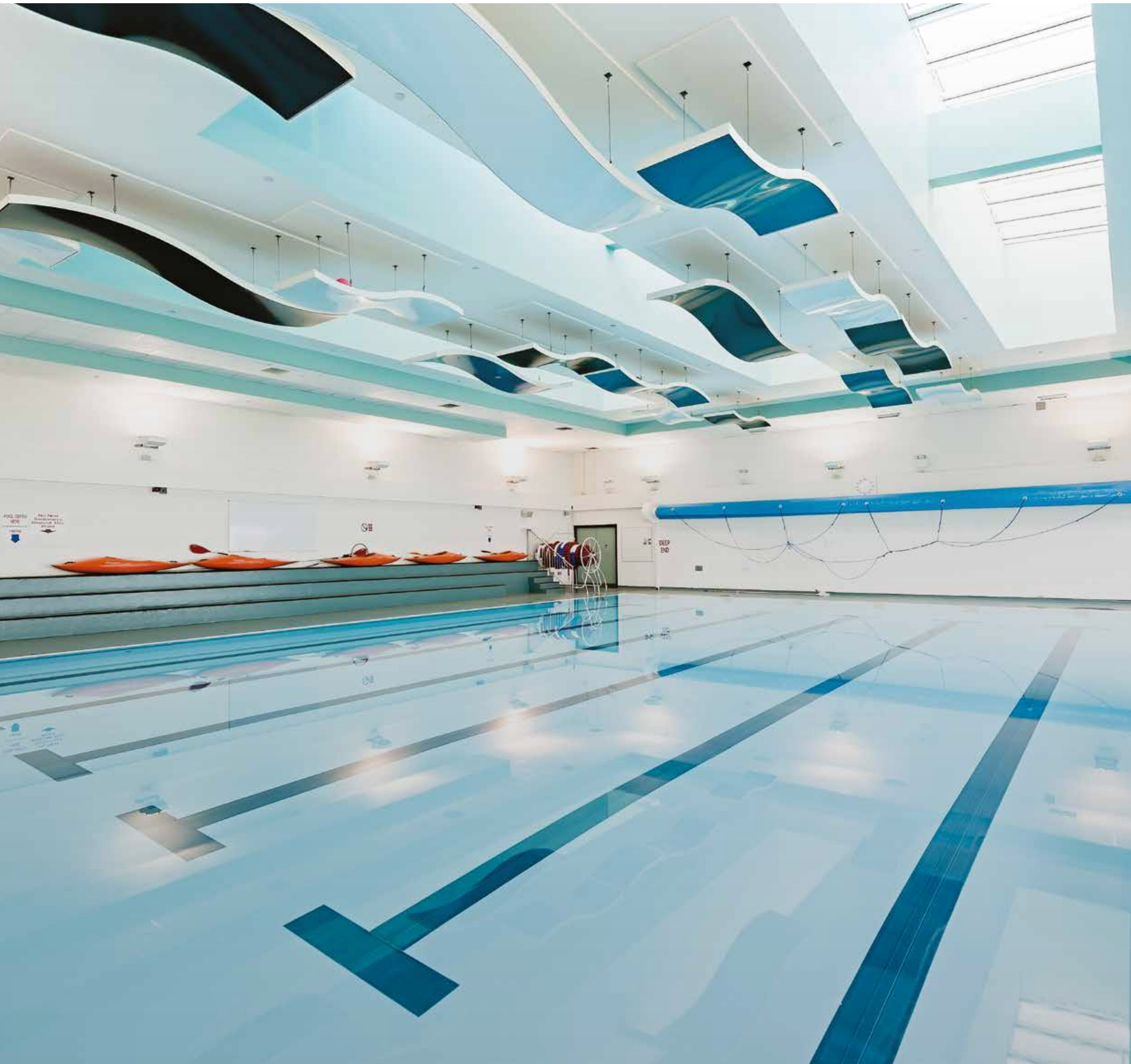
HICL Infrastructure

Delivering Real Value.

Interim Report for the six months ended 30 September 2017



Delivering Real Value.

Failsworth School, UK

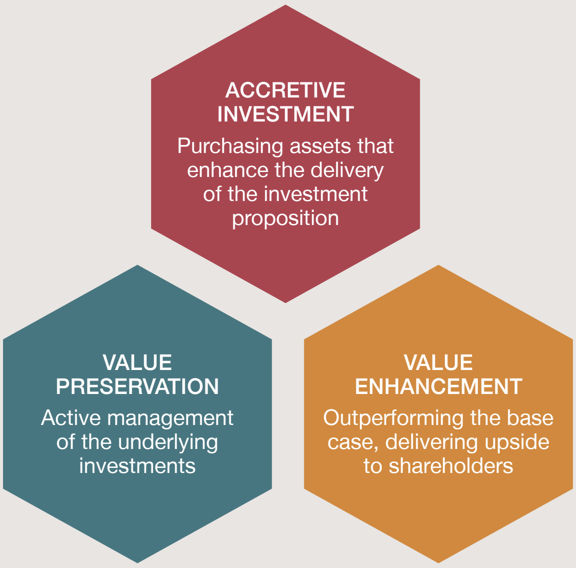
Contents

Overview

HICL's* Business Model and Investment Proposition

To deliver to shareholders a long-term, stable income from a portfolio of infrastructure investments that is positioned at the lower end of the risk spectrum

Business Model



A Differentiated Investment Proposition (as at 30 September 2017)

LOW ASSET CONCENTRATION RISK

45% — Ten largest assets as a proportion of the portfolio (by value)

STRONG INFLATION CORRELATION

0.8 — Correlation of portfolio returns to inflation[1]

GOOD CASHFLOW LONGEVITY

30.6 yrs — Weighted average asset life

* HICL Infrastructure Company Limited ("HICL" or "the Company", and together with its subsidiaries, "the Group")
[1] If outturn inflation was 1% p.a. higher than the valuation assumption in each and every forecast period, the expected return from the portfolio (before Group expenses) would increase by 0.8%

Key Statistics

For the six months to 30 September 2017

151.6p

NAV per share

up 2.6p (1.7%) from NAV per share of 149.0p at 31 March 2017

£2,844.4m

Directors' Valuation[1]

value of the Company's investment portfolio (£2,380.0m at 31 March 2017)

8.9%

annualised shareholder return[2]

based on interim dividends paid plus uplift in NAV per share in the period

£452m

in two new investments

Affinity Water and High Speed 1

Dividend guidance[3]

7.85p

for 2018

8.05p

for 2019

New dividend guidance[3]

8.25p

for 2020

Company information

2006

listed on the London Stock Exchange

FTSE 250

index member

4 million

average daily volume of shares traded[4]

c. 90%

UK shareholder base

- ▲ Gives investors access to returns from unlisted infrastructure investments
- ▲ Similar model to a UK REIT. Tax is paid by portfolio companies in which the Company invests; and by the Company's shareholders on dividends

[1] On an Investment Basis and includes £30.7m of future commitments. On an IFRS basis investments at fair value through profit or loss was £2,711.1m
[2] On a NAV appreciation plus interim dividends paid basis
[3] Expressed in pence per ordinary share for financial years ending 31 March. This is a target only and not a profit forecast. There can be no assurance that this target will be met
[4] Source: Thomson Reuters Datastream, six months to 30 September 2017

1. Chairman's Statement

Ian Russell
Chairman

HICL is midway through its 12th year as a London-listed infrastructure investment company, providing competitive, reliable and long-term investment in critical UK and international infrastructure.

The Company's strategy is to maintain a disciplined and proactive approach to investment and asset management, while executing its three-pillar business model of preserving and enhancing the value of the existing portfolio and making accretive new investments. The Company seeks to provide well-managed assets for our key stakeholders – our clients and end-users. This approach delivers an attractive, steady, long-term income for our shareholders from a portfolio of infrastructure investments positioned at the lower end of the risk spectrum.

I am pleased to report that the Company delivered solid performance in the six months to 30 September 2017. The portfolio achieved good cashflow generation and an annualised total return ahead of expectations. In the period, the portfolio, which has strong inflation correlation in its returns, has also seen the benefit of higher inflation currently in the UK economy.

The Company has continued to diversify its portfolio through accretive investment. In the period, we made two new investments in line with the stated Acquisition Strategy in the respective market segments of regulated (Affinity Water) and demand-based assets (High Speed 1). HICL's alignment with strategic co-investors has enabled the Company to exercise appropriate influence over these investments whilst retaining low asset concentration within the portfolio. In July 2017, the Company was announced as the preferred bidder on the Burbo Bank Extension OFTO (an availability-based regulated asset). Notwithstanding these new investments, PPP projects continue to be the largest market segment for the Company, representing 74% of the portfolio by value as at 30 September 2017. Since the period end, the Group completed on an incremental investment in a UK PPP project for a total consideration of approximately £12m.

> "The portfolio achieved good cashflow generation and an annualised total return ahead of expectations."

HICL takes pride in having a broad, consistent and knowledgeable investor base. The shareholders (circa 90% of whom are UK-based) include a wide range of UK local authority and corporate pension funds, established UK financial and asset management groups, some overseas institutions and a large number of UK retail investors, investing either directly or via savings and investment programmes.

We completed another substantial capital raising in June 2017 by way of a tap issuance. This was materially oversubscribed, demonstrating strong demand for HICL shares, and we are grateful to our shareholders for their ongoing support in these fundraisings.

The Company remains on target to deliver aggregate dividends of 7.85p per share this financial year[1] and the Directors reaffirm the 8.05p target for the next financial year ending 31 March 2019[1]. The Directors' confidence in the visibility we have over the robustness and longevity of the portfolio cashflows has been reflected in the Board's decision to publish new dividend guidance for the financial year ending 31 March 2020 of 8.25p per share[1].

> "The Directors' confidence in the visibility we have over the robustness and longevity of the portfolio cashflows has been reflected in the Board's decision to publish new dividend guidance for the financial year ending 31 March 2020 of 8.25p per share[1]."

Financial Performance

The Directors have approved a valuation of £2,844.4m on an Investment Basis for the Group's portfolio, as at 30 September 2017 (£2,380.0m at 31 March 2017). The Directors are satisfied with the methodology and assumptions used and as usual have taken independent, third party expert advice on the valuation. On an IFRS basis, at 30 September 2017, investments at fair value were £2,711.1m (£2,419.4m as at 31 March 2017). A reconciliation between the IFRS basis and Investment Basis can be found in Section 8 – Operating & Financial Review.

The Company's Net Asset Value (NAV) per share increased by 2.6p (1.7%) to 151.6p, up from 149.0p at 31 March 2017. Adjusting for the timing of investments made during the period, this represents an 8.9% annualised shareholder return based on NAV appreciation and dividends paid. The NAV benefited from outperformance of the portfolio, assisted by actual UK inflation above our valuation assumption and issuing equity at a premium.

Distributions

The first quarterly interim dividend for the year to 31 March 2018 of 1.96p per share was paid on 30 September 2017. The second quarterly interim dividend of 1.96p per share was declared on 16 November 2017 and is due to be paid on 29 December 2017.

The Company also offers a scrip dividend alternative. Full details can be found in the "Scrip Dividend Circular 2017-18" available on the Company's website (www.hicl.com).

Funding

In June 2017, the Company raised £267.7m (before expenses) through a tap issue of 162.2m ordinary shares. The issue was materially oversubscribed and, in light of the Company's investment pipeline, the size of the issue was increased from its initial target size of £205m to the maximum available to the Company. Following the Annual General Meeting ("AGM") in July 2017, the Company has the authority and tap issuance capacity to issue a further approximately 179m ordinary shares.

The Investment Adviser estimates that the Company will have drawings on its Revolving Credit Facility of approximately £130m at the end of December 2017. The Board is comfortable maintaining this level of borrowing for the foreseeable future in light of the Company's strong balance sheet and given that it does not materially impede the Company's ability to fund additional investments (as and when further attractive opportunities arise). The Directors are conscious of the elevated level of fundraising undertaken during 2017 and will take account of market conditions when considering the timing of further capital raising activity.

> "In light of the growth in the value of the Group's portfolio, the Investment Adviser and the Board have reviewed the management fee structure and agreed to reduce the fee due to the Investment Adviser for the adjusted gross portfolio value in excess of £3.0bn from 0.8% per annum to 0.65% per annum."

Corporate Governance

As in previous years, and aligned to corporate governance best practice, the Directors offered themselves for re-election at the AGM on 17 July 2017 and were duly re-elected.

In light of the growth in the value of the Group's portfolio, the Investment Adviser and the Board have reviewed the management fee structure and agreed to reduce the fee due to the Investment Adviser for the adjusted gross portfolio value in excess of £3.0bn from 0.8% per annum to 0.65% per annum.

[1] Expressed in pence per ordinary share for financial years ending 31 March. These are targets only and not profit forecasts. There can be no assurance that these targets will be met

1. Chairman's Statement

(continued)

Key Risks

There is higher political uncertainty in the UK following the June 2017 general election result and the continuing process to leave the EU. Due to their monopolistic nature, infrastructure assets typically interface with a variety of public sector counterparties and regulators. Political risk therefore continues to be a material risk that the Group's portfolio faces and is a key focus for the Risk Committee and the Board, as outlined in the 2017 Annual Report.

> "… good reason for optimism around the continuation of the role played by the private sector in the efficient delivery and management of infrastructure assets."

The UK public sector maintains an impressive record of honouring its financial commitments in respect of infrastructure projects, which is highly valued by international capital markets. The Investment Adviser has not seen a material impact from the current UK political environment on the valuation of investments in the portfolio.

Following several recent profit warnings from UK-based construction contractors and facilities management service providers, counterparty exposure more generally is also of particular note for the Risk Committee and the Board. While this risk is diversified within HICL's portfolio across a range of subcontractors, a number of possible scenarios have been assessed by the Investment Adviser as part of its ongoing risk evaluation and asset management work. Contingency plans are in place to ensure continuity of operations if one or more of the Group's PPP projects are affected by the failure of a subcontractor.

Safety matters are taken very seriously by the Board, including the construction quality and fire safety of facilities that form part of investments within the Group's portfolio. We continue to work with our project company management teams and subcontractors to prioritise safety and to ensure compliance with applicable standards and regulations.

As flagged in the 2017 Annual Report, and with effect from 1 October 2017, the Board and the Investment Adviser have agreed to amend the Company's hedging policy to target variability of NAV per share of no more than 2% (previously 1%) for a 10% movement in foreign exchange rates.

Outlook

Overall, the pipeline for new opportunities is likely to be more muted for the remainder of the financial year than we have seen thus far and, in the short term, we are bedding down new acquisitions within the portfolio. The Investment Adviser will continue to appraise new investment prospects as they arise, and will continue to follow a disciplined approach to new investment, only making acquisitions which are accretive to the existing portfolio. Looking further into 2018, we expect that the bulk of these will be opportunities for investment in PPP projects or in regulated assets. Demand-based assets will be considered opportunistically, if appropriate. Geographically, the Investment Adviser's focus remains on HICL's core geographies.

For the future, we must look squarely at the economics of infrastructure, which provide good reason for optimism around the continuation of the role played by the private sector in the efficient delivery and management of infrastructure assets. The Board recognises that western economies have ever-pressing financial challenges posed by ageing societies, technological change and, in some cases (such as the UK), population growth. We believe that the Company can continue to play its part in providing proven capital for investment in long-term, critical infrastructure throughout the economic cycle.

