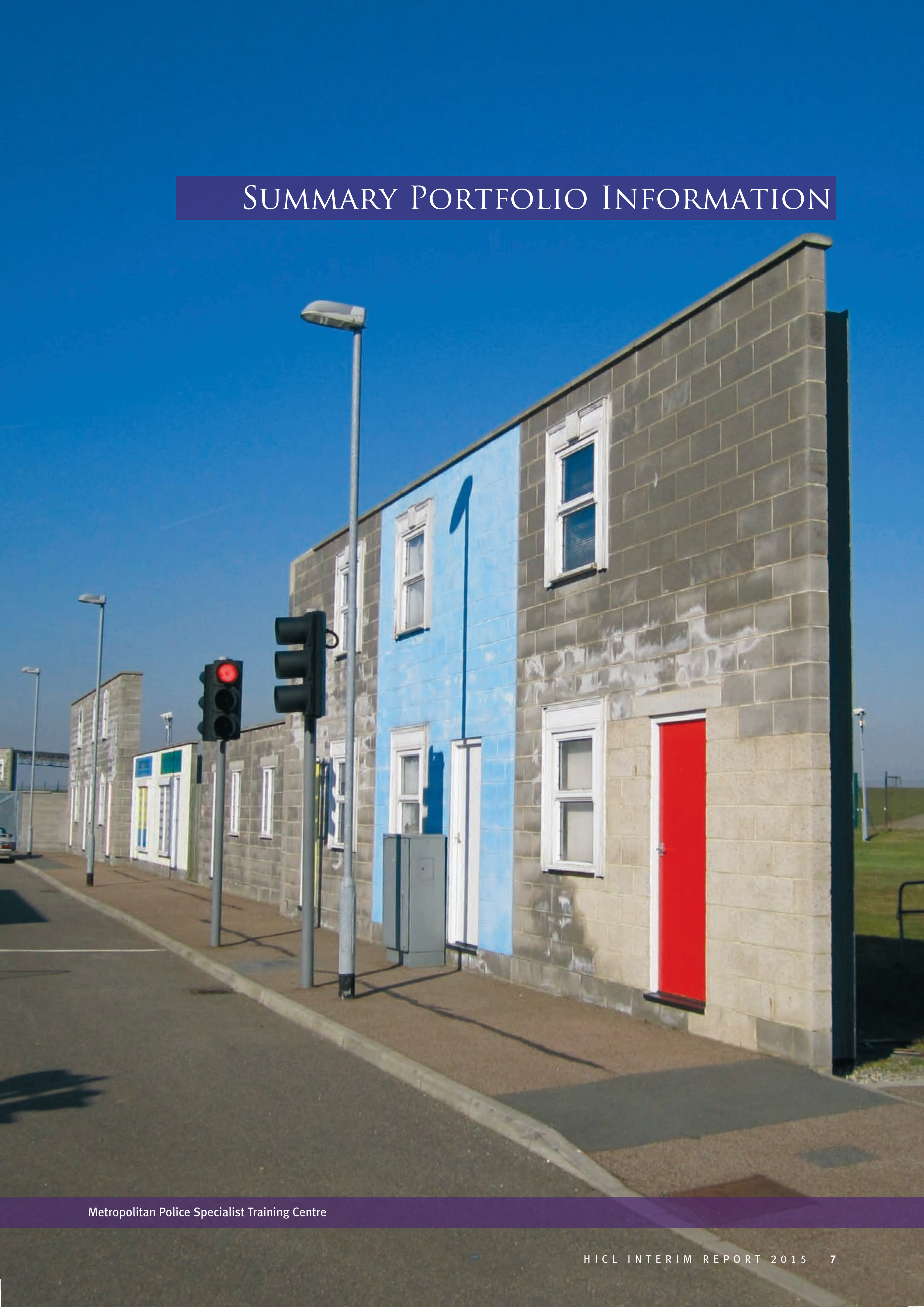
As in previous years, the Board spent two days in September with the Investment Adviser and third parties, reviewing and determining the overall strategy of the Group. The Acquisition Strategy has been re-affirmed whilst incorporating some evolution. The Investment Adviser will pursue a slightly broader range of assets – by type and geography – but any new acquisition must meet the Company's risk return requirements, risk appetite and value accretion measures. Investment pricing includes an appropriate premium for political, fiscal or currency risks. More detail is set out in the Investment Adviser's Report.

The Investment Adviser has significant expertise outside the UK and a track record of delivering targeted returns from a broad range of infrastructure assets. Overlaying the financial discipline exhibited by the Company to date, and a cautious approach to risk, the Board is confident that further diversification of the portfolio, within agreed parameters, will serve investors' interests by delivering incremental value.

The Board's policy is to increase the annual dividend only if it is considered sustainable in the long term. The current portfolio's forecast cashflows provide confidence that the Company can achieve the target 7.45p per share for the year to 31 March 2016. Furthermore, the Board has confidence that it can set a target of 7.60p per share for the following year to 31 March 2017.

Graham Picken
Chairman
17 November 2015

Summary Portfolio Information



Metropolitan Police Specialist Training Centre

Company's Key Performance Indicators ("KPIs")

KPI	30 September 2015	30 September 2014	Target
Dividends declared in half year	3.73p per share	3.62p per share	To provide a predictable and sustainable dividend On target for a total dividend of 7.45p per share
Total return in half year NAV growth plus dividends per share Share price plus dividends per share	4.5% (0.3%)	9.0% 10.2%	Long term 7% p.a. IRR as per last guidance [1]
Total return since IPO NAV growth plus dividends per share Share price plus dividends per share	9.6% p.a. 10.4% p.a.	9.5% p.a. 10.4% p.a.	7% to 8% p.a. as set out at IPO
Cash cover in half year	1.3 times	1.3 times [2]	To be cash covered
Ongoing Charges in half year (annualised)	1.13%	1.12%	To reduce ongoing charges where possible
Weighted average discount rate	7.7%	8.0%	To equate to the market rate
Return in half year over rebased valuation (annualised)	7.7%	10.1%	To achieve at least the discount rate
Weighted average portfolio life	21.4 years	21.6 years	Seek to maintain, where possible, by suitable acquisitions
Weighted average life of portfolio project debt	19.7 years [3]	19.6 years	To limit refinancing risk
Ten largest investments (percentage of portfolio valuation)	40%	40%	To limit concentration risk
Largest investment (percentage of portfolio valuation)	6%	6%	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. *February 2013 prospectus based on 119.5p issue price.*
2. *Excludes disposal profits and is on a pro rata basis as the Company moved to quarterly dividends in the period.*
3. *Excludes AquaSure.*

The Group's Investment Portfolio

as at 30 September 2015

Education

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

Health

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

Fire, Law & Order

Addiewell Prison	Gloucester Fire & Rescue	Royal Canadian Mounted Police	Zaanstad Prison
Dorset Fire & Rescue	Greater Manchester Police Stations	South East London Police Stations	
D & C Firearms Training Centre	Medway Police	Sussex Custodial Centre	
Exeter Crown and County Court	Metropolitan Police Specialist Training Centre	Tyne & Wear Fire Stations	

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	RD901

Accommodation

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

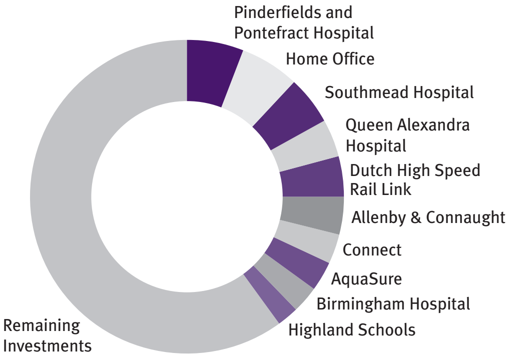
KEY:

Portfolio as at 31 March 2015	New investment since 31 March 2015	Sold since 31 March 2015	Incremental stake acquired	Partial disposal

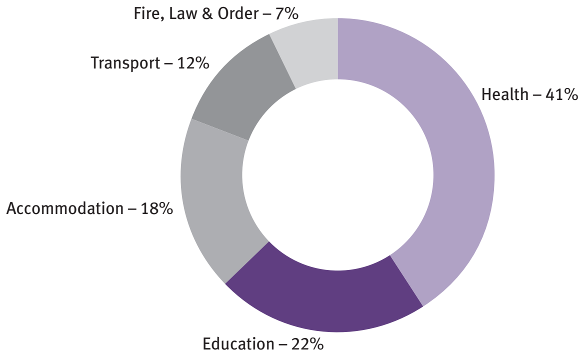
Analysis of the Group's Investment Portfolio

as at 30 September 2015

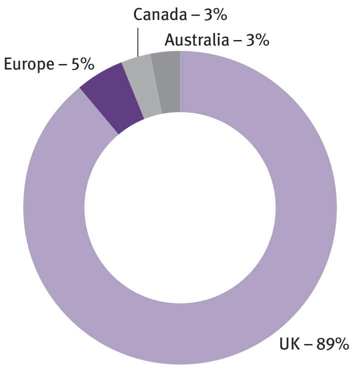
Ten Largest Investments



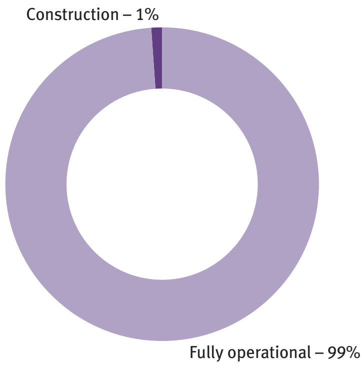
Sector



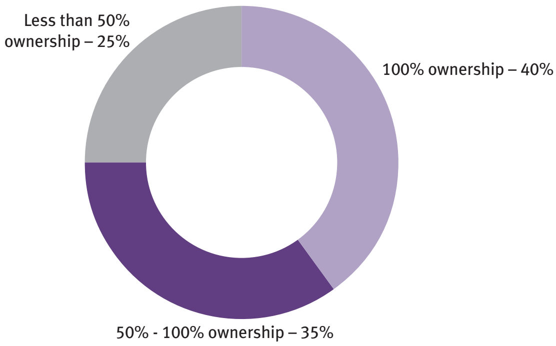
Geography



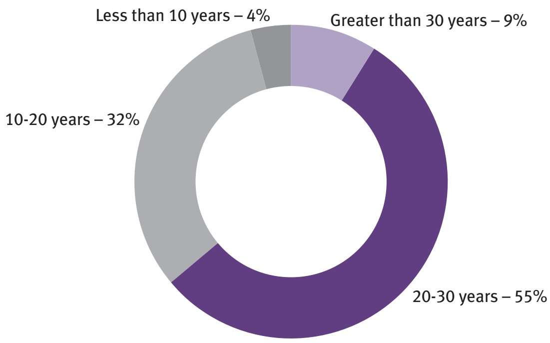
Investment Status



Ownership



Concession Length Remaining



Investment Adviser's Report

Millburn Academy, Highland Schools Scotland

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 oversight of the Group's investment portfolio on a day-to-day basis. InfraRed, an independent investment management firm, is authorised and regulated by the Financial Conduct Authority and has been the Investment Adviser since inception, having sourced and developed the original seed portfolio which was acquired at the time of the Company's listing.