The Board remains assured of the outlook for the Company and in the Investment Adviser's ability to deliver further value over time. We remain confident that HICL will continue to deliver stable, long-term income, and we are looking forward to further positive engagement with shareholders and the Company's other key stakeholders.

Ian Russell
Chairman
21 November 2017

Bromley Police Station, UK

2. Investment Adviser's Report

Harry Seekings
Director, Infrastructure

Keith Pickard
Director, Infrastructure

- ▲ Headquartered in London with offices in New York, Sydney, Hong Kong and Seoul
- ▲ A 20-year track record of investment in infrastructure
- ▲ 70 infrastructure professionals with in-depth technical, operational and investment knowledge
- ▲ Strong support from InfraRed's central functions

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 and Operator since inception in 2006, having sourced and developed the original seed portfolio which was acquired at the time of the Company's listing.

HICL – A DIFFERENTIATED INVESTMENT PROPOSITION

HICL's well-diversified portfolio uniquely combines low asset concentration risk; strong correlation between portfolio returns and inflation; and long-dated, predictable cashflows.

Low asset concentration risk
The portfolio comprised 116 assets invested across three market segments at 30 September 2017. The largest single asset accounted for 9% of portfolio value; the five largest assets equated to circa 29% of portfolio value; and the 10 largest assets equated to circa 45% of portfolio value. This sector-leading diversification of concentration risk enhances portfolio resilience and offers mitigation against the impact of specific risks affecting any single asset.

Strong inflation correlation
The correlation of long-term returns from the portfolio to inflation has improved to 0.8 (0.7 at 31 March 2017). This improved correlation has been driven by HICL's investments in demand-based and regulated assets. Returns correlated to inflation are not consistently available from PPP projects, particularly in certain markets outside the UK (e.g. North America and Australia).

Good cashflow longevity
HICL aims to offer long-term, stable income for shareholders from predictable cashflows generated from long-life assets. The portfolio's weighted average asset life is 30.6 years (24.4 years at 31 March 2017), with the increase driven particularly by the acquisitions of Affinity Water, assumed to have a 100-year asset life, and Northwest Parkway (which has 89 years currently remaining on its concession). The predictability of HICL's long-term cashflows has allowed the Board to provide shareholders with dividend guidance for the current financial year and the next two financial years.

Operational and Strategic Highlights

PPP Projects

PPP projects with availability-based (or similar) payment mechanisms continue to be the largest market segment for the Company, representing 74% of the portfolio by value as at 30 September 2017. Overall the Group's investments in PPP projects continue to perform well. In a large portfolio such as the Group's it is to be expected that there are challenges with some assets; and, conversely, a number of positive initiatives progressed during the period. Although no individual initiatives or asset-level issues materially changed portfolio value, we have provided some highlights for shareholders in Section 8 – Operating & Financial Review.

Following the period end, the Group completed a £12m incremental investment in Addiewell Prison, a UK PPP project. This is set out in more detail in Section 8 – Operating & Financial Review.

Regulated Assets

The on-boarding of the investment in Affinity Water progressed during the period (see Section 8 – Operating & Financial Review for more details) and HICL received its first distribution in line with expectations at the time of acquisition. Higher UK inflation versus HICL's valuation assumption underlines the importance of the inflation-linked returns offered by the Group's investment in Affinity Water. The year-on-year change in the UK's Retail Price Inflation (All Items) was 4.0% (as at October 2017) compared to the HICL valuation assumption of 2.75% p.a.

In July 2017, the Office of the Water Regulator ("Ofwat") launched a consultation on the 2019 price review for the water industry. InfraRed is actively engaging in this process to represent HICL's interests, in partnership with the Affinity Water management team and other shareholders. There are challenging aspects emerging from the initial consultation document and these have been picked up in responses to Ofwat. We anticipate that Ofwat will produce final guidelines in December 2017. We will provide further information to shareholders in due course once these have been reviewed and analysed by InfraRed and Affinity Water's management team.

Also in July 2017, HICL's partnership with Diamond Transmission Corporation (a subsidiary of Mitsubishi Corporation) was announced as Ofgem's preferred bidder to become the Burbo Bank Extension offshore transmission owner ("OFTO"). The approximately £10m investment will be HICL's first in a regulated electricity transmission asset and the project will attract a 20-year, availability-based revenue stream. Financial close is due to take place in the first quarter of 2018.

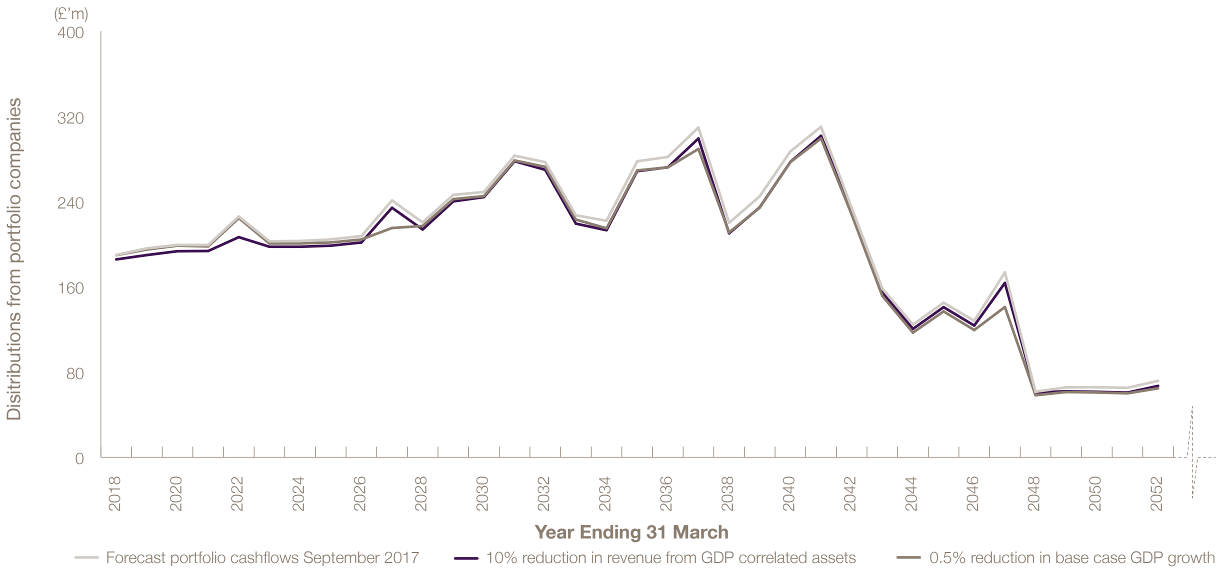
Demand-based Assets

High Speed 1 ("HS1") is the most recent major addition to the Group's portfolio, with completion achieved during September 2017. This asset provides diversified revenue streams generated from domestic and international train journeys, unregulated activities (principally retail leases) and regulated activities (such as maintenance and operations). HS1 meets HICL's accretion thresholds most particularly on total return, yield and inflation correlation. See Section 8 – Operating & Financial Review for more detail on the HS1 acquisition.

Other demand-based assets in the portfolio have either performed well or in line with expectations during the period. The Group's two toll road investments, Northwest Parkway (Colorado, USA) and the A63 Motorway (France), have continued to see traffic ahead of the forecasts made at the time of acquisition and overall performance is ahead of plan.

Revenues on the HS1, Northwest Parkway, A63 Motorway and M1-A1 Link Road projects are also correlated with local GDP to some extent. These assets represent 16% of the portfolio by value, below the 20% self-imposed limit agreed with the Board and previously communicated to shareholders. InfraRed

Portfolio Cashflows – GDP Sensitivity and Stress Scenario



conducts stress tests to assess the resilience of the portfolio to various downside scenarios. The chart on page 11 sets out the impact on portfolio cashflows of a) a reduction in base case GDP growth of 0.5% p.a. (against the valuation assumptions set out in Section 3 – Portfolio & Valuation) and b) a recession stress scenario.

The recession stress scenario assumes a 10% reduction in revenues in all periods for the GDP correlated assets. In this scenario, none of the relevant portfolio companies breach their debt covenants, while for the Company it results in a reduction of NAV/share of 5.1p (as at 30 September 2017). The results of the sensitivity and the downside stress test demonstrate the robust nature of the Group's portfolio cashflows and underpin our confidence that the contribution these assets make to the portfolio does not bring with it an undue increase in the risk profile.

Co-investment Strategy

As part of the Affinity Water transaction, InfraRed successfully arranged a modest co-investment by several UK local authority pension funds. This model was also used for the HS1 transaction, with InfraRed sourcing co-investment alongside HICL from UK pension funds and South Korean institutional investors (a market with deep local and international infrastructure investment experience). The use of co-investment has opened the opportunity to access investments in larger assets on behalf of HICL whilst maintaining prudent portfolio weightings and low single asset concentrations.

> "The sensitivity and the results of the downside stress test demonstrate the robust nature of the Group's portfolio cashflows..."

Co-investment with strategically aligned parties on these larger assets was executed while maintaining strong governance rights for HICL. Representing substantial equity interests on the Board of portfolio companies means InfraRed is well-positioned to bring appropriate influence to bear on management teams in order to deliver on HICL's business plans for value preservation and value enhancement.

Financial Highlights

Following an active financial year to 31 March 2017, the Origination and Transaction Team at InfraRed sourced opportunities for two new investments during the period and one investment after period end (as noted above). In addition, the Asset Management and Portfolio Management Teams generated value enhancements for the Company's shareholders through active management of the portfolio and at asset level. Overall, this activity has resulted in NAV per share, excluding dividends paid of 3.88p in the period, increasing by 2.6p, from 149.0p as at 31 March 2017 to 151.6p as at 30 September 2017. Of this growth, 0.9p per share was delivered through portfolio performance arising from various initiatives. These included the reassessment of lifecycle expenditure on a number of projects, a variation on the Helicopter Training Facility and UK inflation in the period above our valuation assumptions more than offsetting provisions recognised in respect of increased counterparty risk.

The Company's annualised total shareholder return ("TSR"), based on growth in NAV per share plus dividends paid, was 8.9% for the period (September 2016: 10.4%).

Overall portfolio performance has delivered cashflow receipts for the Group on an Investment Basis of £91.3m (September 2016: £73.0m). Net operating cashflows after finance and operating costs on an Investment Basis were £77.9m (September 2016: £60.9m), which covered the interim dividends paid in the six month period 1.26 times (September 2016: 1.26 times).

Profit before tax increased to £87.6m (for the period to 30 September 2017) from £85.3m (September 2016). This was principally due to incremental income from acquisitions being largely countered by less beneficial changes in valuation assumptions (discount rate reductions and changes in economic assumptions) during the six months ending September 2017 when compared to the same period in the prior year. Earnings per share were lower at 5.1p (September 2016: 6.1p) due to the reduced contribution from changes in valuation assumptions.

The ongoing charges percentage for the period on an annualised basis was 1.06%, using the Association of Investment Companies' methodology, compared to 1.08% for the six months to 30 September 2016. This compares well with other investment companies in the infrastructure sector.

Key Risks

Each quarter the Risk Committee reviews the risk appetite of the Company. The key risks and the strategies employed by InfraRed to manage and mitigate those risks have not changed materially from those set out in detail in section 3.6 of the Company's 2017 Annual Report.

Political Risk

With a wide range of public sector counterparties, political risk is inherent in HICL's business model and consistently has been a key risk faced by the Company.

> "The Asset Management and Portfolio Management Teams generated value enhancements for the Company's shareholders through active management..."

The use of PPPs (of which PFI is one example) to procure capital investment in infrastructure in the UK has, at various times since HICL's IPO, been subject to negative political comment. Most recently, there has been political comment suggesting that a future UK government could contemplate terminating some existing PPP projects. Typically, public sector counterparties are entitled to voluntarily terminate a PPP contract and, if this occurs, project companies have a corresponding right to receive compensation. For the majority of HICL's investments in UK PPP projects, this compensation is contractually based on market value which would, we believe, be equal to the prevailing value of the asset in the portfolio.

We are aware of recent commentary comparing a) the compensation payable by public sector counterparties in the event they choose to terminate PPP contracts, with b) the value attributed to investments in those PPP projects on the balance sheets of listed infrastructure companies. We caution against drawing firm conclusions from analysis based on scenarios that are unrealistic and extrapolated to precisely quantify the effects of portfolio-wide voluntary termination. For a number of years InfraRed has selectively acquired and disposed of investments on behalf of HICL in order to manage the exposure of the Group to voluntary termination situations where compensation is not equivalent to the prevailing market value of investments. We have provided disclosure on this topic in Section 8 – Operating & Financial Review.

There have also been suggestions in recent months that a future UK government may consider taking utilities, including water companies, back into public ownership. There is a need to balance the interests of consumers and those of investors. According to Water UK, over £150bn[1] has been invested in the industry since privatisation and customer satisfaction levels are around 90%[2] according to the independent water consumer watchdog. While future public ownership is a possibility, some comfort can be taken from the reasonable assumption that any future government will take a pragmatic approach to its overall infrastructure investment programme and seek to preserve the relationships that enable this.

HICL's Corporate Structure

HICL was structured as a Guernsey registered company at the time of its IPO as a means to ensure retail investors were not in a disadvantageous tax position compared to direct institutional investors in infrastructure projects; in effect to emulate the structure formalised for real estate investors by the creation of Real Estate Investment Trusts ("REITs"), which was not possible for infrastructure investments in the UK at the time. The Investment Trust (Approved Company) (Tax) Regulations 2011 resolved these structural obstacles and so it would now be possible for HICL to become an onshore UK investment trust if necessary. We would not expect this to have any material impact for the Company itself, although we note that the tax treatment of interest income for certain UK shareholders would, under current legislation, be different in this scenario.

Counterparty Risk

We have noted recent profit warnings from a number of UK construction and facilities management companies, some of which are subcontractor counterparties to PPP projects in which the Group has invested. Details on the Group's counterparty exposure can be found in Section 8 – Operating & Financial Review. InfraRed monitors counterparty creditworthiness regularly, and we report quarterly to the HICL Risk Committee across a range of client, subcontractor and financial counterparties, as well as ongoing intra-period reviews.

InfraRed's Asset Management Team has contingency plans in place to address scenarios where material issues lead to a failure of service provision by a subcontractor to one or more projects in which HICL has invested. These plans can be implemented at short notice to ensure continuity of service provision, with the aim that affected PPP projects continue to perform in line with contractual requirements.

Construction Quality and Fire Safety

InfraRed is working closely with management of the Group's PPP projects in relation to fire safety and building defects, particularly in relation to fire-stopping, cladding systems and wall-ties. Where defects have been identified, rectification plans and work have been prioritised, involving key stakeholders and appropriate specialists, with much work already completed. No material fire safety defects have been identified which have prevented projects continuing to operate safely.

Foreign Exchange Risk

As outlined in the 2017 Annual Report, the Board and InfraRed have agreed to amend the Company's hedging policy to target volatility of NAV per share of no more than 2% for a 10% movement in foreign exchange rates from 1 October 2017 (versus the previous policy of targeted volatility of NAV per share of no more than 1% for a 10% movement in foreign exchange rates).