In 2006, InfraRed launched the Company, the first listed secondary infrastructure investment company on the London Stock Exchange, and followed this in July 2013 with The Renewables Infrastructure Group Limited ("TRIG") which invests in, and manages, operational renewable energy infrastructure such as wind farms and solar parks. InfraRed's infrastructure team of around 50 professionals advises on, or manages, almost US$6.0bn of committed equity. Located in InfraRed's offices in London, New York, Paris and Sydney, the team target opportunities across all the developed infrastructure markets. Across its wider business, InfraRed has in excess of US$8bn of equity under management across 15 different funds, and more than 120 staff (including partners).

Portfolio Developments

Financial Performance

Acquisitions in the period increased the Group's portfolio to 102 infrastructure investments as at 30 September 2015. Since the end of the period, one further incremental acquisition has been made.

Despite a number of individual project-level issues (described in more detail below), the overall portfolio operational performance has been sound, generating strong investment cashflows of £70.0m (2014: £63.7m). After operating and finance costs, net operating cashflow of £58.9m (2014: £53.9m) covered the interim dividends paid in the six month period 1.3 times (2014: 1.3 times, on a pro-rated basis to account for the move to paying quarterly dividends).

The total income, including gains from forex hedging, of £84.4m (2014: £142.3m) was ahead of internal forecasts. Key drivers of the outperformance, which includes the capital value uplift from the Group's portfolio over the period, were a 0.2% reduction in the weighted average discount rate used to value the portfolio, shared cost savings and accretive new investments. The delta between the total income for the present period and the six months to 30 September 2014 arises because the latter included one-off revaluations on certain investments to reflect relevant market data, a 1% reduction in UK corporation tax rates, coupled with a valuation uplift on Colchester Garrison (which the Group had contracted to sell).

Operational Performance

The 102 projects comprise social and transportation infrastructure, located in the UK (89% by investment value/88% by number), as well as France (<1%/3%), Ireland (<1%/3%), the Netherlands (4%/2%), Australia (3%/1%) and Canada (3%/3%). With the Allenby & Connaught MoD accommodation and University of Bourgogne projects reaching construction completion in the period, the Group had five investments in their construction phase at 30 September 2015, accounting for approximately 1% of the portfolio by value.

The Group has previously revalued down one road project, due to a number of construction and operational problems, and one health-sector investment to reflect our assessment of current operational issues. Progress continues to be made on both projects in line with expectations. In respect of the health-sector investment, a settlement agreement has been signed and £2.0m of working capital invested by way of loans. This wipes clean prior service failure points (and consequential payment deductions by the client) and establishes a timeline and way forward (including surveys and remedial works) to rectify remaining defects. The working capital was contributed as part of the settlement with the intention that, when the issues are corrected, the Group's investment will be revalued upwards.

During the period, one of the joint venture construction partners on the Zaanstad Prison PPP was declared bankrupt. As a consequence the Group has provided €20.0m of funding in the form of senior debt to the project to facilitate the continuation of works and we are working with all stakeholders to secure completion. Construction of the project is well advanced (approximately 90% completed) and progress has been maintained despite the recent events. The target date for construction completion is March 2016.

As the Group's period of ownership of projects increases, finding fresh cost savings becomes more challenging. However, the Portfolio and Asset Management teams continue to strive to generate incremental upside, 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. Recent examples include renegotiating project financing in the presently competitive debt markets to secure improved terms, and renewing insurance into a group pooled scheme to achieve further economies of scale on insurance premia.

InfraRed is a signatory of the Principles of Responsible Investment (PRI). InfraRed's Asset Managers, who represent the Group as nominated directors on each project company, continue to ensure that responsible Environmental, Social and Governance (ESG) principles and practices are being passed down and implemented at project level as far as possible. The Investment Adviser uses a variety of tools to monitor contractors and project companies' adherence with best ESG practices. These include an annual survey with proprietary questionnaires and a series of 30 KPIs for benchmarking and generating a quantitative score.

Acquisitions and Disposals

The Group made two incremental acquisitions, two new investments and provided working capital to a health-sector investment (referred to above) in the period for an aggregate consideration of £132.7m.

The two incremental investments were completed in the period for an aggregate consideration of £16.0m:

- a further 40% interest in each of Salford & Wigan BSF Schools (Phase 1) and Salford & Wigan BSF Schools (Phase 2) from a subsidiary of Hochtief AG, taking the Group's ownership in each project to 80%.

The two new investments were made in the period for consideration of £114.7m:

- the acquisition of a 50% interest in the Southmead Hospital PFI Project in July 2015. The project comprises a £430m, 35 year concession to design, build, finance, operate and maintain an 800-bed acute hospital on a single site at Southmead in North Bristol, on behalf of the North Bristol NHS Trust. Construction was completed in March 2014 and the hospital has been fully operational since May 2014.
- the acquisition of a 100% interest in the Royal Canadian Mounted Police (RCMP) 'E' Division Headquarters P3 Project in Surrey, British Columbia, Canada. The investment completed at the end of September 2015 following shareholder approval for the acquisition from a fund managed by the Investment Adviser, obtained at an extraordinary general meeting held in August 2015. The project, which is the Group's third investment in Canada, comprised the design, construction, finance, and ongoing facilities management services and lifecycle refurbishment of a 72,000m^2 RCMP headquarters office building. The project reached financial close in April 2010 and construction was completed in December 2012.

Since the period end, the Group has acquired an incremental investment comprising the remaining 27.1% interest in The Cleveland and Durham Police Tactical Training Centre for £0.7m. It has also made a €20.0m senior debt investment in Zaanstad Prison PPP, as described in Operational Performance above.

Two disposals were made in the six month period:

- the sale of the Group's 50% equity and subordinated debt interest and 100% junior loan interest in Fife Schools PFI project to a subsidiary of the PPP Equity PIP Limited partnership, managed by Dalmore Capital Limited. The disposal generated proceeds of £7.3m. The rationale for the disposal was the sale of a co-shareholder's interest providing a benchmark value for the Group's stake which the Board considered to be ahead of the value that could be achieved by retaining the investment.
- a disposal of the Group's investment in the Ealing Care Homes PFI Project to Redwood Partnership Ventures 2 Limited, a joint venture between the Group and Kajima Partnerships Limited. The net result of this transaction was to reduce the Group's direct 84% stake to an indirect interest of 63%, generating £1.6m of proceeds, in line with the Board's valuation of the investment as at 31 March 2015. The transaction was undertaken to promote alignment of interest with the joint venture partner.

Risks and Uncertainties

The Board and its Risk Committee review the strategy and risk appetite of the Group on a quarterly basis. The Group's Acquisition Strategy was considered in depth at the annual strategy meeting and further details are set out below. Whilst the key risks facing the Group at present, and the strategies employed to manage and mitigate those risks, have not changed materially from those set out in detail in section 2.8 of the Company's Annual Report for the year ended 31 March 2015, a few noteworthy updates follow.

- As discussed above, the operational performance of the portfolio remains good, although a small number of projects are currently experiencing asset-specific problems. Whilst not a material issue for the Group, we are aware of what we consider to be a strict contractual interpretation of contracts by certain clients, which is leading to large performance deductions attributed to asset-wide building defects.

  One such example relates to breaches in fire-stopping structures. Such defects have arisen because of the penetration of mechanical and electrical services through fire-stopping structures, whilst the necessary fire protection around the interface is defective or missing. Considerable time and resource is spent by our Asset Managers to understand and learn the lessons from these situations in order to address potential client concerns before issues escalate.
- In early October, the OECD published guidance concerning its initiative to address base erosion and profit shifting (BEPS), a key tax priority of governments world-wide. As noted in the Chairman's Statement, it is too early to be definitive as to the impact of BEPS on the Group. In response to BEPS Action 4 'Interest Deductibility', HM Treasury has commenced a consultation which will inform the UK tax roadmap due to be issued in April 2016.

  We are encouraged by HM Treasury's active engagement with the infrastructure sector and the inclusion in the BEPS guidance of a public benefit project exemption which we feel strongly should apply to PFI projects.

  The Board and the Investment Adviser are monitoring developments and contributing to the consultation through industry bodies. It is not expected that new rules arising from the BEPS project will come into force in UK legislation before April 2017.

Market Developments and Investment Priorities

Market Developments

There is an ever greater understanding of infrastructure as an asset class and more investors – especially those with long-dated liabilities to match – are making or increasing their allocations to the sector. Some data providers suggest that in the unlisted fund space alone there is almost US$200bn of infrastructure assets under management (up over 500% since 2007), with a further US$100bn of 'dry powder' (committed but unemployed capital) available for investment – representing a high-water mark in historic terms.

On the supply side, the picture varies from region to region.