We believe this balances the cost / benefit of the hedging policy whilst retaining the key objective of materially mitigating the impact of foreign exchange movements on HICL's financial results.

Hedging as at 30 September 2017 compared to non-Sterling portfolio values were:

	Portfolio Value (PV) £m	FX Hedge £m	FX Hedge as % of PV
Euro	239	175	73%
North America	190	114	60%
Australia	90	45	50%
Total	**519**	**334**	**64%**

[1] Press release, Water UK, 27 September 2017
[2] Water Matters: Household Customers' Views on their Water and Sewage Services 2016, published by Consumer Council for Water (June 2017)

2. Investment Adviser's Report

(continued)

Market Outlook

In line with its stated Acquisition Strategy, the Company continues to focus new investment activity on its three principal market segments: PPP projects, regulated assets (e.g. gas and electricity transmission and distribution; district heating) and demand-based assets (e.g. toll road concessions and student accommodation). We also maintain an opportunistic approach to assessing corporate asset opportunities with long-term counterparty arrangements (such as rolling stock) which fall within HICL's Investment Policy.

In the Company's 2017 Annual Report, we flagged increased expectations for a new pipeline of PPP projects in the UK through 2017. The political environment remains changeable, and with the UK general election in June 2017 unexpectedly resulting in a hung parliament, alongside continuing negotiations over the process to leave the EU, we have not seen a material change in the UK greenfield PPP pipeline which we previously anticipated. While we welcome the balanced comments on the infrastructure industry made in the National Infrastructure Commission's report dated 13 October 2017, the weak greenfield pipeline has had the effect of materially reducing the flow of opportunities to acquire operational UK PPP projects.

> "The Company continues to focus on PPP projects, regulated assets and demand-based assets."

New investment opportunities within the PPP market are therefore expected to be sourced from both the UK and from overseas markets, in the target geographies identified in the Company's Acquisition Strategy, particularly Europe and North America.

Outside the PPP market segment, we anticipate that new acquisition activity will be muted for the remainder of the current financial year. In the regulated asset market segment, we are continuing our partnership with Diamond Transmission Corporation in bidding for both groups of OFTO Round 5. Looking further into 2018, regulated assets with proven and stable regulatory regimes are of interest. Within the demand-based asset market segment we will take an opportunistic approach to assets with economically correlated returns, such as toll roads with a good operational track record.

Pricing discipline across all segments continues to be of key importance to ensure that investments that are acquired are accretive to the existing portfolio.

Zaanstad Prison, Netherlands

3. Portfolio & Valuation

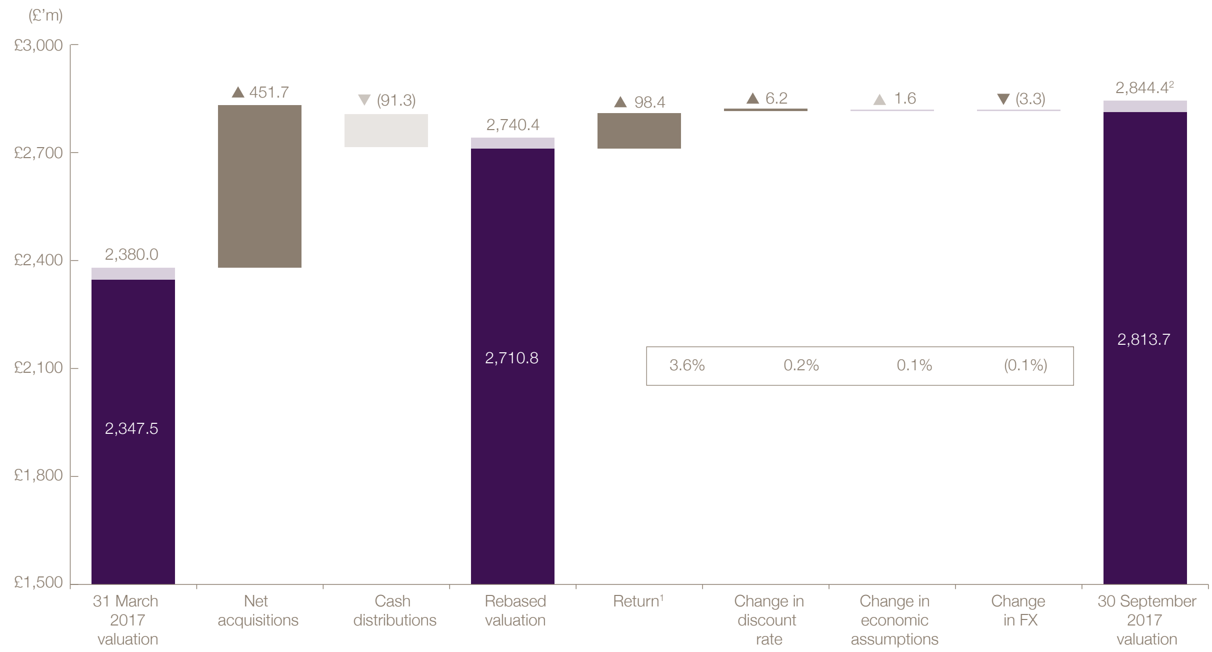
Valuation and Discount Rates

InfraRed, in its capacity as Investment Adviser to HICL, is responsible for preparing the fair market valuation of the Company's investment portfolio on a six monthly basis at 31 March and 30 September each year, which is presented to the Directors for their approval and adoption. The Directors are ultimately responsible for the valuation, therefore in addition to InfraRed's advice which is considered by the auditors as part of their review work, the Board also receives an independent expert third party report and opinion on this valuation. The assumptions used and the key sensitivities are published with the Valuation.

The Group's investments are predominantly non-market traded investments, such that these investments are valued using a discounted cashflow analysis of the forecast investment cashflows from each portfolio company. The exception to this is the listed senior debt in the A13 Road project which is valued at a quoted market price of the bonds. The valuation assumes a sum-of-the-parts valuation and does not include any value attributable to matters such as the size, scarcity and diversification of the portfolio. This valuation methodology is the same as that used at the time of the Company's launch and in each subsequent six month reporting period (further details can be found in the Company's February 2017 Prospectus, available from the Company's website).

The Directors' Valuation of the portfolio on an Investment Basis at 30 September 2017 is £2,844.4m, compared to £2,380.0m at 31 March 2017, up 20%. This includes £30.7m of future investment commitments (£32.5m at 31 March 2017).

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



[1] Return comprises the unwinding of the discount rate and project outperformance
[2] £2,844.4m reconciles, on an Investment Basis, to £2,813.7m Investments at fair value through £30.7m of future commitments
Note: Valuation blocks (purple) have been split on an Investment Basis into Investments at fair value (dark purple) and future commitments (light purple)

Valuation movements during the six months to 30 September 2017	£'m	£'m	As % of rebased valuation
Directors' Valuation at 31 March 2017		**2,380.0**	
Net Investments	451.7		
Cash receipts from investments	(91.3)		
		360.4	
Less future commitments		(29.6)	
Rebased valuation of the portfolio		**2,710.8**	
Return from the portfolio	98.4		3.6%
Change in discount rates	6.2		0.2%
Change in economic assumptions	1.6		0.1%
Forex movement on non UK investments	(3.3)		(0.1%)
		102.9	3.8%
Future commitments		30.7	
Directors' Valuation at 30 September 2017		**2,844.4**	

Allowing for the investments in Affinity Water and High Speed 1 ("HS1"), the partial disposal of Affinity Water to co-investors and cash receipts of £91.3m, the rebased valuation was £2,710.8m. The growth in the Directors' Valuation of the portfolio at 30 September 2017 over the rebased value can be attributed to the £98.4m return from the portfolio, £6.2m from changes in the discount rates used to value a number of assets in the portfolio and a £1.6m movement in economic assumptions, offsetting a £3.3m impact of foreign exchange rates on the non-UK investments.

Return from the Portfolio

The return from the portfolio of £98.4m represents a 3.6% increase in the rebased value of the portfolio over the six month period. Adjusting this calculation, as above, for the timing of acquisitions of Affinity Water and HS1 gives an annualised return of 8.1% versus the discount rate, or expected annualised return, of 7.4% demonstrating outperformance of the portfolio.

This outperformance arose from a number of factors, including the reassessment of future lifecycle expenditure on several projects, a variation on the Helicopter Training Facility combined with actual UK inflation in the period above our valuation assumption of 2.75% which has more than offset a downside recognised in respect of increased counterparty risk. Further detail on these factors is outlined in Section 8 – Operating & Financial Review.

Discount Rates

Fair value for each unlisted investment is derived from the present value of the investment's expected future cashflows, using reasonable assumptions and forecasts, and an appropriate discount rate. We exercise our judgement in assessing the expected future cash flows from each investment based on the detailed concession life financial models produced by each portfolio company, as amended to reflect known or expected changes to future cashflows.

The main method for determining the appropriate discount rate used for valuing each investment is based on the Investment Adviser's knowledge of the market, taking into account intelligence gained from bidding activities, discussions with financial advisers knowledgeable in these markets and publicly available information on relevant transactions. The Board discusses the proposed discount rates with the third party valuation expert to ensure that the valuation of the Group's portfolio is appropriate.

The weighted average discount rate at 30 September 2017 is 7.4%, unchanged from 31 March 2017. This reflects the competitive dynamics we have observed in the market place where we have not seen evidence of material changes in market pricing either from movements in supply and demand or arising from the current UK political environment.

3. Portfolio & Valuation

(continued)

Country	Long-term government bond yield (30 September 2017)	Risk premium (30 September 2017)	Discount rate (30 September 2017)	31 March 2017 Discount rate	Movement
UK	1.8%	5.5%	7.3%	7.2%	0.1%
Australia	2.9%	3.6%	6.5%	7.3%	(0.8%)
Eurozone	1.4%	6.1%	7.5%	7.6%	(0.1%)
North America	2.8%	5.4%	8.2%	8.2%	–
Portfolio	**1.9%**	**5.5%**	**7.4%**	**7.4%**	**–**

The risk premium for each region is derived from the market discount rate less the appropriate long-term government bond yield. As long-term government bond yields in the UK, Australia, North America and the Eurozone are currently low, this has resulted in higher country risk premiums (as discount rates have not fallen as far as bond yields). The Investment Adviser's view is that discount rates used to value investments do not rigidly follow bond yields, although naturally there is some correlation over the longer term. The implication from this is that an increase from these historically low bond yields could happen without necessarily directly adversely impacting discount rates.

The relatively large movement shown for the discount rate for Australia and the £6.2m increase in portfolio valuation from change in discount rate was driven by a re-appraisal of the value of the Group's investment in the AquaSure project. This followed receipt of a pre-emption notice from an AquaSure co-shareholder for their investment. The price on a pro-rata basis was materially higher than the value we ascribed to the Group's investment at 31 March 2017.

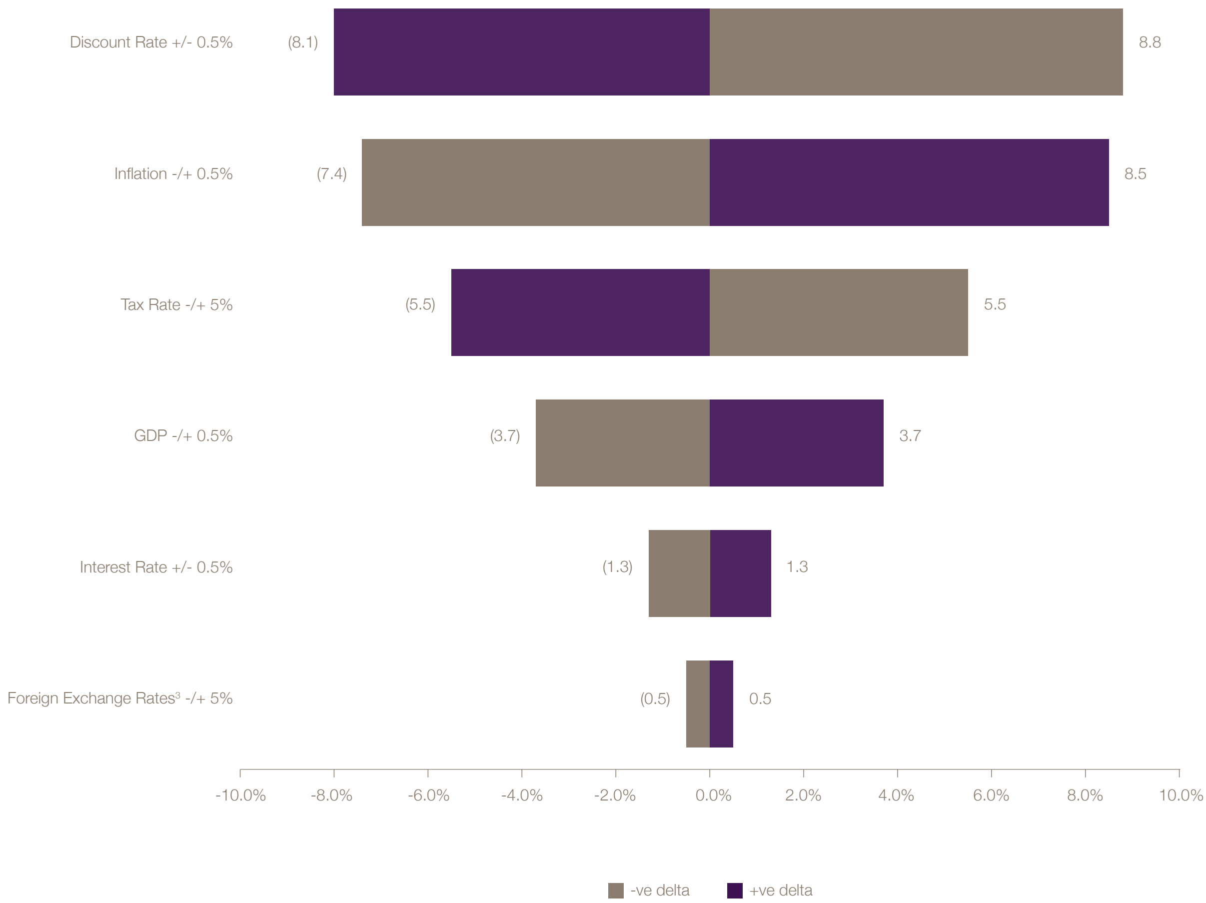
Other Key Valuation Assumptions

		30 September 2017	31 March 2017
Inflation[1] (p.a.)	UK (RPI[2] & RPIx[2])	2.75%	2.75%
	Eurozone (CPI)	1.0% to 2019 and 2.0% thereafter	1.0% to 2019 and 2.0% thereafter
	Canada (CPI)	2.0%	2.0%
	Australia (CPI)	2.5%	2.5%
	USA (CPI)	2.0%	2.0%
Deposit Rates (p.a.)	UK	1.0% to 2021, and 2.0% thereafter	1.0% to 2021, and 2.0% thereafter
	Eurozone	1.0% to 2021, and 2.0% thereafter	1.0% to 2021, and 2.0% thereafter
	Canada	1.0% to 2021, and 2.0% thereafter	1.0% to 2021, and 2.0% thereafter
	Australia	2.6% with a gradual increase to 3.0% long-term	2.6% with a gradual increase to 3.0% long-term
	USA	1.0% with a gradual increase to 2.0% long-term	1.0% with a gradual increase to 2.0% long-term
Foreign Exchange	EUR / GBP	0.88	0.85
	CAD / GBP	0.60	0.60
	AUD / GBP	0.58	0.61
	USD / GBP	0.75	0.80
Tax Rate (p.a.)	UK	19% to 2020, 17% thereafter	19% to 2020, 17% thereafter
	Eurozone	Various	Various (no change apart from French tax rate reducing from 33.3% to 28% by 2019)
	Canada	26% and 27% (territory-dependent)	26% and 27% (territory-dependent)
	Australia	27.5% stepping down to 25% from 2024	30%
	USA	35% Federal and 4.6% Colorado State	35% Federal and 4.6% Colorado State
GDP (p.a.)	UK	2.0%	2.0%
	Eurozone	1.8%	1.8%
	USA	2.5%	2.5%

[1] Some portfolio company revenues are fully indexed, whilst some are partially indexed
[2] Retail Price Index and Retail Price Index excluding Mortgage Interest Payments

Valuation Sensitivities

The portfolio's valuation is sensitive to each of the macro-economic assumptions listed on the prior page. An explanation of the reason for the sensitivity and an analysis of how each variable in isolation (i.e. while keeping the other assumptions constant) impacts the NAV per share follows below[1,2]. The sensitivities are also contained in Note 3 to the financial statements.



[1] NAV per share based on 1,788m Ordinary Shares as at 30 September 2017
[2] Sensitivities for inflation, deposit interest rates, tax rates and lifecycle are based on the 25 largest investments extrapolated for the whole portfolio
[3] Foreign exchange rate sensitivity is net of Group hedging at 30 September 2017

Discount Rate Sensitivity

Whilst not a macro-economic assumption, the discount rates that are applied to each project's forecast cashflows, for the purposes of valuing the portfolio, constitute the single most important judgement and variable.

Inflation Rate Sensitivity

PPP projects in the portfolio have contractual income streams derived from 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) while non-UK projects use CPI (Consumer Price Index), and revenues are either partially or totally indexed (depending on the contract and the nature of the project's financing). Facilities management and operating sub-contracts have similar indexation arrangements.

On the demand-based assets, the concession agreement usually prescribes how user fees are set, which are generally rebased annually for inflation. Similarly to PPP projects, in the UK this is typically RPI, while non-UK projects use CPI. On Affinity Water, the Company's regulated asset, revenues are regulated by Ofwat in a five-yearly cycle with the pricing of water bills set with the aim of providing an agreed return for equity that is constant in real terms for the five year period by reference to RPI.

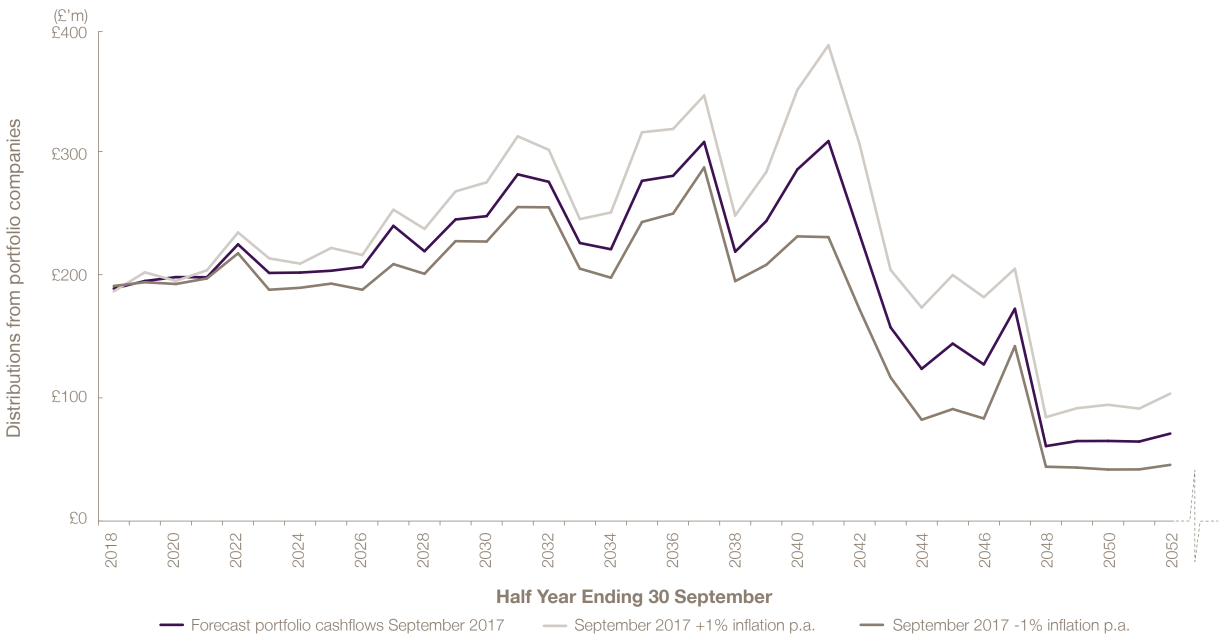
3. Portfolio & Valuation
(continued)

The chart below shows that the Company's NAV per share is positively correlated to inflation. The correlation and sensitivity of the portfolio to inflation increased in the period with the acquisitions of Affinity Water and HS1. The portfolio's inflation correlation at 30 September 2017 was 0.8 (0.7 at 31 March 2017) such that should inflation be 1% per annum higher than the valuation assumption for all future periods the expected return from the portfolio would increase 0.8% from 7.4% to 8.2%.

In the UK, RPI and RPIx were 3.9% and 4.1% respectively for September 2017. The portfolio valuation assumes UK inflation of 2.75% per annum for both RPI and RPIx, the same assumption as for the prior period. The November 2017 forecasts for RPI from 26 independent forecasters as compiled by HM Treasury out to December 2018 range from 2.5% to 3.8%, with an average forecast of 3.0%.

The chart below shows how the portfolio's forecast cashflows change when under the same inflation sensitivity scenarios used to estimate the movements in NAV per share shown above.

Cashflow Sensitivity to Inflation



Gross Domestic Product ("GDP") Sensitivity

The acquisition of HS1 in the period has resulted in an increase in the proportion of the portfolio (by value) that is correlated to changes in GDP to 16% (10% at 31 March 2017).

At 30 September 2017, the portfolio had four investments which are correlated to GDP, namely HS1 (UK), Northwest Parkway (USA), the A63 Motorway (France) and the M1-A1 Link Road (UK). At times of higher economic activity there will be greater traffic volumes using these assets generating increased revenues than compared to periods of lower economic activity and therefore we assess these as GDP correlated investments.

If outturn GDP growth was 0.5% p.a. lower for all future periods than those in the valuation assumptions set out on page 18 for all future periods, expected return from the portfolio (before Group expenses) would decrease 0.2% from 7.4% to 7.2% (7.2% at 31 March 2017).

Interest Rate Sensitivity

Each portfolio company's interest costs are at fixed rates, either through fixed rate bonds or bank debt which is hedged with an interest rate swap, or linked to inflation through index-linked bonds. The portfolio's sensitivity to interest rates primarily relates to the cash deposits which the project company is required to maintain as part of its senior debt funding. For example, most project companies would have a debt service reserve account in which six months of debt service payments are held. For those projects that bear refinancing risk – Affinity Water, Northwest Parkway and AquaSure – the sensitivity includes sensitivity to interest costs on these assets from the point of refinancing.

At 30 September 2017, cash deposits for the portfolio were earning interest at a rate of 0.2% per annum on average.
On 2 November 2017, the Bank of England base rate increased from 0.25% to 0.50%, however a consensus that UK base rates will remain low for an extended period persists, with a current median forecast for UK base rates in December 2018 of 0.63% p.a.

The portfolio valuation deposit interest rate assumptions are unchanged from 31 March 2017. For the UK, the deposit interest rate assumptions are 1.0% p.a. to March 2021 and 2.0% p.a. thereafter.

Corporation Tax Rate Sensitivity

The profits of each portfolio company are subject to corporation tax in the country where the asset is located. The sensitivity considers a 5% movement in tax rates in all jurisdictions.

There has been a suggestion that a future UK government could consider raising UK corporation tax rates. To the extent there was a 5% increase in UK corporation tax rates, there would be a NAV per share reduction of 4.6p.

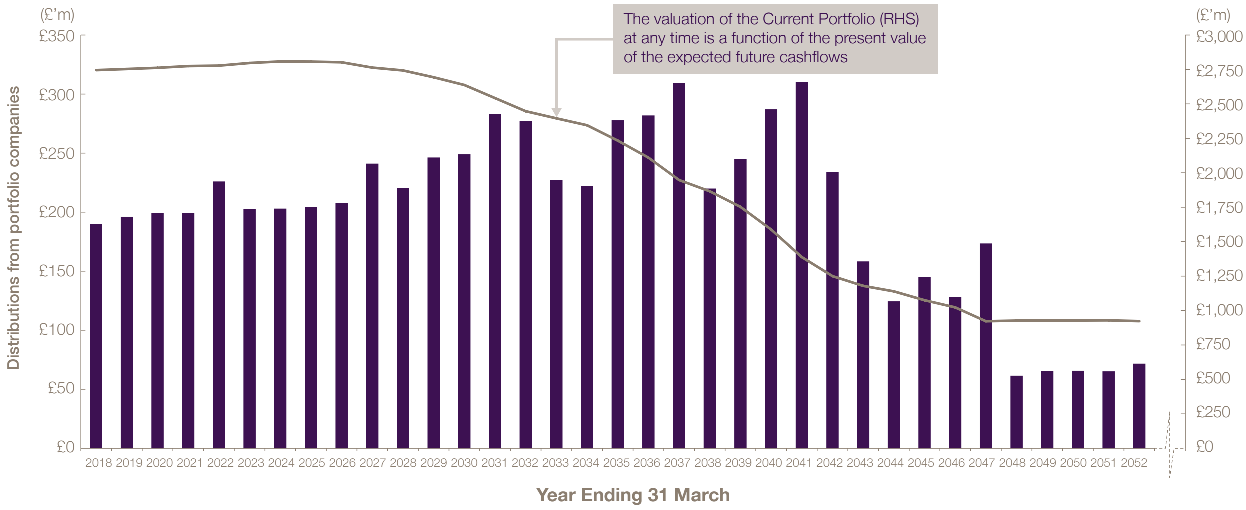
The corporation tax rates assumed are unchanged from those applied at 31 March 2017 other than for the Australian corporation tax rate where the assumption has reduced from 30% to 27.5% then reducing to 25% from 2024 in line with draft Australian legislation. These rate changes have resulted in an increase to the portfolio valuation of £1.6m attributed to changes in Economic Assumptions.

Foreign Exchange Rates Sensitivity

20% of the portfolio by value is represented by non-UK assets. These assets are valued in local currency then converted into Sterling at the period end exchange rates. The sensitivity shown on page 19 is net of the Group's foreign exchange hedges at 30 September 2017. Further detail on the Company's foreign exchange policy is outlined in Section 2 – Investment Adviser's Report.

Future Cashflows[1,2,3]

The chart below shows the expected future cashflows to be received by the Group from the portfolio as at 30 September 2017 and how the portfolio valuation is expected to evolve over time using current forecasts and assumptions. The chart shows the steady long-term nature of the cashflows from the portfolio, coupled with a stable portfolio valuation in the medium term.



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 The cashflows and the valuation are based on a number of assumptions, including discount rates, inflation rates, deposit interest rates, tax rates and foreign exchange rates. These assumptions and the valuation of the current portfolio may vary over time

3 The cashflows and the valuation are from the portfolio of 116 investments at 30 September 2017 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

Based on current forecasts over the long term, the portfolio will move into a repayment phase when cash receipts from the portfolio will be paid to the Company's shareholders as capital and the portfolio valuation reduces as projects reach the end of their concession term, assuming that the proceeds are not invested in new investments.

It is these forecast cashflows from the Group's current portfolio of investments that give the Board the confidence that HICL remains on track to deliver a dividend of 7.85p per share for the year to 31 March 2018 and that there should be sufficient cash cover for the target dividends which have been announced for the following two years:

- 8.05p per share for the year to 31 March 2019; and
- 8.25p per share for the year to 31 March 2020.

3. Portfolio & Valuation
(continued)

As described above, the Group's investments are predominantly valued using a discounted cashflow analysis of the forecast investment cashflows from each portfolio company. The following is an overview of the key assumptions and principles applied in the valuation and forecasting of future cashflows:

- Discount rates and other key valuation assumptions (as outlined above) continue to be applicable
- Contracts for PPP projects and demand-based assets are not terminated before their contractual expiry date
- A reasonable assessment is made of operational performance including, in relation to PPP projects, payment deductions and the ability to pass these down to subcontractors
- Distributions from each portfolio company reflect reasonable expectations, including consideration of financial covenant restrictions from senior lenders
- Lifecycle and capital maintenance risks are either not borne by the portfolio company because they are passed down to a subcontractor or, where borne by the portfolio company, are incurred per current forecasts
- For demand-based assets, a reasonable assessment is made of future revenue growth, typically supported by forecasts made by an independent third party
- Where assets are in construction, a reasonable assessment is made as to the timing of completion and the ability to pass down any costs of delay to subcontractors
- Where a portfolio company expects to receive residual value from an asset, that the projected amount for this value is realised
- Non-UK investments are valued in local currency and converted to Sterling at the period end exchange rates
- A reasonable assessment is made of regulatory changes in the future which may impact cashflow forecasts
- Perpetual investments are assumed to have a finite life (e.g. Affinity Water is valued using a terminal value assumption)

In forming the above assessments, the Investment Adviser works with portfolio companies' management teams, as well as engaging with suitably qualified third parties such as technical advisers, traffic consultants, legal advisers and regulatory experts.