In the UK secondary market, there has been a reduction in investment opportunities. This is primarily attributable to the slowdown in public sector infrastructure procurement following the 2010 General Election; would-be investments have not materialised in the secondary market as a result. We do see however individual or small groups of projects which fit our Acquisition Strategy coming to market, albeit in a more moderate and irregular fashion than previously. Further, we expect a number of sizeable projects, currently in construction and sitting within contractors' portfolios, to trade in due course as they become operational and perform satisfactorily. Closed-ended funds may also sell assets in the next few years as they start to divest their interests ahead of the expiry of their finite life.

Dwindling supply and heightened demand continues to feed into secondary (and to some extent primary) pricing. In auctions, bidders are using both lower discount rates and more optimistic cashflow assumptions (relating to lifecycle, residual value, group tax relief and demand/market based forecasts) to ascribe higher prices for assets. Our continuing response to this is to maintain pricing discipline, focus on the predictability of cashflows and only appraise investments which fit our Acquisition Strategy. The better opportunities often arise in the form of deal flow through our network of industry relationships, occasionally acquiring from a distressed or time-sensitive vendor, but more generally as a result of the Company's reputation for effective execution and fair pricing of transactions.

The Conservative Party's Annual Conference in October 2015 saw the announcement of a newly formed National Infrastructure Commission to be led by Lord Adonis, signalling the first meaningful plans for a UK primary infrastructure programme for some time. Further detail is expected in the Chancellor's Autumn Statement due for publication later this month. However, given the newly elected Government's focus on managing the budget deficit, our expectation is that procurement will remain subdued and, in any event, more focused on energy, digital telecommunication networks and very large transport projects (particularly rail), than on the core segments that are the focus for the Company.

Outside the UK, procurement and levels of competition vary from market to market. As a general observation, however, budget constraints will shape the ability of governments to invest, and the private sector is likely to be called upon to do more in the medium-to-long-term.

Australia and Canada, with their established infrastructure procurement frameworks, continue to produce a steady flow of primary opportunities, a situation that is expected to persist despite significant political changes in both countries. As a natural consequence of this sustained procurement activity, secondary markets also remain buoyant. However, the investment markets are competitive in both countries, as the Investment Adviser has recently witnessed first-hand.

In the US, procurement of P3 projects continues to be marked by a thin pipeline from a limited number of public sector agencies. From a secondary market perspective, we have witnessed some activity and during the course of the year bid unsuccessfully to acquire a toll road. In the medium term, we expect a small number of mostly transportation assets to come to market as projects that have reached financial close move into operations.

European infrastructure markets are starting to gather some momentum. We have seen an increase in both primary and secondary deal flow over the last 12 months and, accordingly, we believe these markets are likely to provide investment opportunities. The key European markets for the Group include Ireland (where for example the Group has been selected as preferred bidder for delivery of 14 primary care facilities under a single PPP); Germany, principally in respect of its roads programme; the Netherlands, in respect of social infrastructure and road procurement; France, for further university pipeline; and other areas of the EU, such as Scandinavia, Spain and Portugal, that have identifiable procurement pipelines or where assets procured under historic programmes are creating secondary market opportunities.

We believe the geographic/political diversification offered by the overseas markets is attractive to the Group, provided new investments have the appropriate balance of risk and return. InfraRed has significant investment expertise in key infrastructure markets internationally and its overseas offices continue to provide local platforms to access opportunities and build relationships with potential vendors.

Investment Priorities

As in prior years, the Board held a comprehensive two day strategic review in September. Directors heard from a range of advisers who are actively involved in infrastructure investment activities, working across valuation, corporate finance and equity investment disciplines. The Directors have re-affirmed the Group's Acquisition Strategy, incorporating some evolution in the context of market conditions. As Investment Adviser, we will pursue a slightly broader range of new assets – both by type and geography – than has been the case historically; however, any new acquisition must meet the Company's risk return requirements, risk appetite and value accretion measures. Investment pricing will include an appropriate premium for political, fiscal or currency risks. Incremental value will be assessed on one or more metrics, including: increasing inflation linkage, longer concession length, and further diversification with an appropriate risk-reward profile, in each case relative to the existing portfolio.

In terms of geographic focus, our principal jurisdictions for investment activity remain selected countries in Europe (including the UK), North America and Australasia. Countries outside these regions might be considered, but only after prior discussion and agreement from the Board.

Examples of other areas of focus within our target jurisdictions include:

- Investments in assets under construction, or at an earlier bid and development stage. Currently, approximately 1% 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 assets, for example the UK Offshore Transmission lines ("OFTOs") or certain gas transmission pipelines or networks, which in all cases have appropriate 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.

Valuation and Discount Rates

InfraRed, as 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, with the result, the assumptions used and the key sensitivities (see below) published in the interim and annual results.

As mentioned in the Chairman's Statement, the Directors, who are ultimately responsible for the valuation, receive an independent third party report and opinion on these valuations.

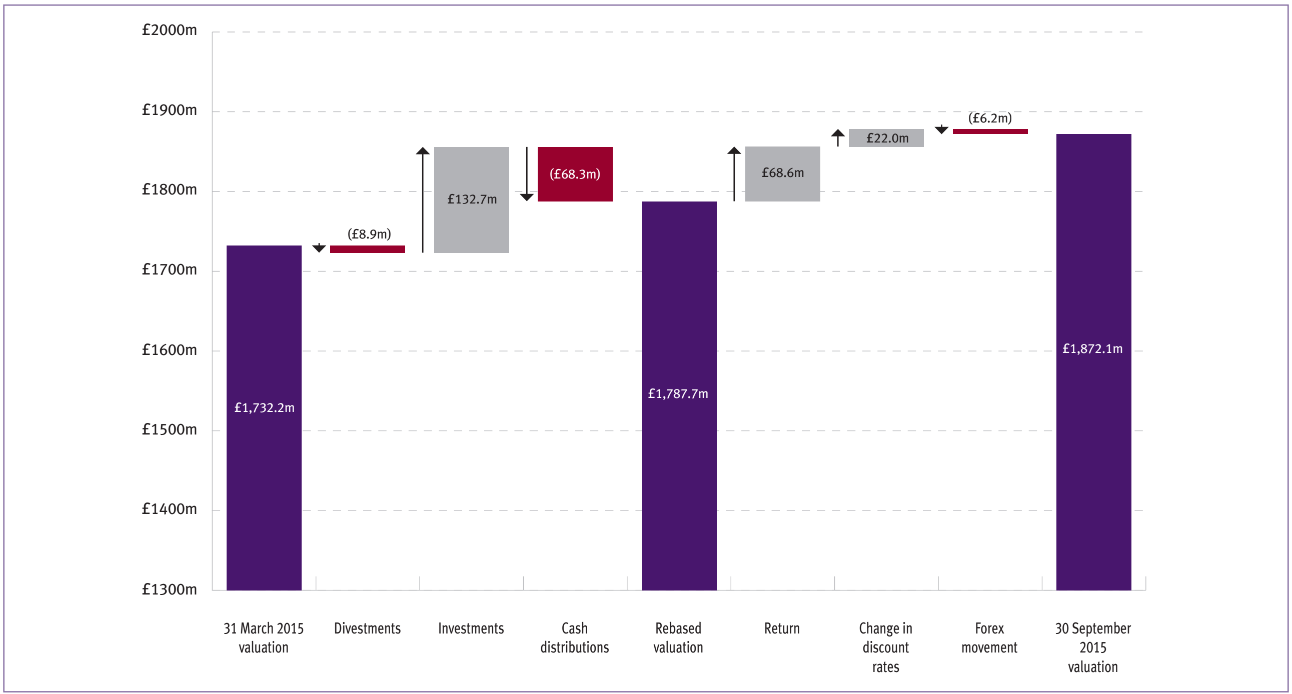
As the Group's investments are in non-market traded investments, with underlying projects providing long-term contractual income and costs, the valuation principles used are based on a discounted cash flow methodology, adjusted in accordance with the European Venture Capital Association's valuation guidelines where appropriate to comply with IAS 39 and IFRS 13, 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 2014-15 Annual Results and the February 2013 Ordinary Share prospectus, both of which are available from the Company's website).

The Directors' Valuation of the portfolio as at 30 September 2015 is £1,872.1m, compared to £1,732.2m as at 31 March 2015 (up 8.1%). This includes £21.8m of future investment commitments (£22.5m as at 31 March 2015).

A breakdown of the growth in the Directors' Valuation in the period is shown below:

Valuation Movement in six months to 30 September 2015



		£million	As % of rebased valuation
Valuation at 31 March 2015		**1,732.2**	
Divestments	(8.9)		
Investments	132.7		
Cash receipts from investments	(68.3)		
Rebased valuation of the portfolio		**1,787.7**	
Return	68.6		3.8%
Changes in discount rates	22.0		1.2%
Forex movement on Euro, AUD$ & CAD$	(6.2)		(0.3%)
Valuation at 30 September 2015	**1,872.1**		**4.7%**

After taking into account acquisitions, two disposals and cash distributions in the period of £68.3m, the growth over the rebased valuation of £1,787.7m at 31 March 2015 was 4.7%. The increase is driven by the return of £68.6m from the portfolio. This was complemented by positive contributions from value accretive acquisitions in previous periods and, as discussed earlier, various cost savings and efficiencies including one-off insurance savings recognised in the period, net of an adverse impact of actual inflation running lower than the corresponding 2.75% p.a. forecast assumption.

Further growth of £22.0m was derived from a 0.2% reduction in the weighted average discount rate. This was partly offset by £6.2m of foreign exchange losses attributable to the depreciation of the Australian and Canadian Dollar relative to Sterling, while the Euro strengthened in the period. At the Group level, the net foreign exchange loss is reduced to £5.0m as a result of gains from the Group's hedging arrangements (equivalent to 0.3% of the NAV per share).

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 Ended	Range	Weighted average
30 September 2015	**7.3% to 10.4%**	**7.7%**
31 March 2015	7.4% to 10.5%	7.9%
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:

Discount Rate Components	30 September 2015	31 March 2015	Movement
Government Bond yield	2.4%	2.1%	0.3%
Risk premium	5.3%	5.8%	(0.5%)
Discount Rate	**7.7%**	**7.9%**	**(0.2%)**

As outlined earlier in the report, the competitive dynamics seen in the market place continue to place downward pressure on discount rates. This observation, coupled with completion of construction on the Allenby & Connaught MoD accommodation project, has resulted in a 0.2% reduction in the weighted average discount rate for the period. This was despite the increase in the weighted average government bond yield 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 2015	31 March 2015	Movement
Operational phase	7.7%	7.8%	(0.1%)
Construction phase	9.9%	9.1%	0.8%
Portfolio	**7.7%**	**7.9%**	**(0.2%)**

The weighted average discount rate to reflect market pricing for operational assets is 7.7% which is 0.1% lower than the beginning of the period. The upward movement of the construction phase discount rate during the period arises because of a portfolio readjustment towards a more concentrated group of earlier stage construction projects following successful construction completion on both the Allenby & Connaught MoD accommodation and the University of Bourgogne projects.

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

Country	30 September 2015			31 March 2015	Movement
	Government Bond yield	Risk premium	Discount rate		
UK	2.4%	5.3%	7.7%	7.8%	(0.1%)
Australia	2.8%	5.4%	8.2%	8.2%	–
Canada	2.2%	5.1%	7.3%	7.4%	(0.1%)
France	1.8%	7.8%	9.6%	10.1%	(0.5%)
Holland	1.4%	6.3%	7.7%	7.8%	(0.1%)
Ireland	1.8%	6.8%	8.6%	8.7%	(0.1%)
Portfolio	**2.4%**	**5.3%**	**7.7%**	**7.9%**	**(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.

The relative large movement shown for the discount rate for France is due to one of the three investments in the country, the University of Bourgogne, becoming operational in the period, thereby warranting a lower discount rate to reflect the absence of construction risk going forward.

Valuation Assumptions

Discount Rates

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 7.7% by plus or minus 0.5% has the following effect on the valuation:

Discount Rate Sensitivity	-0.5% change	Total portfolio value	+0.5% change
Directors' Valuation	+£92.5m	£1,872.1m	-£85.5m
Implied change in NAV per Ordinary Share [1]	+7.0p/share		-6.4p/share

1. NAV per share based on 1,330m Ordinary Shares issued and outstanding as at 30 September 2015.

Inflation Rates

The 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% p.a. for both RPI and RPIx, the same assumption as used at 31 March 2015. The September 2015 forecasts for RPI out to December 2016 range from 0.8% to 3.7% from 20 independent forecasters, as compiled by HM Treasury, with an average forecast of 2.8%.

For non-UK investments, CPI is modelled as 0% until 2017 and thereafter 2.0% p.a. for France, Holland, Ireland, whilst long term CPI forecasts of 2.0% and 2.5% are used for Canada and Australia, respectively.

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

Inflation Rate Sensitivity [1]	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Directors' Valuation	-£57.0m	£1,872.1m	+£62.8m
Implied change in NAV per Ordinary Share [2]	-4.3p/share		+4.7p/share

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

2. NAV per share based on 1,330m Ordinary Shares issued and outstanding as at 30 September 2015.

Changing the assumption for future inflation by +/- 1.0% p.a. (i.e. +/- 1.00% on 2.75% p.a. for the UK investments) has the effect of increasing/decreasing, respectively, the forecast return from the portfolio (being 7.7%, the weighted average discount rate) by approximately 0.6%. This is 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 2015, cash deposits for the portfolio were earning interest at a rate of 0.4% p.a. on average.

The Directors' Valuation as at 30 September 2015 assumes UK deposit interest rates are 1% p.a. to March 2019 and 3.0% p.a. thereafter. These rates and timings remain the same as those applied in the March 2015 valuation.

The interest costs on the senior debt financing of each project 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 therefore relates only to the cash deposits required to be maintained as part of the project funding.

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

Cash Deposit Rate Sensitivity[1]	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Directors' Valuation	-£22.1m	£1,872.1m	+£20.6m
Implied change in NAV per Ordinary Share[2]	-1.7p/share		+1.6p/share

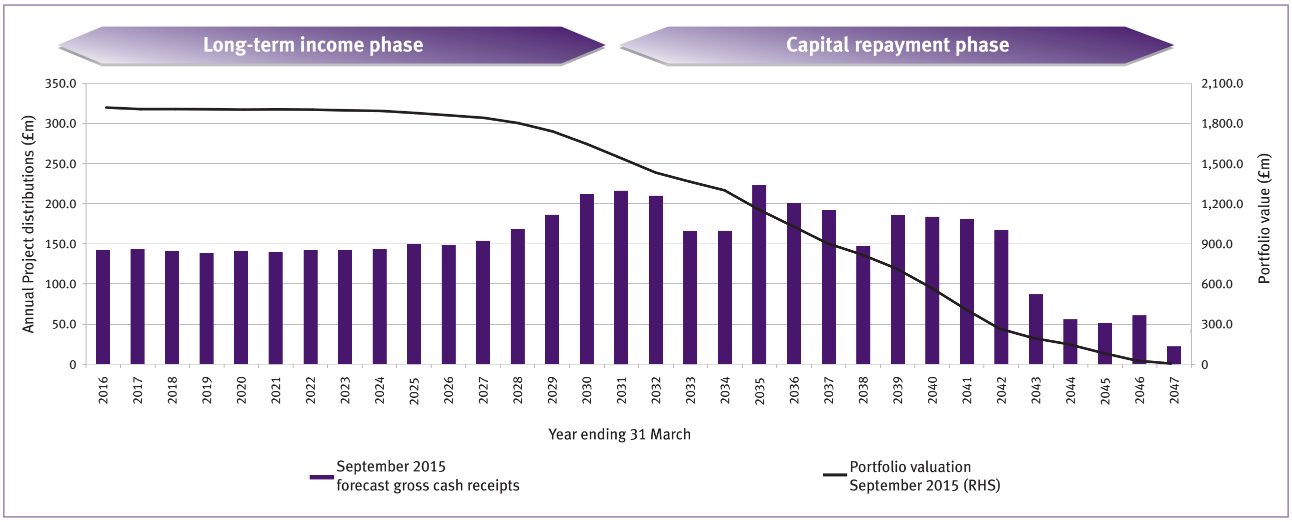
1. *Analysis is based on the Group' s 20 largest investments, pro-rata for the whole portfolio.*
2. *NAV per share based on 1,330m Ordinary Shares issued and outstanding as at 30 September 2015.*

Tax Rates

The profits of each UK project company are subject to UK corporation tax. On 1 April 2015, the prevailing rate of corporation tax fell 1% to 20%. This figure was the UK corporation tax assumption for the portfolio valuation at 31 March 2015 and it remains unchanged for present purposes. Whilst the UK Government's Summer Budget announced an intention to reduce corporate tax further – to 19% in 2017 and 18% in 2020 – these changes have not been reflected in the September 2015 valuation.

Future Cashflows

The chart below sets out the expected future cashflows to be received by the Group from the portfolio as at 30 September 2015 and how the portfolio's net present value is expected to evolve over time using current forecasts and assumptions.



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 0.74, a Canadian dollar to Sterling exchange rate of 0.50, an Australian dollar to Sterling exchange rate of 0.46 and a weighted average discount rate of 7.7% p. a.. These assumptions and the valuation of the current portfolio may vary over time.*
3. *The cashflows and the valuation are from the portfolio of 102 investments as at 30 September 2015 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 2029. From 2029, 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 Group's financing strategy involves the use of a revolving credit 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.

After the period end, the Group refinanced the revolving credit facility, increasing its size from £150m to £200m and improving its terms. The facility is a 3.5 year facility expiring in May 2019 provided by five lenders: HSBC, Lloyds Bank, National Australia Bank, Sumitomo Mitsui Banking Corporation and The Royal Bank of Scotland. The improved terms include a 0.5% reduction in the margin (over LIBOR) from 2.2% to 1.7%, together with reduced arrangement and commitment fees.

In July the Group raised £91.2m of gross proceeds through a tap issuance of 60m shares. The issue was heavily oversubscribed and, as permitted under the terms, the Directors determined to increase the size from its initial target of £48.0m in light of the Company's contracted commitments and anticipated investment opportunities. The issue price of 152.0 pence per share was a narrow discount to the then prevailing market price and represented a premium to the post distribution net asset value per share of 134.8 pence as at 31 March 2015. As with prior issues, it was therefore value accretive to shareholders.

As noted in the Chairman's Statement, the Company has a net current funding requirement of approximately £30m as at 17 November 2015 and unutilised tap capacity of almost 56m shares, representing approximately £85m of capital. As the capacity is calculated on a rolling 12-month basis, it will increase by 11m shares on 15 December 2015, following the anniversary of a tap issue in the last financial year, assuming none of the current capacity is used in the intervening time.

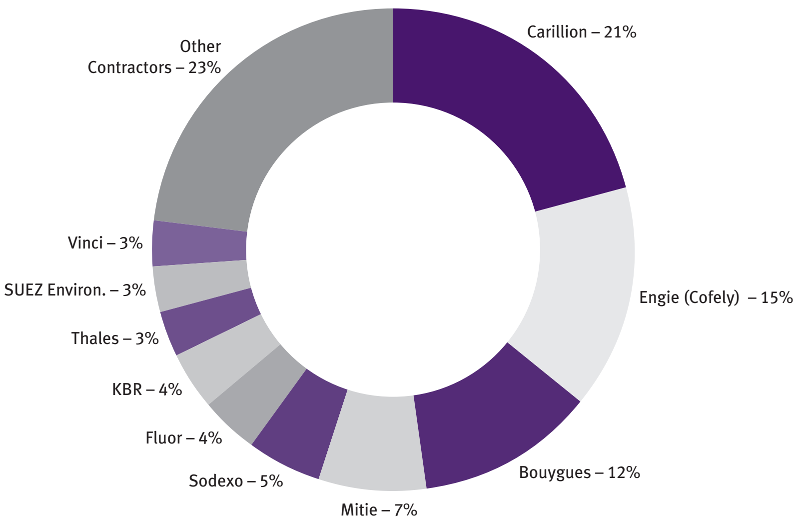
There continues to be good take-up of the scrip dividend alternative by shareholders, with approximately 0.8m new Ordinary Shares being issued in June and a further 1.3m shares at the end of September for the first quarterly interim dividend.