4. Key Performance Indicators

The Board has identified metrics against which to measure clearly the Company's performance of its strategic objectives. The results for the period ended 30 September 2017 are set out below:

Key Performance Indicators

KPI	Measure	30 September 2017	30 September 2016
Dividends	Aggregate interim dividends declared per share for the year	**3.92p**	**3.82p**
		Objective: An annual distribution of at least that achieved in the prior year **Commentary:** Achieved	
Total Return	NAV growth and dividends paid per share since IPO	**9.5% p.a.**	**9.7% p.a.**
		Objective: A long-term IRR target of 7% to 8% as set out at IPO[1] **Commentary:** Achieved	
Cash-covered Dividends	Operational cash flow / dividends paid to shareholders	**1.26x**	**1.26x**
		Objective: Cash covered dividends **Commentary:** Achieved	
Positive Inflation Correlation	Changes in the expected portfolio return for 1% p.a. inflation change	**0.8%**	**0.7%**
		Objective: Maintain positive correlation **Commentary:** Achieved	
Competitive Cost Proposition	Annualised ongoing charges / average undiluted NAV[2]	**1.06%**	**1.08%**
		Objective: Efficient gross (portfolio level) to net (investor level) returns, with the intention to reduce ongoing charges where possible **Commentary:** Achieved	

[1] Set by reference to the issue price of 100p/share, at the time of the Company's IPO in February 2006. Previously reported on a dividends declared basis
[2] Calculated in accordance with Association of Investment Companies guidelines. Ongoing charges excluding non-recurring items such as acquisition costs

5. Portfolio Characteristics

At 30 September 2017

MARKET SEGMENT

	Sep-17	Mar-17
PPP projects	74%	88%
Demand-based assets	17%	12%
Regulated assets	9%	0%

GEOGRAPHIC LOCATION

	Sep-17	Mar-17
UK	80%	77%
EU	10%	11%
Australia	3%	4%
North America	7%	8%

OWNERSHIP STAKE

	Sep-17	Mar-17
100% ownership	28%	33%
50%-100% ownership	27%	32%
Less than 50% ownership	45%	35%

SECTOR

	Sep-17	Mar-17
Accommodation	10%	12%
Education	17%	20%
Health	29%	35%
Fire, Law & Order	6%	7%
Transport	26%	22%
Water	12%	4%

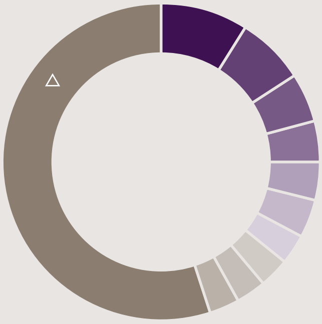
INVESTMENT STATUS

	Sep-17	Mar-17
Fully operational	98%	98%
Construction	2%	2%

6. Portfolio Statistics

Ten largest assets account for 45% of the portfolio

TEN LARGEST INVESTMENTS[1]



1. Affinity Water
2. HS1
3. Northwest Parkway
4. Southmead Hospital
5. Home Office
6. Pinderfields & Pontefract Hospitals
7. A63 Motorway
8. AquaSure
9. Dutch High Speed Rail Link
10. Allenby & Connaught

▲ Remaining Investments

	30 September 2017	31 March 2017
Number of investments	116	114
Percentage of portfolio by value – ten largest assets[1]	45%	40%
Weighted average concession life	30.6 yrs	24.4 yrs
Average remaining maturity of long-term debt financing[2]	18.1 yrs	18.2 yrs

[1] By value using Directors' Valuation of £2,844.4m as at 30 September 2017
[2] Excludes investment in A13 senior bonds

7. Investment Portfolio

Portfolio of 116 assets at 30 September 2017

Education — 17% of Directors' Valuation[1]

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

Health — 29%

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

[1] By value using Directors' Valuation of £2,844.4m as at 30 September 2017, excludes investments after the period end

Fire, Law & Order

6% of Directors' Valuation[1]

Addiewell Prison	Gloucestershire Fire & Rescue	Northern European Project	Tyne & Wear Fire Stations
Dorset Fire & Rescue	Greater Manchester Police Stations	Royal Canadian Mounted Police HQ	Zaanstad Prison
Durham & Cleveland Firearms Training Centre	Medway Police	South East London Police Stations	
Exeter Crown and County Court	Metropolitan Police Training Centre	Sussex Custodial Centre	

Transport

26%

A9 Road	A249 Road	M1-A1 Link Road	NW Anthony Henday
A13 Road Senior Bonds	Connect PFI	M80 Motorway	RD901 Road
A63 Motorway	Dutch High Speed Rail Link	N17/N18 Road	High Speed 1
A92 Road	Kicking Horse Canyon	Northwest Parkway	

Accommodation

10%

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

Water

12%

AquaSure Desalination Plant	Affinity Water

Key

▲ New investment since 31 March 2017

▲ New investment since the period end

[1] By value using Directors' Valuation of £2,844.4m as at 30 September 2017, excludes investments after the period end

8. Operating & Financial Review

Operating Review

The Company's Business Model comprises three key pillars – Value Preservation through active management of the underlying investments; Value Enhancement by outperforming the base case, delivering upside to shareholders; and Accretive Investment in assets that enhance the delivery of the investment proposition.

Accretive Investment

The Company seeks to add value to the portfolio through accretive investment in assets which deliver long-term, stable returns to shareholders and are positioned at the lower end of the risk spectrum.

During the period, the Group completed two major investments.

In May 2017, the Group completed the acquisition of an interest in the Affinity Water group, a regulated water utility in the UK. The investment was secured following an off-market approach to Affinity Water's previous owners. The Group initially acquired a 36.6% equity interest for £275m, representing a premium to regulatory capital value (at 31 March 2017) of 39%. A short presentation published at the time of the acquisition is available on the Company's website. The investment was accretive on a total returns basis and also improved both the inflation correlation of the returns from the portfolio and the longevity of the future cashflows from the portfolio. The Group subsequently sold down a £25m portion of the Affinity Water investment to a small group of UK local authority pension funds, exemplifying the Group's strategy of building key relationships with aligned co-investors to enable HICL to manage its portfolio exposure to larger investment opportunities. This targeted sell-down completed in June 2017 and subsequently leaves HICL with a 33.2% equity interest in Affinity Water.

In July 2017, the Group announced the acquisition of an interest in High Speed 1, the only dedicated high speed rail line in the UK. HICL invested alongside a group of InfraRed-sourced co-investors, comprising UK local authority pension funds and Korean institutional investors. The combined consideration was approximately £320m, of which HICL funded approximately £200m (equivalent to a 21.8% interest).

In addition to completing the Affinity Water and High Speed 1 acquisitions, the Group announced in July 2017 that its consortium, alongside Diamond Transmission Corporation, was selected by Ofgem as the preferred bidder to own and operate the offshore transmission link to the Burbo Bank Extension windfarm. Under the offshore transmission owner ("OFTO") regime, the OFTO takes ownership of an operational transmission asset and receives contractual, availability-based revenues over a 20 year period. The OFTO does not have exposure to construction risk, electricity production or power price risk. Completion of the acquisition is expected in early 2018. The Group is also partnered with Diamond Transmission Corporation to participate in both phases of Tender Round 5, which comprises five further bids for OFTO assets.

Following the period end, the Group acquired an incremental 33.3% equity interest in the Addiewell Prison PPP project from Interserve Investments Limited for approximately £12m. HICL acquired an initial 33.3% interest in this project in May 2013 and, with completion of this incremental investment, now holds 66.7% of the equity and loan stock.

Value Preservation And Value Enhancement

InfraRed's Asset Management and Portfolio Management Teams work closely together, and in partnership with the management teams in the Group's portfolio companies, to preserve the value of the Group's investments by seeking to ensure that portfolio companies deliver services in line with the relevant contractual and / or regulatory framework, and delivering the forecast base case investment return. Related to this is the ongoing monitoring of the counterparty exposures and associated contingency planning, aimed at evaluating and mitigating (where possible) third parties' impact on the performance and value of portfolio companies.

A second area of focus for the Asset Management and Portfolio Management Teams is to seek opportunities to deliver outperformance from the portfolio. This upside is often shared, with benefit also accruing to public sector clients or, as part of regulatory price reviews, the customers of regulated assets.

At 30 September 2017, the portfolio consisted of 116 investments; 80% of the portfolio by value is invested in the UK with the remainder invested in Australia, Canada, France, Ireland, the Netherlands and the USA. There are currently four investments in the portfolio under construction, which collectively constitute approximately 2% of the portfolio by value.

The Investment Adviser reviews the performance of the Company's portfolio on a quarterly basis and overall views that the Group's investments continue to perform as expected. In the Operating Review, specific activities and events are highlighted to give shareholders insight into the portfolio. However, none of these resulted in a material impact on portfolio value (being defined as a movement in NAV/share greater than 1%). Set out below is commentary on the existing portfolio followed by highlights from acquisitions made during the period (Affinity Water and High Speed 1).

Existing Portfolio

In the existing portfolio there are a number of asset-specific initiatives to highlight:

- ▲ Following a detailed review by technical advisors, lifecycle (or capital maintenance) savings have been recognised across a number of PPP projects. These savings are a combination of recognising historic savings and new forecast budgets for the future. The revised forecasts have been approved by the lenders on these projects.
- ▲ There are ongoing initiatives to reorganise the provision of management services to the PPP projects in which the Group invests. Rationalising the number of management service providers is aimed at improving the quality and performance of the services.

- A transformation agreement has been signed in the period to extend the concession for the Helicopter Training Facility project. This PPP project reached financial close in 1997 and the client's requirements have evolved over the years. With senior debt now fully repaid as scheduled, the project has converted to a demand-based arrangement and new rates agreed for an eight year period, with the opportunity to negotiate new terms at the end of this period for the remainder of the contract, which extends to 2037. This initiative delivers savings for the UK Ministry of Defence and also additional value to the Group from the eight year extension to the project.
- Northwest Parkway and the A63 Motorway both experienced traffic ahead of forecasts made at the time of their acquisitions. This results in increased revenue which should result in increased distributions from these investments.
- The construction of Ecole Centrale Supélec was completed in June 2017. This is a 28 year PPP project to finance, construct, operate and maintain a new facility for the Ecole Centrale Supélec on Plateau de Saclay, near Paris, France. The facilities comprise a shared teaching and research facility, an underground car park, and a hotel (the revenue from which does not form part of the project).

Case Study – High Speed 1 ("HS1")

Acquisition of an operational demand-based high speed rail asset completed in September 2017

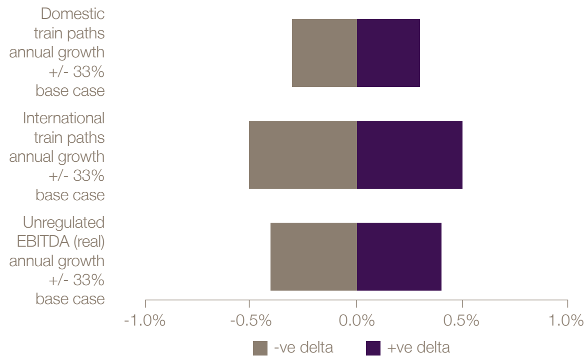
Essential, High-Profile UK Infrastructure

Proven **Business Model**

Strong **Operating History**

Experienced Management **Team**

Sensitivities of Base Case IRR of Key Value Drivers



Acquisition Financing

- HS1 concessionaire's debt structure is rated A-
- The acquisition included a £500m non-recourse, long term, amortising, investment grade debt facility provided largely by UK institutional infrastructure investors
- No refinancing risk in either the concessionaire's debt or the above acquisition facility
- Efficient use of revenue swaps to optimise inflation linkage, removing excessive correlation and stabilising cashflow available to service debt

Business Plan Assumptions

- Domestic train path revenue assumed to have <1% p.a. growth
- International train paths assumed have low single-digit p.a. growth
- Unregulated EBITDA assumed to have low single-digit p.a. growth
- In a stress scenario, where forecast growth rates are reduced by 50% for each of the three key value drivers above (in each and every remaining year of the concession):
  – base case IRR for the project would reduce by 1.8%
  – the project would continue to make equity distributions in all forecast periods

The chart presents sensitivity analysis of the revenue drivers of the Group's HS1 investment, with variances modelled to the Business Plan Assumptions

8. Operating & Financial Review

(continued)

As previously reported, some projects experience operational challenges and have on occasion incurred deductions. These are usually reclaimed from the relevant subcontractors but deductions have occasionally adversely impacted the Company's investment cashflows. On a portfolio basis, the impact of these deductions has been immaterial.

A small number of project companies are considering initiating litigation against particular construction subcontractors in respect of enforcing the contractors' obligations regarding the diligent rectification of construction defects. This is an example of how the PPP project companies in which the Group invests enact their duty to ensure that clients and other stakeholders have use of facilities that are constructed to the relevant standards and which are of appropriate quality.

On a regular basis, the Investment Adviser reviews and reports to the Risk Committee on the portfolio's counterparty exposure to both the operational supply chain, and the providers of bank deposit accounts and interest rate swaps. In light of recent profit warnings from certain counterparties (and a deterioration in their balance sheets), a reduction in the valuation of between £5m and £10m has been taken as at 30 September 2017.

The following provides updates on some previously reported challenges in the portfolio:

- There continues to be a number of actions to resolve alleged building defects and operational issues at a hospital PPP project and, as previously reported, progress is slow. The value of the investment in the portfolio is in the range of £0-5m.
- Negotiations continue with respect to the compensation due to the Group from a school PPP project which was voluntarily terminated by the local authority client during the previous financial year, which has certain construction defects outstanding. Third party mediation is underway to agree a resolution to the parties' satisfaction. The value of the investment in the portfolio is in the range of £5-10m.
- Progress on the commercial settlement negotiations regarding a road PPP project with a number of operational issues and construction defects has been slower than expected due to difficulties in finalising a settlement. If an amicable settlement cannot be agreed, court action will be resumed. The value of the investment in the portfolio is in the range of £0-5m.

During the period, InfraRed's Asset Management Team worked closely with management teams of the Group's PPP projects in relation to fire safety and building defects. The particular focus in the period has been on cladding systems and wall-ties. The objective is to ensure that facilities are constructed to the appropriate standards and are safe to use. Where defects have been identified, rectification plans and work have been prioritised, involving key stakeholders and appropriate specialists, with much work already completed. No material fire safety defects have been identified to date which have prevented projects continuing to operate safely.

Affinity Water

In the six months since the Group acquired an interest in the Affinity Water group, this regulated water business has traded in line with the investment case and HICL received its first distribution from the company in September 2017. InfraRed has taken a seat on the board of Affinity Water and also has a seat on the company's regulatory working group, which is working on Affinity Water's response to the current price review ("PR19").

With the exception of properties affected by unplanned interruptions (following two high impact water main bursts), Affinity Water's operational performance metrics have been within the range anticipated at the time of acquisition. Analysis of customer contact is showing a better trend than forecast and Affinity Water received considerable positive feedback from its customers with respect to its handling of a significant mains burst at Baldock, Hertfordshire in August 2017. In October 2017, Affinity Water won two silver awards at the UK Customer Experience Awards 2017 for the best 'Customer Insight and Feedback' and the 'Customers at the Heart of Everything!' award, a considerable achievement given the broad range of eligible companies and sectors.

The company has taken advantage of innovative technical approaches to maintaining and managing its network, winning an innovation prize thanks to the application of "ice pigging" which has enabled it to clean over 900km of pipes in an 18 month period. 20,000 acoustic data monitors have been installed across Affinity Water's network to help the company meet the challenge of delivering an ambitious leakage reduction programme during the current regulatory period. In the 2016/17 year, the company achieved its regulatory leakage target, reducing leakage by 7.9 Megalitres per day to 173.0 Megalitres per day (2015/16: 180.9 Megalitres per day).

As part of a clear plan for management succession, InfraRed is working with co-shareholders to identify a new CEO, who will join in 2018 to steer the company through PR19.

High Speed 1

A detailed asset on-boarding plan for High Speed 1 ("HS1"), which has been agreed between the company and its shareholders, is under way with a number of specific, high priority initiatives already complete. Two members of the InfraRed team, specifically representing HICL and its co-investors, have been appointed to the board of directors of the HS1 concessionaire. The consortium of shareholders partially funded the acquisition with a debt facility which is fully drawn (see case study on page 29). InfraRed team members are actively engaging with management to support delivery of the business plan.