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 2015 the weighted average project concession length remaining was 21.4 years (31 March 2015: 21.4 years) and the weighted average debt tenor was 19.7 years (31 March 2015: 19.7 years), excluding AquaSure. This consistency between the periods arises because the acquisition of Southmead Hospital in July, presently the third largest investment by value, has a longer concession length than average which compensated for the natural unwinding of the portfolio's weighted average concession life and debt tenor.

Counterparty Exposures

All of 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.

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

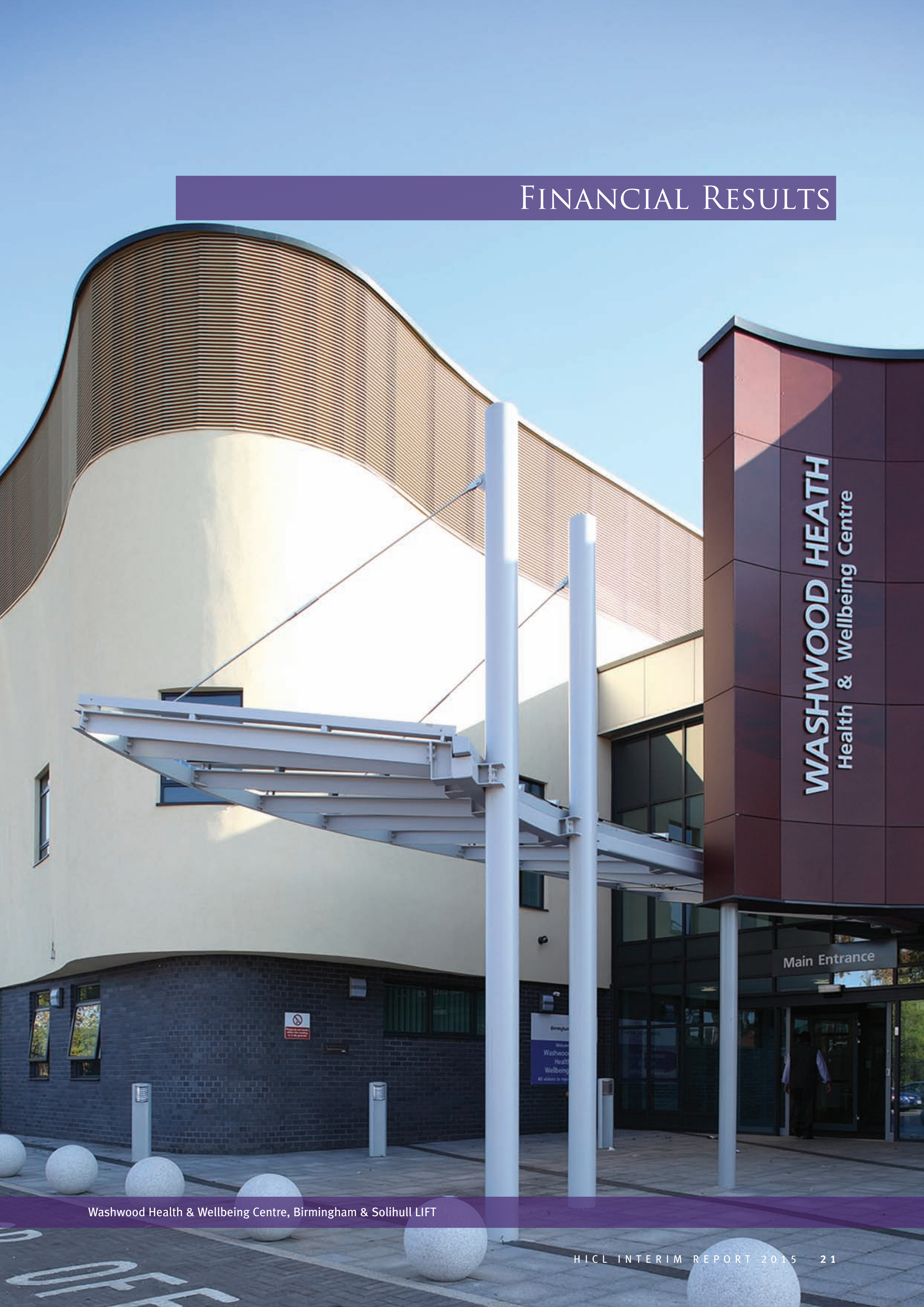


Sub-Contractor	Number of projects
Carillion	13
Engie (Cofely)	8
Bouygues	9
Mitie	11
Sodexo	5
Fluor	1
KBR	1
Thales	1
SUEZ Environ.	1
Vinci	7
Other Contractors	45

1. *By value, as at 30 September 2015, 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 exposure is split equally among the contractors, so the sum of the pie segments equals the Directors' Valuation.*
5. *As at 30 September 2015, there were five projects in the portfolio in construction, representing 1.3% of the portfolio by value.*

On a regular basis, we review and report to the Board on the portfolio's counterparty exposure to both the operational supply chain, and the financial providers of bank deposit accounts and interest rate swaps. In the period, the review processes 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 2015 was to Carillion plc and/or its subsidiaries.

Financial Results



Washwood Health & Wellbeing Centre, Birmingham & Solihull LIFT

Accounting

The Company applies IFRS 10, 11 and 12 as well as Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 which require the Company to prepare IFRS financial statements which do not consolidate project subsidiaries. This is consistent with the 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.

Summary Income Statement

	Six months to 30 September 2015	Six months to 30 September 2014
	£million	*£million*
Total Income[1]	84.4	142.3
Fund expenses & finance costs	(12.7)	(10.3)
Profit before tax	**71.7**	**132.0**
Tax	(0.1)	(0.1)
Earnings	**71.6**	**131.9**
Earnings per share	**5.6p**	**10.7p**

1. *Includes forex hedging gain of £1.2m (2014: £4.2m gain).*

Total Income of £84.4m (2014: £142.3m) represents the return from the portfolio recognised in the income statement comprising dividends, sub-debt interest and valuation movements. Total Income has decreased by 41% (£57.9m) as the comparative period benefited from the one-off revaluation of certain investments, including Colchester Garrison which the Group had contracted to sell, as well as a 1% reduction in the UK corporation tax rate applied in the 2014 valuation. Actual UK inflation below the valuation assumption of 2.75% and adverse foreign exchange movements provided additional headwinds in the period. Further detail on the valuation movements is given in the Investment Adviser's Report.

Earnings were £71.6m, a decrease of £60.3m against the prior period. This reflects the factors stated above whilst fund expenses and finance costs were higher at £12.7m compared with £10.3m in the comparable period, reflecting acquisition activity and the growth in the portfolio. Earnings per share were 5.6p (2014: 10.7p); though reduced from the prior year, earnings per share were 1.4p above projections as can be seen in the analysis in the growth in NAV per share.

Cost Analysis

	Six months to 30 September 2015	Six months to 30 September 2014
	£million	*£million*
Interest expense	1.0	1.0
Investment Adviser fees	10.3	8.3
Auditor – KPMG – for the Group	0.1	0.1
Directors' fees & expenses	0.2	0.1
Investment bid costs	0.4	0.2
Professional fees	0.6	0.5
Other expenses	0.1	0.1
Expenses & finance costs	12.7	10.3

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) were £10.3m (2014: £8.3m) for the period, comprising the 1.1% p.a. 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 p.a. advisory fee.

The increase in the Investment Adviser's fees is due to higher acquisition fees of £1.1m (2014: £0.1m) and increased fees from a larger portfolio.

In the period, the Group incurred £0.4m of third party bid costs (2014: £0.2m) 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 2015 *£million*	Six months to 30 September 2014 *£million*
Investment Adviser [1]	9.2	8.2
Auditor – KPMG – for the Group	0.1	0.1
Directors' fees and expenses	0.2	0.1
Other ongoing expenses	0.6	0.5
Total expenses	10.1	8.9
Average NAV	1,791.3	1,590.4
Ongoing Charges Percentage (annualised)	1.13%	1.12%

1. Excludes acquisition fees of £1.1m (2014: £0.1m).

Ongoing Charges, in accordance with AIC guidance, is defined as annualised ongoing charges (i.e. excluding acquisition costs and other nonrecurring items) divided by the average published undiluted net asset value in the period. On this basis, the Ongoing Charges percentage is 1.13% (2014: 1.12%). This is marginally higher than the comparable period because of factors relating to the timing of capital raising and investment activities.

There are no performance fees paid to any service provider.

Balance Sheet

Summary Balance Sheet

	30 September 2015 *£million*	31 March 2015 *£million*
Investments at fair value	**1,850.3**	**1,709.7**
Working capital	(11.7)	(10.3)
Net cash	11.1	33.5
Net assets attributable to Ordinary Shares	**1,849.7**	**1,732.9**
NAV per Ordinary Share (before distribution)	139.1p	136.7p
NAV per Ordinary Share (post distribution)	137.2p	134.8p

Investments at fair value increased to £1,850.3m (March 2015: £1,709.7m) net of £21.8m of future investment obligations on the RD901 Road, N17/18 road, Ecole Centrale Supelec, PSBP North East and Zaanstad Prison projects (March 2015: £22.5m). 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 2015 of £11.1m (31 March 2015: net cash of £33.5m) comprising £37.6m of cash, which covers the 1.86p second quarterly interim dividend of £24.7m due for payment at the end of December 2015, and £26.5m of cash borrowings which was repaid shortly after period end. An analysis of the movements in net cash is shown in the cashflow analysis below.