Compensation on Termination

The following has been analysed using data as of 30 September 2017:

- The Group's portfolio includes 115 investments in PPP projects and demand-based assets (structured as concessions with public sector counterparties) which have a combined portfolio value of £2.6bn;
- 99 of the Group's investments, comprising £2.4bn of portfolio value (UK-only: 88 investments, £1.9bn of portfolio value) are in PPP projects and demand-based assets that have contracts where either a) the public sector counterparty has no right to voluntarily terminate or b) where the public sector counterparty has a right to terminate, compensation payable would be calculated by reference to the prevailing market value of the investment;
- 16 investments, comprising £0.24bn of portfolio value (UK-only: 10 projects; £0.18bn of portfolio value), are in PPP projects that have contracts where the compensation payable by the public sector on voluntary termination is calculated by reference to formulas rather than to the market value of the investment.

In the current market, as at 30 September 2017, we estimate that the difference between the Group's valuation of its investments in PPP projects and demand-based assets, and the compensation contractually payable in the hypothetical event of voluntary terminations across the Group's portfolio, represents approximately 4% of total portfolio value.

Environmental, Social & Governance

The Investment Adviser recognises that Responsible Investment ("RI") and Environmental, Social and Governance ("ESG") are fundamental to sustainable, responsible business operations. Consequently, InfraRed is a signatory to the Principles for Responsible Investment ("PRI") and holds an A+ rating for Infrastructure, as assessed by PRI. During the period there have been some key successes in this area:

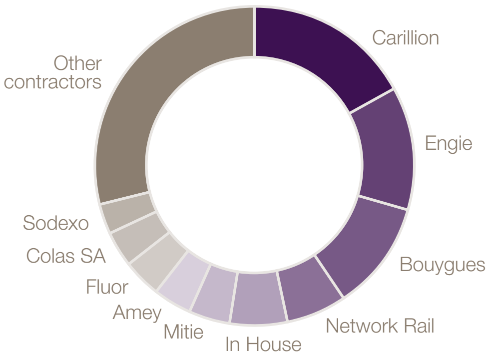
- At Southmead Hospital, the Brunel Building won the prestigious European Healthcare Design (facilities larger than 25,000m^2) award. The charity abseiling event organised by the Trust took place in September 2017 and raised in excess of £7,000. Discussions with the Trust progressed regarding the use of one of the vacated spaces in the Galleries Shopping Centre in Bristol to promote the North Bristol NHS Trust and support recruitment and charitable initiatives. The launch of the space took place in November 2017.
- The A63 Motorway project company launched a well-received communication campaign in April 2017 in order to prevent forest fires caused by customers throwing cigarette butts out of vehicles. The A63 alignment takes the road through pine forests: forest fires are therefore both an environmental concern and an operational risk. The campaign is communicated through roadside variable message signs, messages on the motorway radio channel and posters on the back of a fleet of HGVs which regularly use the motorway. Members of the HICL Board visited the A63 in July 2017, meeting the management team and discussing specific subjects in relation to ESG and other initiatives, including such things as the management of cyber security risks.

8. Operating & Financial Review
(continued)

Facilities Management and Operations Counterparty Exposure

There is a diverse range of facilities management and operations companies who have service supply contracts with portfolio companies in which the Group invests.

The spread of key contractors providing operational services to portfolio companies in the portfolio is shown in the chart below[1,2,3,4]:



[1] By value, at 30 September 2017, using Directors' Valuation, excluding A13 senior bonds
[2] Ten largest exposures shown
[3] Where a portfolio company 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 portfolio company 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

The largest exposure by value at 30 September 2017 was to Carillion plc ("Carillion") and its subsidiaries. Following the period end, Carillion announced the sale of certain contracts from its healthcare businesses. Once this sale is completed, in line with Carillion's announcement, it is expected that portfolio companies with exposure to Carillion will reduce to circa 8% of the Group's portfolio value, whilst exposure to Serco will increase to circa 6%.

Financial Review

This section summarises the financial results of the Company for the six month period ending 30 September 2017. The Company prepares IFRS financial statements which do not consolidate any subsidiaries, including those that are themselves investment entities.

The Company and its advisers have concluded that in order to report the relevant financial performance and position to stakeholders, the Company prepares pro forma summary financial information on the basis that the Company consolidates the results of the Corporate Subsidiaries – this is consistent with the prior year. This basis is designated the Investment Basis and provides shareholders with further information regarding the Group's gearing and expenses, coupled with greater transparency in the Company's capacity for investment and ability to make distributions.

In the Investment Basis results, the Company consolidates the results of HICL Infrastructure S.a.r.l. 1, HICL Infrastructure S.a.r.l. 2 and Infrastructure Investments Limited Partnership (together the "Corporate Subsidiaries").

References to the "Corporate Group" in this section refer to the Company and its Corporate Subsidiaries.

Summary Financial Statements

Investment Basis Summary Income Statement

	Six months to 30 September 2017			Six months to 30 September 2016		
£m	Investment Basis	Consolidation Adjustments	IFRS Basis	Investment Basis	Consolidation Adjustments	IFRS Basis
Total Income[1]	108.1	(19.6)	88.5	99.5	(13.3)	86.2
Expenses & Finance Costs	(20.3)	19.4	(0.9)	(13.9)	13.0	(0.9)
Profit / (loss) before tax	**87.8**	**(0.2)**	**87.6**	**85.6**	**(0.3)**	**85.3**
Tax	(0.2)	0.2	–	(0.3)	0.3	–
Earnings	**87.6**	**–**	**87.6**	**85.3**	**–**	**85.3**
Earnings per share	**5.1p**	**–**	**5.1p**	**6.1p**	**–**	**6.1p**

[1] Includes net foreign exchange loss of £2.8m (2016: £0.7m gain)

On an Investment Basis, Total Income of £108.1m (2016: £99.5m) represents the return from the portfolio recognised as income comprising dividends, sub-debt interest and valuation movements. The 9% (£8.6m) increase in Total Income reflects a 30% increase in the Directors' Valuation in the 12 months since 30 September 2016 which has been partly offset by a 16% (£16.0m) lower contribution from discount rate reductions and changes in economic assumptions in the period than in the prior period. Further detail on the valuation movements is given in Section 3 – Portfolio & Valuation.

On an IFRS basis, both Total Income and Expenses & Finance Costs are lower than on the Investment Basis, as costs incurred by the Corporate Subsidiaries are included within Total Income under IFRS, not under Expenses & Finance Costs. Total Income of £88.5m (2016: £86.2m) comprises income received by the Company and valuation movements in its investments.

Foreign exchange movements have not materially impacted profits as a £3.3m foreign exchange loss (2016: £22.4m gain) on revaluing the non-UK assets in the portfolio using September 2017 exchange rates has been offset by £0.5m (2016: £21.7m loss) foreign exchange hedging gains.

Earnings on an Investment Basis and IFRS basis were £87.6m, an increase of £2.3m against the prior period. This reflects the factors stated above whilst Corporate Group Expenses & Finance Costs were higher at £20.3m compared with £13.9m in the comparable period, reflecting £4.3m one-off acquisition fees and costs rising in line with the growth in the Directors' Valuation.

Earnings per share were 5.1p (2016: 6.1p); the reduction attributable to the prior period containing a 1.7p increase in earnings from changes in valuation assumptions (discount rate reductions and changes in economic assumptions) compared to a 0.4p increase in the current period.

8. Operating & Financial Review

(continued)

Investment Basis Cost Analysis

£m	Six months to 30 September 2017	Six months to 30 September 2016
Interest expense	1.8	1.0
Investment Adviser fees	17.0	10.9
Auditor – KPMG	0.2	0.2
Directors' fees and expenses	0.2	0.2
Acquisition bid costs	0.4	1.0
Professional fees	0.5	0.5
Other expenses	0.2	0.1
Expenses & Finance Costs	**20.3**	**13.9**

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) were £17.0m (2016: £10.9m) 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 a larger portfolio and includes acquisition fees of £4.3m (2016: £0.8m).

In the period, the Corporate Group incurred £0.4m of third party costs (2016: £1.0m) on unsuccessful bids and bids in progress (mainly legal, technical and tax due diligence).

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

On an IFRS basis, Expenses & Finance costs were £0.9m (2016: £0.9m) as they exclude costs incurred by the Corporate Subsidiaries where the main expenses are incurred.

Ongoing Charges

£m	Six months to 30 September 2017	Six months to 30 September 2016
Investment Adviser[1]	12.7	10.1
Auditor – KPMG	0.2	0.2
Directors' fees and expenses	0.2	0.2
Other ongoing expenses	0.5	0.6
Total expenses	13.6	11.1
Average NAV	2,565.6	2,048.7
Ongoing charges	1.06%	1.08%

[1] Excludes acquisition fees of £4.3m (2016: £0.8m), in line with AIC calculation methodology

Ongoing charges, in accordance with AIC guidance, is defined as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted net asset value in the period. On this basis, the Ongoing charges percentage is 1.06% (2016: 1.08%) with the small reduction arising from the impact of growth in the portfolio providing efficiencies.

Investment Basis Summary Balance Sheet

£m	Investment Basis	Consolidation Adjustments	IFRS Basis	Investment Basis	Consolidation Adjustments	IFRS Basis
	30 September 2017			31 March 2017		
Investments at fair value	**2,813.7**	**(102.6)**	**2,711.1**	**2,347.5**	**71.9**	**2,419.4**
Working capital	(14.9)	14.5	(0.4)	(10.3)	9.4	(0.9)
Net cash / (debt)	(87.5)	88.1	0.6	82.2	(81.3)	0.9
Net assets attributable to Ordinary Shares	**2,711.3**	**–**	**2,711.3**	**2,419.4**	**–**	**2,419.4**
NAV per share (before dividend)	151.6p	–	151.6p	149.0p	–	149.0p
NAV per share (post dividend)	149.7p	–	149.7p	147.1p	–	147.1p

On an Investment Basis, Investments at fair value increased 20% in the six months to £2,813.7m (March 2017: £2,347.5m), which is the Directors' Valuation of £2,844.4m (March 2017: £2,380.0m) net of £30.7m of future investment obligations (March 2017: £32.5m). Further detail on the movement in Investments at fair value is given in Section 3 – Portfolio & Valuation.

The Corporate Group had net debt, on an Investment Basis, at 30 September 2017 of £87.5m (March 2017: net cash of £82.2m); the movement in the six months mainly reflecting cash used for acquisition activity net of equity capital raised. Drawings from the Corporate Group's Revolving Credit Facility at the end of the period were £90m (2016: nil).

An analysis of the movements in net cash is shown in the cashflow analysis below.

On an IFRS basis, Investments at fair value increased 12% to £2,711.1m (March 2017: £2,419.4m), reflecting the Investment Basis movements above as well as a £174m decrease in the fair value of the Corporate Subsidiaries as a result of changes in net cash held by the Corporate Subsidiaries. On an IFRS basis, cash and cash equivalents decreased marginally to £0.6m (March 2017: £0.9m). The Group's cash and debt management is undertaken through the Corporate Subsidiaries.

NAV per share was 151.6p before the 1.96p second quarterly distribution (March 2017: 149.0p). NAV per share has increased 2.6p, of which 1.3p was as a result of the 162m tap issue shares issued at a premium in June 2017. The expected NAV growth, being the budgeted return attributable to the unwinding of the discount rate, less Corporate Group costs and the dividends paid, was 0.3p.

Analysis of the Growth in NAV per Share Pence per share			
NAV per share at 31 March 2017			**149.0**
Valuation movements			
Reduction in discount rates[1]	0.4		
		0.4	
Portfolio performance			
Project outperformance	0.6		
Expected NAV growth[2]	0.3		
		0.9	
Accretive issuance of shares		1.3	
Total		**2.6**	
NAV per share at 30 September 2017			**151.6**

[1] Reduction in discount rates primarily relates to AquaSure (see Portfolio & Valuation section)
[2] Expected NAV growth is the Company's budgeted EPS less target dividend

8. Operating & Financial Review

(continued)

Cash Flow Analysis

Investment Basis Summary Cash Flow

£m	Six months to 30 September 2017 Investment Basis	Consolidation adjustments	IFRS Basis	Six months to 30 September 2016 Investment Basis	Consolidation adjustments	IFRS Basis
Cash from investments	91.3	(25.2)	66.1	73.0	(21.3)	51.7
Operating and finance costs outflow	(13.4)	12.0	(1.4)	(12.1)	11.3	(0.8)
Net cash inflow before capital movements	**77.9**	**(13.2)**	**64.7**	**60.9**	**(10.0)**	**50.9**
Net cost of new investments	(450.1)	181.2	(268.9)	(75.8)	(39.3)	(115.1)
Share capital raised net of costs	265.5	–	265.5	112.5	–	112.5
Forex movement on borrowings / hedging[1]	(1.4)	1.4	–	(18.9)	18.9	–
Distributions paid	(61.6)	–	(61.6)	(48.2)	–	(48.2)
Movement in the year	(169.7)	169.4	(0.3)	30.5	(30.4)	0.1
Net cash at start of year	82.2	(81.3)	0.9	52.7	(52.2)	0.5
Net cash / (debt) at end of year	**(87.5)**	**88.1**	**0.6**	**83.2**	**(82.6)**	**0.6**

[1] Includes movement in capitalised debt issue costs of £1.0m (2016: £nil)

Cash inflows from the portfolio on an Investment Basis were 25% higher at £91.3m (2016: £73.0m). Growth in underlying cash generation was driven by contributions from acquisitions combined with active cash management across the portfolio.

The cost of new investments by the Corporate Group on an Investment Basis of £450.1m (2016: £75.8m) represents the cash cost of the two new investments, the loan note subscription on one investment and acquisition costs of £6.0m (2016: £0.7m).

On an IFRS basis, the Company received £66.1m from its direct Corporate Subsidiary (2016: £51.7m). These payments are sized to pay shareholder dividends, assuming no scrip dividend take up, and the Company's operating costs. On an IFRS basis, net cost of new investments of £268.9m (2016: £115.1m) reflects funds extended by the Company to its direct Corporate Subsidiary in the period and broadly reflects scrip dividend take up and share capital raised net of costs.

Hedging and borrowing for the Corporate Group is undertaken by a Corporate Subsidiary and therefore the Company had no cashflows for this on an IFRS basis. On an Investment Basis, the £1.4m cash outflow (2016: £18.9m cash outflow) comprised £2.4m from foreign exchange rate hedging arising from fluctuations of the Euro, Australian Dollar and Canadian Dollar against Sterling in the period net of £1.0m movement in capitalised debt arrangement costs. The Corporate Group enters forward sales to hedge forex exposure in line with the Company's hedging policy set out in the Investment Adviser's Report. Overall foreign exchange movement has not materially impacted the Company's total income in the period, as set out in detail under the Summary Income Statement above.

The issue of 162m shares in June 2017 at a premium to the prevailing NAV per share provided net cash receipts in the period of £265.5m (2016: £112.5m).

Dividends paid in the period increased 28% or £13.4m to £61.6m (2016: £48.2m). Dividend cash cover, which compares operational cashflow of £77.9m (2016: £60.9m) to dividends paid, was 1.26 times (2016: 1.26 times).

Financing

The Board's policy is that the Company should not hold material amounts of un-invested cash beyond what is necessary to meet outstanding equity commitments for existing investments or to fund potential acquisitions in the near term.