NAV per share was 139.1p before the 1.86p distribution (31 March 2015: 136.7p). NAV per share has increased 2.4p, of which 0.6p was as a result of the 60m shares issued at a premium in July 2015. The expected NAV growth, being the return attributable to the unwinding of the discount rate, less the dividends paid, was 0.4p.

Analysis of the Growth in NAV per Share

Pence per share			
NAV per share at 31 March 2015 [1]			**134.8p**
Valuation movements			
Reduction in discount rates of 0.2%	1.6p		
Forex movement	(0.4p)		
		1.2p	
Portfolio Performance			
Project outperformance	0.2p		
Expected NAV growth	0.4p		
		0.6p	
Accretive Tap Issuance of shares		0.6p	
Total		**2.4p**	
NAV per share at 30 September 2015 [1]			**137.2p**

1. Post interim dividend declared.

Cashflow Analysis

Summary Cash Flow

	Six months to 30 September 2015		Six months to 30 September 2014	
		£million		*£million*
Net cash at start of period		33.5		42.7
Cash from investments [1]	70.0		63.7	
Operating and finance costs outflow	(11.1)		(9.8)	
Net cash inflow before acquisitions/financing		**58.9**		**53.9**
Disposal of investments [2]		7.2		–
Cost of new investments		(135.6)		(61.3)
Share capital raised net of costs		90.5		50.3
Forex movement on borrowings/hedging		1.9		1.8
Distributions paid:				
Relating to operational investments	(43.9)		(56.8)	
Relating to investments in construction	(1.4)		(3.7)	
Distributions paid		(45.3)		(60.5)
Net cash at end of period		**11.1**		**26.9**

1. Includes £1.7m profit on disposal (2014: nil) based on historic cost.

2. Historic cost of £7.2m and profit on disposal of £1.7m equals the proceeds from disposal of investments of £8.9m.

Cash inflows from the portfolio increased to £70.0m (2014: £63.7m). The growth in cash generation was driven by contributions from acquisitions combined with active cash management across the portfolio.

Cost of investments of £135.6m (2014: £61.3m) includes the cash cost of the two new investments, the two incremental acquisitions, a working capital injection and a loan note subscription on University of Bourgogne, plus acquisition costs of £1.5m (2014: £0.4m).

The placing of 60m Ordinary Shares via a tap issue in July 2015 provided net cash receipts in the year of £90.5m (2014: £50.3m).

The £1.9m cash inflow (2014: £1.8m cash inflow) in foreign exchange rate hedging arises mainly from the weakening of the Canadian Dollar 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.

Dividends paid decreased £15.2m to £45.3m (2014: £60.5m) for the period resulting from the Company moving to quarterly dividends in the year ended March 2015 and as a consequence of paying nine months of dividends in the comparative six month period.

Dividend cash cover, which compares operational cash flow of £58.9m (2014: £53.9m) to dividends attributable to operational assets, was 1.3 times. The proportion of the total dividend attributable to operational assets (96.9%) and construction assets (3.1%) is based on their respective share of the portfolio valuation during the period (rather than as at 30 September 2015, as reported elsewhere in the results).

Gearing

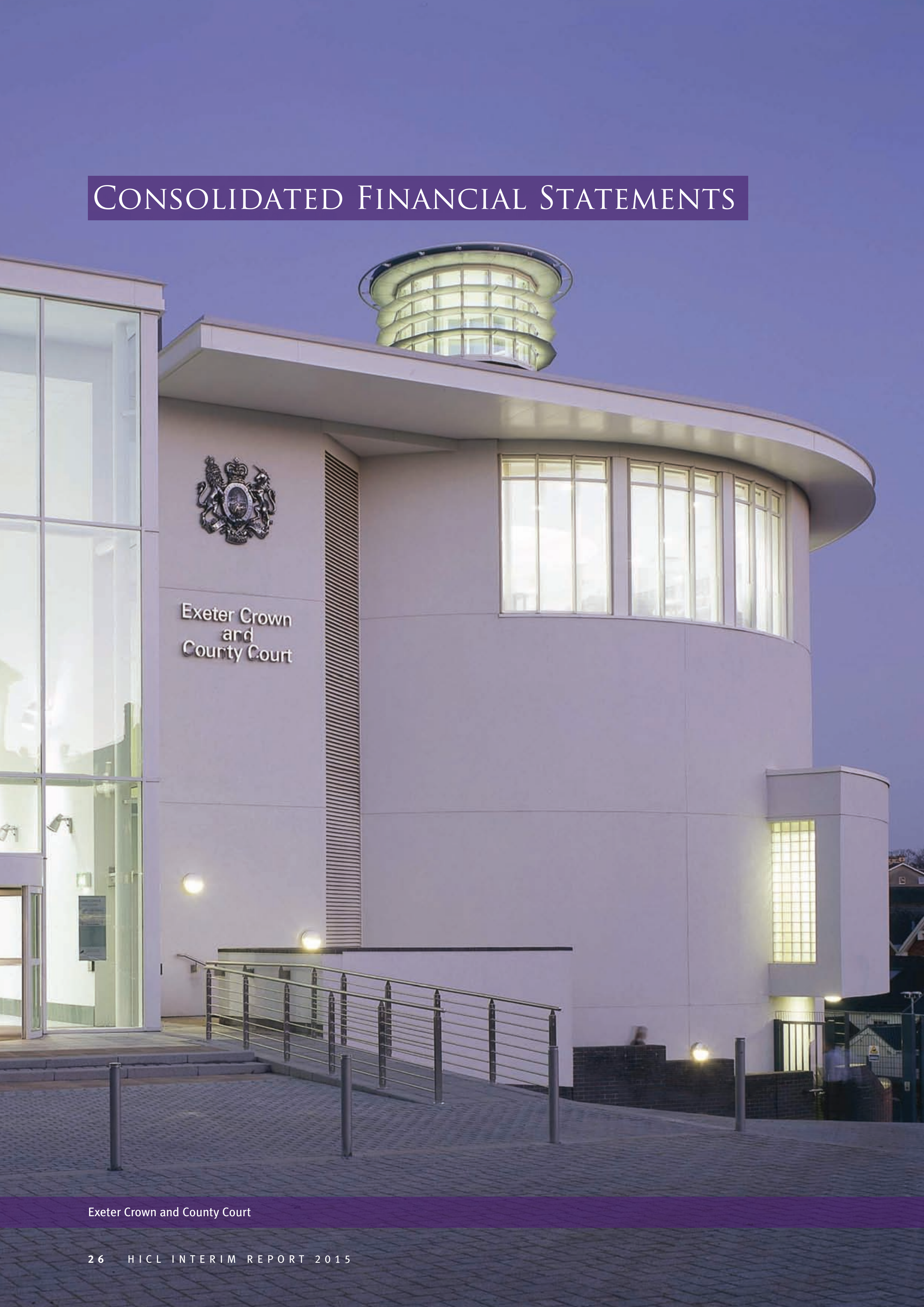
In November 2015 the Group renewed and increased its revolving credit facility to £200m provided by HSBC, Lloyds Bank, National Australia Bank, Sumitomo Mitsui Banking Corporation and The Royal Bank of Scotland, which expires in May 2019. The facility improved the terms of the previous £150m facility and enlarged the banking group by adding HSBC. 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. Further details relating to the new facility are set out in the Investment Adviser's Report.

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, but not eliminated, 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% for a 10% forex movement.

Consolidated Financial Statements



Exeter Crown and County Court

Directors' Statement of Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ["IAS 34"] as adopted by the European Union as required by DTR 4.2.4; 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
17 November 2015

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 consolidated financial statements ("the financial statements") of the Company together with its subsidiaries ("the Group") in the interim report for the six months ended 30 September 2015 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 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 interim report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements included in this interim report have 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 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 financial statements in the interim report for the six months ended 30 September 2015 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Dermot A. Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants
Guernsey

17 November 2015

The maintenance and integrity of the HICL Infrastructure Company Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or review report since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

Condensed Unaudited Consolidated Income Statement

for the six months ended 30 September 2015

	Note	Six months ended 30 September 2015 Unaudited *£million*	Six months ended 30 September 2014 Unaudited *£million*
Investment income	*4*	83.2	138.1
Total income		83.2	138.1
Fund expenses	*5*	(11.7)	(9.3)
Profit before net finance costs and tax		71.5	128.8
Finance costs	*6*	(1.0)	(1.0)
Finance income	*6*	1.2	4.2
Profit before tax		71.7	132.0
Income tax expense	*7*	(0.1)	(0.1)
Profit for the period		71.6	131.9
Attributable to:			
Equity shareholders of the parent		71.6	131.9
		71.6	131.9
Earnings per share – basic and diluted *(pence)*	*8*	5.6	10.7

All results are derived from continuing operations. There is no other comprehensive income or expense apart from those disclosed above and consequently a consolidated statement of other comprehensive income has not been prepared. The Notes on pages 33 to 41 form an integral part of the financial statements.