New investments are typically funded initially by the Group's Revolving Credit Facility ("RCF"). The Board will consider the appropriate timing and price for the issuance of new shares to repay the debt, in consultation with the Company's broker. The Group's RCF was enlarged to £400m in May 2017. Santander was added to the existing banking group of HSBC, Lloyds Bank, National Australia Bank, Sumitomo Mitsui Banking Corporation, ING and The Royal Bank of Scotland. The facility carries a margin of 1.70% and the term runs until May 2019. It is available to be drawn in cash and letters of credit for future investment obligations.

This acquisition financing is then repaid through tap issuance or, where the annual tap capacity limit is fully utilised, through the issue of new shares accompanied by a full prospectus.

In June 2017, the Company raised £267.7m of gross proceeds through a tap issuance of 162.2m shares. The Issue was materially oversubscribed and in light of the Company's investment pipeline at the time, the size of the Issue was increased from its initial target size of £205m to the maximum available to the Company. At the end of December 2017, it is forecast that HICL will have drawings on its RCF of approximately £130m. The RCF, which is sized at £400m, retains sufficient capacity for the Company to fund additional investments as and when further attractive opportunities arise.

Every project in the portfolio has project-specific debt in place. All are long-term debt financing, with the exception of AquaSure, Affinity Water and Northwest Parkway which require refinancing in a series of tranches, to meet their business plans. At 30 September 2017 the weighted average remaining asset life increased to 30.6 years (March 2017: 24.4 years) and the weighted average debt tenor was 18.1 years (March 2017: 18.2 years), excluding the A13 senior bonds.

Radclyffe School, UK

Financial Statements

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, 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 Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

I Russell
Chairman
21 November 2017

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Review Report to HICL Infrastructure Company Limited

Conclusion

We have been engaged by HICL Infrastructure Company Limited (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 of the Company which comprises the Condensed Unaudited Income Statement, the Condensed Unaudited Balance Sheet, the Condensed Unaudited Statement of Changes in Shareholders' Equity, the Condensed Unaudited Cash Flow Statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (the "EU") and the Disclosure Guidance and Transparency Rules (the "DTR") of the UK's Financial Conduct Authority (the "UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

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

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

Dermot A. Dempsey
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey
21 November 2017

Condensed Unaudited Income Statement

for the six months ended 30 September 2017

	Note	Six months ended 30 September 2017 Total £m	Six months ended 30 September 2016 Total £m
Investment income	5	88.5	86.2
Total income		**88.5**	**86.2**
Fund expenses	6	(0.9)	(0.9)
Profit before tax		**87.6**	**85.3**
Profit for the period		**87.6**	**85.3**
Earnings per share – basic and diluted (pence)	9	**5.1**	**6.1**

All results are derived from continuing operations. There is no other comprehensive income or expense and consequently a statement of other comprehensive income has not been prepared. The accompanying Notes are an integral part of the financial statements.

Condensed Unaudited Balance Sheet

as at 30 September 2017

	Note	30 September 2017 Unaudited £m	31 March 2017 Audited £m
Non-current assets			
Investments at fair value through profit or loss	11	2,711.1	2,419.4
Total non-current assets		**2,711.1**	**2,419.4**
Current assets			
Trade and other receivables		0.1	0.1
Cash and cash equivalents		0.6	0.9
Total current assets		**0.7**	**1.0**
Total assets		**2,711.8**	**2,420.4**
Current liabilities			
Trade and other payables		(0.5)	(1.0)
Total current liabilities		**(0.5)**	**(1.0)**
Total liabilities		**(0.5)**	**(1.0)**
Net assets		**2,711.3**	**2,419.4**
Equity			
Ordinary Share capital	12	0.2	0.2
Share premium	12	2,023.8	1,753.3
Retained reserves		687.3	665.9
Total equity attributable to equity shareholders of the Company		2,711.3	2,419.4
Total equity		**2,711.3**	**2,419.4**
Net assets per Ordinary Share (pence)		**151.6**	**149.0**

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 21 November 2017, and signed on its behalf by:

I Russell
Director

S Farnon
Director

Condensed Unaudited Statement of Changes in Shareholders' Equity

for the six months ended 30 September 2017

	Six months ended 30 September 2017 Attributable to equity shareholders of the Company		
	Share capital and share premium £m	**Retained reserves £m**	**Total shareholders' equity £m**
Shareholders' equity at 31 March 2017	1,753.5	665.9	2,419.4
Profit for the period	**–**	**87.6**	**87.6**
Distributions paid to Company shareholders in cash	–	(61.6)	(61.6)
Distributions paid to Company shareholders by scrip issue	–	(4.6)	(4.6)
Total distributions paid to Company shareholders in the period	–	(66.2)	(66.2)
Ordinary Shares issued for cash	267.7	–	267.7
Ordinary Shares issued for scrip dividend	4.6	–	4.6
Total Ordinary Shares issued in the period	272.3	–	272.3
Costs of Ordinary Shares issued	(1.8)	–	(1.8)
Shareholders' equity at 30 September 2017	**2,024.0**	**687.3**	**2,711.3**

	Six months ended 30 September 2016 Attributable to equity shareholders of the Company		
	Share capital and share premium £m	**Retained reserves £m**	**Total shareholders' equity £m**
Shareholders' equity at 31 March 2016	1,376.6	597.3	1,973.9
Profit for the period	**–**	**85.3**	**85.3**
Distributions paid to Company shareholders in cash	–	(48.2)	(48.2)
Distributions paid to Company shareholders by scrip issue	–	(4.3)	(4.3)
Total distributions paid to Company shareholders in the period	–	(52.5)	(52.5)
Ordinary Shares issued for cash	113.4	–	113.4
Ordinary Shares issued for scrip dividend	4.3	–	4.3
Total Ordinary Shares issued in the period	117.7	–	117.7
Costs of Ordinary Shares issued	(1.0)	–	(1.0)
Shareholders' equity at 30 September 2016	**1,493.3**	**630.1**	**2,123.4**

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

Condensed Unaudited Cash Flow Statement

for the six months ended 30 September 2017

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Cash flows from operating activities		
Profit before tax	87.6	85.3
Adjustments for:		
Investment income	(88.5)	(86.2)
Operating cash flow before changes in working capital	(0.9)	(0.9)
Changes in working capital:		
(Decrease)/increase in payables	(0.5)	0.1
Cash flow from operations	(1.4)	(0.8)
Interest received on investments	66.1	51.7
Net cash from operating activities	**64.7**	**50.9**
Cash flows from investing activities		
Purchases of investments	(268.9)	(115.1)
Net cash used in investing activities	**(268.9)**	**(115.1)**
Cash flows from financing activities		
Net proceeds from issue of share capital	265.5	112.5
Distributions paid to Company shareholders	(61.6)	(48.2)
Net cash from financing activities	**203.9**	**64.3**
Net (decrease)/increase in cash and cash equivalents	**(0.3)**	**0.1**
Cash and cash equivalents at beginning of period	0.9	0.5
Cash and cash equivalents at end of period	**0.6**	0.6

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

Notes to the Condensed Unaudited Financial Statements

for the six months ended 30 September 2017

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 financial statements of the Company (the "interim financial statements") as at and for the six months ended 30 September 2017 comprise the Company only.

The Company has three corporate level subsidiaries being HICL Infrastructure S.a.r.l. 1, HICL Infrastructure S.a.r.l. 2 and Infrastructure Investments Limited Partnership (each a "Corporate Subsidiary" and together "Corporate Subsidiaries").

The Company and its Corporate Subsidiaries invest in infrastructure projects in the United Kingdom, North America, Europe and Australia.

The statutory accounts for the year ended 31 March 2017 were approved by the Directors on 23 May 2017 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 unmodified.

2. KEY ACCOUNTING POLICIES

Basis of preparation

The interim financial statements were approved by the Board of Directors on 21 November 2017.

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 Guidance 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 Investments at fair value through profit and loss and derivative financial instruments are stated at their fair values.

The Company is judged to be an investment entity in accordance with IFRS 10. Its subsidiaries and its portfolio of investments are classified as Investments at fair value through profit and loss and 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 Company is engaged in a single segment of business, being investment in infrastructure. The Company does not derive revenue from Guernsey and has no single major customer. The Company's financial performance does not follow any material seasonal fluctuations.

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 2017.

Going concern

The Directors have considered areas of financial risk, the Group's access to the Revolving Credit Facility and reviewed cash flow forecasts, with a number of stress scenarios. The Directors have concluded based on this analysis that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months. Thus they consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

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 2017
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments at fair value through profit or loss (Note 11)	–	–	2,711.1	2,711.1

				31 March 2017
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments at fair value through profit or loss (Note 11)	–	–	2,419.4	2,419.4

There were no transfers between Level 1, 2 or 3 during the period. A reconciliation of the movement in Level 3 assets is disclosed in Note 11.

Level 3

Valuation methodology

The Company records the fair value of the single directly owned top holding company by calculating and aggregating the fair value of each of the individual project companies and holding companies in which the Company holds an indirect investment.

The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation of all the underlying investments. All equity investments in PPP or similar projects are valued using a discounted cash flow methodology. The A13 investment in listed senior bonds is valued based on the quoted market price at the Balance Sheet date. The valuation techniques and methodologies have been applied consistently with those used in the prior year. 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 six monthly basis every September and March for all investments.

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

Notes to the Condensed Unaudited Financial Statements

(continued)

3. FINANCIAL INSTRUMENTS (CONTINUED)

Investments – The key valuation assumptions and sensitivities for the valuation

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

		30 September 2017	31 March 2017
Inflation Rates	UK (RPI and RPIx)	2.75% p.a.	2.75% p.a.
	Eurozone (CPI)	1.0% p.a. to 2019, 2.0% p.a. thereafter	1.0% p.a. to 2019, 2.0% p.a. thereafter
	Canada (CPI)	2.0% p.a.	2.0% p.a.
	USA (CPI)	2.0% p.a.	2.0% p.a.
	Australia (CPI)	2.5% p.a.	2.5% p.a.
Deposit Rates	UK	1.0% p.a. to March 2021, 2.0% p.a. thereafter	1.0% p.a. to March 2021, 2.0% p.a. thereafter
	Eurozone	1.0% p.a. to March 2021, 2.0% p.a. thereafter	1.0% p.a. to March 2021, 2.0% p.a. thereafter
	Canada	1.0% p.a. to March 2021, 2.0% p.a. thereafter	1.0% p.a. to March 2021, 2.0% p.a. thereafter
	USA	1.0% p.a. with a gradual increase to 2.0%	1.0% p.a. with a gradual increase to 2.0%
	Australia	2.6% p.a. with a gradual increase to 3.0% long-term	2.6% p.a. with a gradual increase to 3.0% long-term
Foreign Exchange Rates	CAD/GBP	0.60	0.60
	EUR/GBP	0.88	0.85
	USD/GBP	0.75	0.80
	AUD/GBP	0.58	0.61
Tax Rates	UK	19% to March 2020, 17% thereafter	19% to March 2020, 17% thereafter
	Eurozone	Various (no change apart from French tax rate reducing from 33.3% to 28% by 2019)	Various (no change apart from French tax rate reducing from 33.3% to 28% by 2019)
	USA	35% Federal & 4.6% Colorado State	35% Federal & 4.6% Colorado State
	Canada	26% and 27%	26% and 27%
	Australia	27.5% stepping down to 25% from 2024	30%
GDP	UK	2.0%	2.0%
	Eurozone	1.8%	1.8%
	USA	2.5%	2.5%

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 in these markets and publicly available information on relevant transactions.

The discount rates used for valuing each infrastructure investment vary on a project-by-project basis and take 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, jurisdiction 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 2016	6.5% to 9.9%	7.3%
31 March 2017	5.6% to 9.8%	7.4%
30 September 2017	**4.9%[1] to 9.8%**	**7.4%**

[1] The 4.9% discount rates relate to the A13 senior bonds. The rate is the implied rate from the quoted market price of the bonds as at 30 September 2017

3. FINANCIAL INSTRUMENTS (CONTINUED)

A change to the weighted average rate of 7.4% by plus or minus 0.5% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Discount rate	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
March 2017	+£121.5m	£2,419.4m	-£111.2m
September 2017	**+£157.9m**	**£2,711.1m**	**-£144.3m**
Implied change in NAV per Ordinary Share[1] – September 2017 (March 2017)	**+8.8 pence** (+7.5 pence)	**151.6 pence** (149.0 pence)	**-8.1 pence** (-6.9 pence)

[1] Net Asset Value per Ordinary Share based on 1,788.3 million Ordinary Shares as at 30 September 2017

Inflation rates

All PPP 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 and operating sub-contracts have similar indexation arrangements.

A change to the inflation rate by plus or minus 0.5% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Inflation assumption	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
March 2017	-£90.9m	£2,419.4m	+£100.4m
September 2017	**-£132.5m**	**£2,711.1m**	**+£151.3m**
Implied change in NAV per Ordinary Share[1,2] – September 2017 (March 2017)	**-7.4 pence** (-5.6 pence)	**151.6 pence** (149.0 pence)	**+8.5 pence** (+6.2 pence)

[1] Analysis is based on the Company's 25 largest investments, pro-rata for the whole portfolio
[2] Net Asset Value per Ordinary Share based on 1,788.3 million Ordinary Shares as at 30 September 2017

Interest rates

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. The portfolio's sensitivity to interest rates primarily relates to the cash deposits required as part of the project funding, though a small number are sensitive to interest rates as future refinancings are required.

Each PPP project and demand risk asset in the portfolio has cash held in bank deposits, which is a requirement of their senior debt financing. As at 30 September 2017, cash deposits for the portfolio were earning interest at a rate of 0.2% per annum on average.

Notes to the Condensed Unaudited Financial Statements

(continued)

3. FINANCIAL INSTRUMENTS (CONTINUED)

A change to the interest rate and/or deposit rate by plus or minus 0.5% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Interest rate	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
March 2017	-£25.3m	£2,419.4m	+£24.2m
September 2017	**-£22.8m**	**£2,711.1m**	**+£23.5m**
Implied change in NAV per Ordinary Share[1, 2, 3] – September 2017 (March 2017)	**-1.3 pence** (-1.6 pence)	**151.6 pence** (149.0 pence)	**+1.3 pence** (+1.5 pence)

[1] Analysis is based on the Company's 25 largest investments, pro-rata for the whole portfolio
[2] Net Asset Value per Ordinary Share based on 1,788.3 million Ordinary Shares as at 30 September 2017
[3] March 2017 comparatives have been represented to be an interest rate sensitivity rather than a deposit rate sensitivity

Gross Domestic Product

The portfolio has 4 projects (2016: 1 project) where revenues are positively correlated to changes in Gross Domestic Product. These projects are A63 Motorway, M1-A1 Link Road, HS1 and Northwest Parkway which together comprise 16% of the Investments at fair value through profit or loss.

A change to the Gross Domestic Product by plus or minus 0.5% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Gross Domestic Product (GDP)	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
March 2017	-£49.5m	£2,419.4m	+£46.5m
September 2017	**-£65.7m**	**£2,711.1m**	**+£66.2m**
Implied change in NAV per Ordinary Share[1] – September 2017 (March 2017)	**-3.7 pence** (-3.0 pence)	**151.6 pence** (149.0 pence)	**+3.7 pence** (+2.9 pence)

[1] Net Asset Value per Ordinary Share based on 1,788.3 million Ordinary Shares at 30 September 2017

Tax rates

The profits of each project company are subject to corporation tax in the country in which the project is located. The UK Finance Act 2016 enacted a reduction to the corporation tax rate to 17% effective from April 2020, which is assumed in the valuation of the portfolio.