Condensed Unaudited Consolidated Balance Sheet

as at 30 September 2015

	Note	30 September 2015 Unaudited *£million*	31 March 2015 Audited *£million*
Non-current assets			
Investments at fair value through profit or loss	*11*	1,850.3	1,709.7
Total non-current assets		1,850.3	1,709.7
Current assets			
Trade and other receivables		0.1	0.7
Other financial assets		1.6	1.9
Cash and cash equivalents		37.6	33.5
Total current assets		39.3	36.1
Total assets		1,889.6	1,745.8
Current liabilities			
Trade and other payables		(12.5)	(12.3)
Other current financial liabilities		(0.9)	(0.6)
Loans and borrowings		(26.5)	–
Total current liabilities		(39.9)	(12.9)
Total liabilities		(39.9)	(12.9)
Net assets		1,849.7	1,732.9
Equity			
Ordinary Share capital	*12*	0.1	0.1
Share premium	*12*	1,287.8	1,194.2
Retained reserves		561.8	538.6
Total equity attributable to equity shareholders of the parent		1,849.7	1,732.9
Total equity		1,849.7	1,732.9
Net assets per Ordinary Share *(pence)*	*9*	139.1	136.7

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 17 November 2015, and signed on its behalf by:

S Evans
Director

G Picken
Director

Condensed Unaudited Consolidated Statement of Changes in Shareholders' Equity

for the six months ended 30 September 2015

	Six months ended 30 September 2015		
	Attributable to equity shareholders of the parent		
	Share capital and share premium *£million*	**Retained reserves** *£million*	**Total shareholders' equity** *£million*
Shareholders' equity at 31 March 2015	1,194.3	538.6	1,732.9
Profit for the period	–	71.6	71.6
Distributions paid to Company shareholders in cash	–	(45.3)	(45.3)
Distributions paid to Company shareholders by scrip issue	–	(3.1)	(3.1)
Total distributions paid to Company shareholders in the period	–	(48.4)	(48.4)
Ordinary Shares issued for cash	91.2	–	91.2
Ordinary Shares issued for scrip dividend	3.1	–	3.1
Total Ordinary Shares issued in the period	94.3	–	94.3
Costs of Ordinary Shares issued	(0.7)	–	(0.7)
Shareholders' equity at 30 September 2015	1,287.9	561.8	1,849.7

	Six months ended 30 September 2014		
	Attributable to equity shareholders 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

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

Condensed Unaudited Consolidated Cash Flow Statement

for the six months ended 30 September 2015

	Six months ended 30 September 2015 Unaudited *£million*	Six months ended 30 September 2014 Unaudited *£million*
Cash flows from operating activities		
Profit before tax	71.7	132.0
Adjustments for:		
Investment income	(83.2)	(138.1)
Finance costs	1.0	1.0
Finance income	(1.2)	(4.2)
Operator acquisition investment fees	1.1	0.1
Operating cash flow before changes in working capital	(10.6)	(9.2)
Changes in working capital:		
Decrease in receivables	0.3	0.2
Decrease in payables	(0.3)	(0.4)
Cash flow from operations	(10.6)	(9.4)
Interest received on bank deposits	0.1	–
Interest paid	(0.8)	(0.4)
Interest received on investments	47.0	37.6
Dividends received	13.5	19.9
Fees and other operating income	3.5	4.1
Loanstock and equity repayments received	4.3	2.1
Net cash from operating activities	57.0	53.9
Cash flows from investing activities		
Proceeds from sale of investments	8.9	–
Purchases of investments	(135.6)	(61.3)
Net cash used in investing activities	(126.7)	(61.3)
Cash flows from financing activities		
Proceeds from issue of share capital	90.5	50.3
Proceeds from issue of loans and borrowings	58.7	55.5
Repayment of loans and borrowings	(31.9)	(55.5)
Distributions paid to Company shareholders	(45.3)	(60.5)
Net cash from/(used in) financing activities	72.0	(10.2)
Net increase/(decrease) in cash and cash equivalents	2.3	(17.6)
Cash and cash equivalents at beginning of period	33.5	42.7
Exchange gains on cash	1.8	1.8
Cash and cash equivalents at end of period	37.6	26.9

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

1. Reporting Entity

HICL Infrastructure Company Limited (the "Company") is a company domiciled in Guernsey, Channel Islands, whose shares are publicly traded on the London Stock Exchange. The interim condensed unaudited consolidated financial statements of the Company (the "interim financial statements") as at and for the six months ended 30 September 2015 comprise the Company and its consolidated subsidiaries which is unchanged from 31 March 2015.

The Group invests in infrastructure projects in the United Kingdom, Canada, Europe and Australia.

The statutory accounts for the year ended 31 March 2015 were approved by the Directors on 20 May 2015 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 17 November 2015.

The interim financial statements included in this report have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting'. The interim financial statements have also been prepared in accordance with the Disclosure and Transparency Rules ("DTR") of the UK's Financial Conduct Authority ("FCA") and in compliance with the Companies (Guernsey) Law, 2008.

The interim financial statements are 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") using the historical cost basis, except that the financial instruments classified as fair value through profit and loss and derivative financial instruments are stated at their fair values.

The same accounting policies and methods of computation are followed in these interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 March 2015. The Company has applied Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) such that those entities that provide investment related services or activities to the Company continue to be consolidated, consistent with the prior year.

In December 2014, The International Accounting Standards Board issued, Investment Entities: Applying the Consolidation Exemption (Amendment to IFRS 10, IFRS 12 and IAS 28). This is a revision to the Investment Entity Standard currently applied by the Company and states that investment entities should measure all of their subsidiaries that are themselves investment entities at fair value and in effect have no subsidiaries consolidated. The potential impact on the Company's financial statements is unclear at this point, although should HICL Infrastructure 1 SARL, HICL Infrastructure 2 SARL and Infrastructure Investments Limited Partnership no longer be consolidated by the Company, it is not expected to impact either earnings or net assets materially when the amendments become applicable to the Company's financial statements in the financial year ending 31 March 2017.

The Group's portfolio of investments are classified as fair value through profit and loss and are stated at their fair values.

The interim financial statements are presented in sterling, which is the Company's functional currency.

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

The Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they consider it appropriate to adopt the going concern basis of accounting in preparing the interim report.

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 2015			
	Level 1 *£million*	Level 2 *£million*	Level 3 *£million*	Total *£million*
Investments at fair value through profit or loss (Note 11)	–	–	1,850.3	1,850.3
Other financial assets (fair value of derivatives)	–	1.6	–	1.6
	–	1.6	1,850.3	1,851.9
Other financial liabilities (fair value of derivatives)	–	(0.9)	–	(0.9)
	–	(0.9)	–	(0.9)

	31 March 2015			
	Level 1 *£million*	Level 2 *£million*	Level 3 *£million*	Total *£million*
Investments at fair value through profit or loss (Note 11)	–	–	1,709.7	1,709.7
Other financial assets (fair value of derivatives)	–	1.9	–	1.9
	–	1.9	1,709.7	1,711.6
Other financial liabilities (fair value of derivatives)	–	(0.6)	–	(0.6)
	–	(0.6)	–	(0.6)

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

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 this methodology 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 those used in 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 types 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

Judgement is used in arriving at the appropriate discount rate for each investment 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 each infrastructure investment can be considered as the appropriate long-dated government bond yield and a risk premium. The risk premium varies on a project-by-project basis and 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 2015	**7.3% to 10.4%**	**7.7%**
31 March 2015	7.4% to 10.5%	7.9%
30 September 2014	7.6% to 11.0%	8.0%

A change to the weighted average rate of 7.7% 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	**+£92.5m**	**£1,850.3m**	**-£85.5m**
Implied change in Net Asset Value per Ordinary Share [1]	+7.0 pence		-6.4 pence

1. *Net Asset Value per Ordinary Share based on 1,330 million Ordinary Shares as at 30 September 2015*

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. For non-UK investments, long term CPI of 2.0% per annum is used for Holland, Ireland, Canada and France, and 2.5% for Australia. The near term inflation assumption to March 2017 in the Eurozone is 0.0% per annum. These are the same assumptions used at 31 March 2015.

A change to the inflation rate by 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	**-£57.0m**	**£1,850.3m**	**+£62.8m**
Implied change in Net Asset Value per Ordinary Share [2]	-4.3 pence		+4.7 pence

1. *Analysis is based on the Group's 20 largest investments, pro-rata for the whole portfolio*
2. *Net Asset Value per Ordinary Share based on 1,330 million Ordinary Shares as at 30 September 2015*

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 2015 cash deposits for the portfolio were earning interest at a rate of 0.4% per annum on average.

The September 2015 portfolio valuation assumes UK deposit interest rates are 1% p.a. to March 2019 and 3.0% p.a. thereafter – the same assumption as used at 31 March 2015.

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)*

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

Cash deposit rate [1]	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Directors' valuation	**-£22.1m**	**£1,850.3m**	**+£20.6m**
Implied change in Net Asset Value per Ordinary Share [2]	-1.7 pence		+1.6 pence

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

2. Net Asset Value per Ordinary Share based on 1,330 million Ordinary Shares as at 30 September 2015

Tax rates

The profits of each UK PFI/PPP project company are subject to UK corporation tax. On 1 April 2015 the prevailing rate of UK corporation tax fell from 21% to 20%. The UK Government's Summer Budget announced an intention to reduce corporate tax further – to 19% in 2017 and 18% in 2020.

The UK corporation tax assumption for the portfolio valuation at 30 September 2015 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]	-1% p.a. change	Total portfolio value	+1% p.a. change
Directors' valuation	**+£11.5m**	**£1,850.3m**	**-£11.3m**
Implied change in Net Asset Value per Ordinary Share [2]	+0.9 pence		-0.9 pence

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

2. Net Asset Value per Ordinary Share based on 1,330 million Ordinary Shares as at 30 September 2015

4. Investment Income

	Six months ended 30 September 2015 *£million*	**Six months ended 30 September 2014** *£million*
Interest from investments	39.7	35.6
Dividend income from investments	15.1	16.2
Fees and other operating income	3.5	4.3
Gains on investments (Note 11)	24.9	82.0
	83.2	138.1

5. Fund Expenses

	Six months ended 30 September 2015 *£million*	Six months ended 30 September 2014 *£million*
Fees paid to auditor and its associates	0.1	0.1
Operator fees (Note 13)	9.2	8.2
Investment fees (Note 13)	1.1	0.1
Directors' fees (Note 13)	0.2	0.1
Professional fees	0.6	0.5
Project bid costs	0.4	0.2
Other fees	0.1	0.1
	11.7	9.3

6. Net Finance Income

	Six months ended 30 September 2015 *£million*	Six months ended 30 September 2014 *£million*
Interest paid on bank loans	(0.1)	(0.1)
Other finance costs	(0.9)	(0.9)
Total finance costs	(1.0)	(1.0)
Interest received on bank deposits	0.1	–
Foreign exchange gain	1.1	4.2
Total finance income	1.2	4.2
Net finance income	0.2	3.2

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 consolidated subsidiaries of the Company, 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 Group's 102 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 2015	Six months ended 30 September 2014
Profit attributable to equity shareholders of the Company	£71.6 million	£131.9 million
Weighted average number of Ordinary Shares in issue	1,288.1 million	1,228.8 million
Basic and diluted earnings per Ordinary Share	5.6 pence	10.7 pence

9. NET ASSETS PER ORDINARY SHARE

	30 September 2015 *£million*	31 March 2015 *£million*
Shareholders' equity	1,849.7	1,732.9
Less: second interim dividend (2014: fourth interim dividend)	(24.7)	(23.7)
	1,825.0	**1,709.2**
Number of shares (million)	**1,329.8**	**1,267.7**
Net assets per share after deducting second interim dividend (2014: fourth interim dividend)	**137.2p**	**134.8p**
Add second interim dividend (2014: fourth interim dividend)	**1.86p**	**1.87p**
Net assets per Ordinary Share	**139.1p**	**136.7p**

10. DIVIDENDS

	Six months ended 30 September 2015 *£million*	Six months ended 30 September 2014 *£million*
Amounts recognised as distributions to equity shareholders during the period:		
Fourth quarterly interim dividend for the year ended 31 March 2015 of 1.87p (2014 semi-annual: 3.6p) per share	23.7	43.5
First quarterly interim dividend for the year ended 31 March 2016 of 1.86p (2014 quarterly: 1.81p) per share	24.7	22.6
	48.4	**66.1**

The 2015 fourth interim dividend of £23.7 million, representing 1.87 pence per share, was paid on 30 June 2015. The 2016 first quarterly interim dividend of £24.7 million, representing 1.86 pence per share, was paid on 30 September 2015. Both dividends are included in the condensed unaudited consolidated statement of changes in shareholders' equity.

The Board approved on 12 November 2015 a second quarterly interim dividend for the year ending 31 March 2016 of 1.86 pence per share which will result in a total expected distribution of £24.7 million, payable by 31 December 2015. 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 2015.

	Year ending 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012	Year ended 31 March 2011
Interim dividend for the 3 month period ending 30 June	1.86p	1.81p				
Interim dividend for the 3 month period ending 30 September	1.86p	1.81p				
Interim dividend for the 3 month period ending 31 December		1.81p				
Interim dividend for the 3 month period ending 31 March		1.87p				
Interim dividend for the 6 month period ending 30 September			3.5p	3.425p	3.35p	3.275p
Interim dividend for the 6 month period ending 31 March			3.6p	3.575p	3.5p	3.425p
		7.3p	7.1p	7.0p	6.85p	6.7p

11. Investments at fair value through profit or loss

	30 September 2015 £million	31 March 2015 £million
Opening balance	1,709.7	1,495.5
Investments in the period	133.5	203.3
Disposals in the period	(8.9)	(57.7)
Accrued interest	(2.2)	5.8
Repayments in the period	(10.8)	(18.0)
Subscription obligations	0.8	–
Gain on valuation	25.5	78.5
Other movements	2.7	2.3
Carrying amount at period end	1,850.3	1,709.7
This is represented by:		
Greater than one year	1,850.3	1,709.7
Carrying amount at period end	1,850.3	1,709.7
Gains on valuation as above	25.5	78.5
Less : transaction costs incurred	(0.6)	(1.1)
Gains on investments	24.9	77.4

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

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

UK inflation rates	2.75%
Eurozone inflation rates	0.0% to March 2017 and 2.0% thereafter
Australia inflation rate	2.5%
Canada inflation rate	2.0%
UK deposit interest rates	1% to March 2019 and 3.0% thereafter
UK corporation tax rate	20%
Euro/Sterling exchange rate	0.74 for all future periods
Aus$/Sterling exchange rate	0.46 for all future periods
Can$/Sterling exchange rate	0.50 for all future periods

The following economic assumptions were used for the year ended 31 March 2015:

UK inflation rates	2.75%
Eurozone inflation rates	0.0% to March 2017 and 2.0% thereafter
Australia inflation rate	2.5%
Canada inflation rate	2.0%
UK deposit interest rates	1% to March 2019 and 3.0% thereafter
UK corporation tax rate	20%
Euro/Sterling exchange rate	0.72 for all future periods
Aus$/Sterling exchange rate	0.51 for all future periods
Can$/Sterling exchange rate	0.53 for all future periods

11. Investments at fair value through profit or loss *(continued)*

The valuation of the Group's portfolio at 30 September 2015 reconciles to the Consolidated balance sheet as follows:

	30 September 2015 *£million*	31 March 2015 *£million*
Portfolio valuation	1,872.1	1,732.2
Less: future commitments	(21.8)	(22.5)
Investments per Consolidated balance sheet	1,850.3	1,709.7

Acquisitions

- In April 2015 the Group acquired a further 40% equity interest in Salford and Wigan Phase 1 BSF Project and Salford and Wigan Phase 2 BSF for a combined consideration of £16.0 million, which took the Group's stake in each project to 80%.
- In July 2015 the Group acquired a 50% equity and loan interest in the Southmead Hospital PFI Project for a total consideration of £87.8 million.
- In July 2015 the Group invested further loan stock in the Oxford Churchill Oncology project of £2 million on a pro-rata basis with the other shareholders in the project.
- In September 2015 the Group acquired 100% equity and loan interest in the Royal Canadian Mounted Police 'E' Division Headquarters P3 Project in Surrey, British Columbia, Canada. The total consideration for the investment was approximately CAD$ 54.0 million (£26.9 million).

Disposals

- The Group concluded the sale of its entire stake of 50% equity and subordinated debt interest and 100% junior loan interest in Fife Schools PFI project in April 2015 generating net disposal cash proceeds of £7.3 million, in line with the valuation of the investment as at 31 March 2015.
- In September 2015 the Group partially disposed of its investment in the Ealing Care Homes PFI Project to its joint venture, Redwood Partnership Ventures 2 Limited in which the Company holds a 75% stake. The transaction reduced the Group's 84% stake to 63%, generating £1.6 million of proceeds.

12. Share capital and reserves

	Ordinary Shares	
	30 September 2015 *£million*	31 March 2015 *£million*
In issue at beginning of period	1,267.7	1,207.4
Issued for cash	60.0	54.0
Issued as a scrip dividend alternative	2.1	6.3
In issue at end of period – fully paid	1,329.8	1,267.7

The holders of the 1,329,780,579 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 2015: 1,267,744,626).

Ordinary Share capital and share premium

	30 September 2015 *£million*	31 March 2015 *£million*
Opening balance	1,194.3	1,110.1
Premium arising on issue of Ordinary Shares	94.3	84.8
Costs of issue of Ordinary Shares	(0.7)	(0.6)
Closing balance	1,287.9	1,194.3

Share capital is £133.0 thousand (31 March 2015: £126.8 thousand).

12. Share capital and reserves *(continued)*

For the six month period ended 30 September 2015

On 30 June 2015, 0.8 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 152.66p as a scrip dividend alternative in lieu of cash for the fourth quarterly interim dividend in respect of the year ended 31 March 2015.

On 30 September 2015, 1.3 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 151.5p as a scrip dividend alternative in lieu of cash for the first quarterly interim dividend in respect of the year ending 31 March 2016.

In the period ending 30 September 2015, 60.0 million new Ordinary Shares were issued to various institutional investors at an issue price per share (before expenses) of 152.0p.

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 Infrastructure Investments Limited Partnership, the limited partnership through which the Group holds its investments, is InfraRed Capital Partners Limited ("IRCP").

The total Operator fees charged to the Consolidated income statement was £9.2 million of which the balance remained payable at the period end (2014: £8.2 million). The total charge for new portfolio investments (disclosed within Investment fees in Note 5) was £1.1 million of which the balance remained payable at the period end (2014: £0.1 million).

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £158,245 (disclosed as Directors' fees in Note 5) in the period (2014: £131,200). One Director also receives fees for serving as Director of the two Luxembourg subsidiaries – the annual fees are £5,000 (2014: £5,000).

In October 2015 the Company acquired 100% equity and loan note interest in the Royal Canadian Mounted Police 'E' Division Headquarters P3 Project in Surrey, British Columbia, Canada, of which 99.9% was acquired for a consideration of approximately CAD$ 53 million (£26.4 million) from InfraRed Infrastructure Fund III, a fund managed by IRCP.

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 2015 the Group had £21.8 million of commitments for future project investments (31 March 2015: £22.5 million).

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

15. Events after balance sheet date

In October 2015, the Group invested €20 million as senior debt in the Zaanstad Prison project.

In November 2015, the Group renewed and increased its revolving bank facility to £200 million on improved terms with a larger bank group.

In November 2015, the Group acquired the remaining 27.08% equity and loanstock interest in the Durham & Cleveland Police Tactical Training Centre PFI project for a total consideration of £0.7 million, taking the Group's interest in the project to 100%

Directors and Advisers

Directors

Graham Picken (Chairman)
Sarah Evans
Susie Farnon
John Hallam
Frank Nelson
Chris Russell
Ian Russell, CBE

Registrar

Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St. Sampson
Guernsey GY2 4LH

Administrator to Company, Company Secretary and Registered Office

Dexion Capital (Guernsey) Limited
1, Le Truchot
St. Peter Port
Guernsey GY1 1WD

Investment Adviser and Operator

Infrared Capital Partners Limited
12 Charles II Street
London SW1Y 4QU

Financial PR

Tulchan Communications LLP
85 Fleet Street
London EC4Y 1AE

UK Transfer Agent

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Helpline: 0871 664 0300

Auditor

KPMG Channel Islands Limited
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey GY1 1WR

Broker

Canaccord Genuity Limited
9th Floor
88 Wood Street
London EC2V 7QR

4105. Designed and produced by studio401

HICL INFRASTRUCTURE

Correspondence address:

PO Box 676
1 Le Truchot
St Peter Port
GY1 3SZ
Guernsey

T +44 (0)1481 743 940
E info@hicl.com
W www.hicl.com

Registered Office: 1 Le Truchot St Peter Port Guernsey GY1 1WD.