A change to the tax rate by plus or minus 5.0% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Tax rate assumption	-5.0% p.a. change	Investments at fair value through profit or loss	+5.0% p.a. change
March 2017	+£73.7m	£2,419.4m	-£71.7m
September 2017	**+£98.5m**	**£2,711.1m**	**-£98.2m**
Implied change in NAV per Ordinary Share[1, 2] – September 2017 (March 2017)	**+5.5 pence** (+4.5 pence)	**151.6 pence** (149.0 pence)	**-5.5 pence** (-4.4 pence)

[1] Analysis is based on the Company's 25 largest investments, pro-rata for the whole portfolio
[2] Net Asset Value per Ordinary Share based on 1,788.3 million Ordinary Shares as at 30 September 2017

3. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange

The Company's amended hedging policy (from 1 October 2017) is designed to provide confidence in the near-term yield and to limit NAV per share sensitivity to no more than 2% for a 10% forex movement.

A change to foreign currency/Sterling exchange by plus or minus 5.0% has the following effect on the valuation:

Foreign exchange sensitivities	-5.0% change	Investments at fair value through profit or loss	+5.0% change
March 2017	-£4.8m	£2,419.4m	+£4.8m
September 2017	**-£9.3m**	**£2,711.1 m**	**+£9.3m**
Implied change in NAV per Ordinary Share[1] – September 2017 (March 2017)	**-0.5 pence** (-0.3 pence)	**151.6 pence** (149.0 pence)	**+0.5 pence** (+0.3 pence)

[1] Net Asset Value per Ordinary Share based on 1,788.3 million Ordinary Shares as at 30 September 2017

4. GEOGRAPHICAL ANALYSIS

The tables below analyse the investment income and investments at fair value by the different regions the Company has indirect investments in.

Investment income	UK	Eurozone	North America	Australia	Total
September 2016	£67.7m	£9.2m	£2.6m	£6.7m	£86.2m
% of Total Investment income	78%	11%	3%	8%	100%
September 2017	**£63.2m**	**£11.7m**	**£4.3m**	**£9.3m**	**£88.5m**
% of Total investment income	**71%**	**13%**	**5%**	**10%**	**100%**

Investments at fair value through profit and loss	UK	Eurozone	North America	Australia	Total
March 2017	£1,921.6m	£224.0m	£190.5m	£83.3m	£2,419.4m
% of Total investments	80%	9%	8%	3%	100%
September 2017	**£2,175.5m**	**£254.5m**	**£190.6m**	**£90.5m**	**£2,711.1m**
% of Total investments	**80%**	**10%**	**7%**	**3%**	**100%**

5. INVESTMENT INCOME

	Six months ended 30 September 2017 Total £m	Six months ended 30 September 2016 Total £m
Income from investment	66.1	51.7
Gain on valuation	22.4	34.5
	88.5	86.2

Notes to the Condensed Unaudited Financial Statements
(continued)

6. FUND EXPENSES

	Six months ended 30 September 2017 Total £m	Six months ended 30 September 2016 Total £m
Fees paid to auditor and its associate	0.2	0.1
Investment Adviser fees (Note 13)	0.1	0.1
Directors' fees (Note 13)	0.2	0.2
Professional fees	0.4	0.5
	0.9	0.9

The Company had no employees during the period (31 March 2017: Nil).

7. NET FINANCE INCOME

In the six months ended 30 September 2017, the Company had de minimus net finance income consisting of interest earned on bank deposits offset by some bank charges.

8. 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 interim financial statements do not include directly the tax charges for any of the Company's intermediate companies or 116 investments as these are held at fair value. All of these investments and intermediate companies are subject to taxes in the countries in which they operate.

9. 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 2017 Total	Six months ended 30 September 2016 Total
Profit attributable to equity holders of the Company	£87.6 million	£85.3 million
Weighted average number of Ordinary Shares in issue	1,725.5 million	1,390.7 million
Earnings per Ordinary Share – basic and diluted	5.1 pence	6.1 pence

10. DIVIDENDS

	Six months ended 30 September 2017 Total £m	Six months ended 30 September 2016 Total £m
Total distributions paid to Company shareholders in the period:		
Fourth quarterly interim dividend for the year ended 31 March 2017 of 1.92p (2016: 1.87p) per share	31.2	26.0
First quarterly interim dividend for the year ended 31 March 2018 of 1.96p (2016: 1.91p) per share	35.0	26.5
	66.2	**52.5**

The fourth quarterly interim dividend for the year ended 31 March 2017 of £31.2 million, representing 1.92 pence per share, was paid on 30 June 2017. The first quarterly interim dividend for the year ending 31 March 2018 of £35.0 million, representing 1.96 pence per share, was paid on 30 September 2017. Both dividends are included in the condensed unaudited statement of changes in shareholders' equity.

On 16 November 2017, the Board approved a second quarterly interim dividend for the year ending 31 March 2018 of 1.96 pence per share which will result in a total expected distribution of £35.1 million, payable on 29 December 2017. The second quarterly interim dividend is offered to shareholders as a cash payment or alternatively as a scrip dividend, as with previous distributions. The second quarterly interim dividend has not been included as a liability as at 30 September 2017.

Interim dividend for the period	Year ending 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2014	Year ended 31 March 2013
3 months ending 30 June	1.96p	1.91p	1.86p	1.81p		
3 months ending 30 September	1.96p	1.91p	1.86p	1.81p		
3 months ending 31 December		1.91p	1.86p	1.81p		
3 months ending 31 March		1.92p	1.87p	1.87p		
6 months ending 30 September					3.5p	3.425p
6 months ending 31 March					3.6p	3.575p
		7.65p	7.45p	7.3p	7.1p	7.0p

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2017 £m	31 March 2017 £m
Opening balance	2,419.4	1,973.7
Investments in the period	268.9	375.7
Gain on valuation	22.8	70.0
Carrying amount at period end	**2,711.1**	**2,419.4**
This is represented by:		
Greater than one year	2,711.1	2,419.4
Carrying amount at period end	**2,711.1**	**2,419.4**

The Company recognises the investment in its single directly owned holding company at fair value which includes the fair value of each of the individual project companies and holding companies in which the Company holds an indirect investment.

Investments in the period reflect funds paid to the Company's immediate Corporate Subsidiary following issuance of equity to shareholders.

Notes to the Condensed Unaudited Financial Statements
(continued)

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The valuation of the Company's underlying portfolio at 30 September 2017 reconciles to the Condensed Unaudited Balance Sheet as follows:

	30 September 2017 £m	31 March 2017 £m
Directors' Valuation	2,844.4	2,380.0
Less: future commitments (Note 14)	(30.7)	(32.5)
Investments at fair value on Investment Basis	2,813.7	2,347.5
Net (debt)/cash in Corporate Subsidiaries	(88.1)	81.3
Working capital in Corporate Subsidiaries	(14.5)	(9.4)
Investments at fair value per Condensed Unaudited Balance Sheet	2,711.1	2,419.4

Acquisitions

The Company, via its Corporate Subsidiaries, made the following acquisitions for the six months ended 30 September 2017:

- In May 2017, the Company, via its Corporate Subsidiaries, completed the acquisition of a 36.6% equity interest in the various entities that comprise the Affinity Water Group ("Affinity Water") (including the regulated entity, Affinity Water Limited) for a consideration of £274.5 million.

  HICL is part of a consortium, alongside DIF Infrastructure and Allianz Capital Partners on behalf of Allianz Group, which has acquired 100% of the equity interest in Affinity Water.

  As part of the transaction to acquire Affinity Water, in June 2017, the Company, via its Corporate Subsidiaries, partially disposed of its investment in the Affinity Water Group to a co-investment fund managed by InfraRed Capital Partners Limited. The transaction reduced the Company's 36.6% stake to 33.2%, generating £24.8 million of proceeds.

- In September 2017, the Company, via its Corporate Subsidiaries, acquired a 21.8% equity and loan interest in the High Speed 1 Project ("HS1") for a consideration of £202.0 million.

  HICL is part of a consortium, alongside Equitix and National Pension Service of the Republic of Korea, which has acquired 100% of the equity interest in HS1.

12. SHARE CAPITAL AND RESERVES

Ordinary Shares	Six months ended 30 September 2017 m	Year ended 31 March 2017 m
In issue at beginning of period	1,623.3	1,388.4
Issued for cash	162.2	230.2
Issued as a scrip dividend alternative	2.8	4.7
In issue at end of period – fully paid	1,788.3	1,623.3

The holders of the 1,788,293,008 Ordinary Shares (31 March 2017: 1,623,260,735) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Ordinary Share capital and share premium	Six months ended 30 September 2017 £m	Year ended 31 March 2017 £m
Opening balance	1,753.5	1,376.6
Premium arising on issue of Ordinary Shares	272.3	380.9
Costs of issue of Ordinary Shares	(1.8)	(4.0)
Closing balance	2,024.0	1,753.5

Share capital is £178.8 thousand (31 March 2017: £162.3 thousand).

12. SHARE CAPITAL AND RESERVES (CONTINUED)

For the six month period ended 30 September 2017

On 30 June 2017, 0.5 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 171.0p as a scrip dividend alternative in lieu of cash for the fourth quarterly interim dividend in respect of the year ended 31 March 2017.

On 30 September 2017, 2.3 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 161.98p as a scrip dividend alternative in lieu of cash for the first quarterly interim dividend in respect of the year ending 31 March 2018.

In the period ended 30 September 2017, 162.2 million new Ordinary Shares were issued to various institutional investors at an issue price per share (before expenses) of 165.0p.

Retained reserves

Retained reserves comprise retained earnings, as detailed in the Statement of Changes in Shareholders' Equity.

13. RELATED PARTY TRANSACTIONS

The Investment Adviser to the Company and the Operator of Infrastructure Investments Limited Partnership, a Corporate Subsidiary and the limited partnership through which the Company holds its investments, is InfraRed Capital Partners Limited ("InfraRed").

Total Operator fees were £12.6 million, of which the full balance remained payable at the period end (2016: £10.1 million). The total fees for new portfolio investments were £4.3 million, of which the full balance remained payable at the period end (2016: £0.8 million). These fees are charged to a Corporate Subsidiary.

The Investment Adviser and the Board have reviewed the Operator fee structure and, effective from 1 October 2017, agreed to reduce the fee due to the Investment Adviser for the adjusted gross portfolio value in excess of £3.0 billion from 0.8% per annum to 0.65% per annum.

The Investment Adviser fee charged to the Company was £0.1 million (disclosed as Fund expenses in Note 6) (2016: £0.1 million) of which the full balance remained payable at the period end (2016: £0.1 million).

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £156,691 (disclosed as Directors' fees in Note 6) in the period (2016: £175,288). One Director also receives fees for serving as Director of the two Luxembourg subsidiaries – the annual fees are £6,000 (2016: £5,000).

In June 2017, the Company, via its Corporate Subsidiaries, partially disposed of its investment in the Affinity Water Group to a co-investment fund managed by InfraRed for £24.8 million.

In September 2017, the Company, via its Corporate Subsidiaries, acquired a 21.8% equity and loan interest in the High Speed 1 Project ("HS1"). At the same time, an aggregate of 43.2% of HS1 was acquired through investment vehicles managed by InfraRed.

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 2017, the Company, via a Corporate Subsidiary, had £30.7 million commitments for future project investments (31 March 2017: £32.5 million), and an additional contingent commitment of €16.8 million (31 March 2017: €16.8 million) to acquire a further 32% equity and loan interest in the N17/N18 Road project from existing co-shareholders following completion of construction which is currently expected to occur in 2018.

15. EVENTS AFTER BALANCE SHEET DATE

The second quarterly interim dividend for the year ended 31 March 2018 of 1.96 pence per share was approved by the Board on 16 November 2017 and is payable on 29 December 2017 to shareholders on the register as at 24 November 2017.

In November 2017, the Company, via its Corporate Subsidiaries, acquired a further 33.3% equity and loan interest in the Addiewell Prison Project for a consideration of £12.3m, which took the Company's stake in the project to 66.7%.

In November 2017, the Company, via its Corporate Subsidiaries, paid €4.0m in accordance with a contractual investment obligation for the N17/N18 Road Project.

Directors & Advisers

Directors
Ian Russell, CBE (Chairman)
Susie Farnon
Simon Holden
Frank Nelson
Kenneth D. Reid
Chris Russell

Registrar
Link Market Services (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St. Sampson
Guernsey GY2 4LH

Administrator To Company, Company Secretary And Registered Office
Aztec Financial Services (Guernsey) Limited
East Wing, Trafalgar Court, Les Banques
St Peter Port
Guernsey GY1 3PP
+44 1481 749 700

Investment Adviser And Operator
InfraRed Capital Partners Limited
12 Charles II Street
London SW1Y 4QU
+44 20 7484 1800

Financial PR
Tulchan Communications LLP
85 Fleet Street
London EC4Y 1AE

UK Transfer Agent
Link 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

Company
HICL Infrastructure Company Limited, a non-cellular company limited by shares incorporated under the laws of the Island of Guernsey with registration number 44185.

Investment Adviser ("IA") and Operator
InfraRed Capital Partners Limited (authorised and regulated by the UK's FCA) is a wholly owned subsidiary of InfraRed Partners LLP which is owned by its senior management.

Company Secretary and Administrator
Aztec Financial Services (Guernsey) Limited

Shareholders' funds
£2.7bn as at 30 September 2017

Market capitalisation
£2.8bn as at 30 September 2017

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

1.0% from £750m up to £1.5bn;

0.9% from £1.5bn up to £2.25bn; and

0.8% above £2.25bn;

plus 1.0% of the value of new acquisitions;[2]

plus £0.1m per annum investment advisory fee;

No performance fee.

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

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

NMPI status
Following the receipt of legal advice, the Board confirms that it conducts the Company's affairs such that the Company would qualify for approval as an investment trust if it were resident in the United Kingdom.

It is the Board's intention that the Company will continue to conduct its affairs in such a manner and that IFAs should therefore be able to recommend its shares to ordinary retail investors in accordance with the FCA's rules relating to non-mainstream investment products.

AIFMD status
The Company is a Guernsey-domiciled self-managed non-EEA Alternative Investment Fund.

FATCA
The Company has registered for FATCA and has GIIN number X5FC1F.00000.LE.831

Investment policy
The Company's Investment Policy is summarised in Section 2.3 (Strategy & Objectives) of the 2017 Annual Report and can be found in full on the Company's website.

ISIN and SEDOL
ISIN: GB00B0T4LH64 SEDOL: B0T4LH6

Website
www.hicl.com

Notes:
[1] Adjusted Gross Asset Value means fair market value, without deductions for borrowed money or other liabilities or accruals, and including outstanding subscription obligations
[2] Does not apply to acquisitions sourced from the InfraRed Group, or entities managed by it

HICL
Infrastructure

Delivering Real Value.

Registered Address
HICL Infrastructure Company Limited
(Registered number: 44185)

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