HICL Infrastructure

Delivering Real Value.

Interim Report for the six months ended 30 September 2018

Delivering Real Value.

Helicopter Training Facility, UK

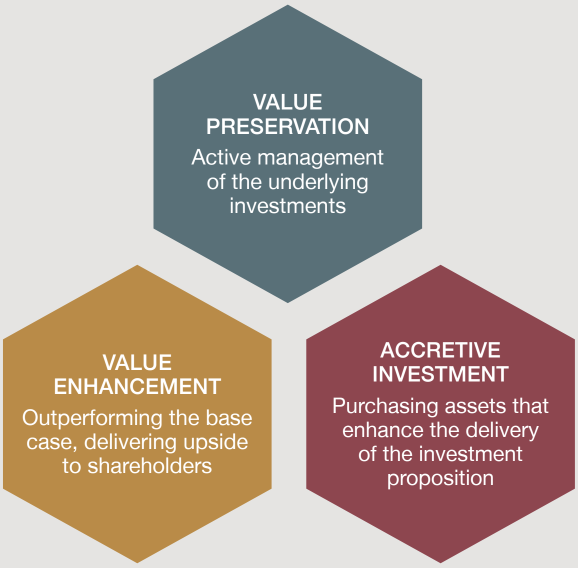
Contents

Overview

HICL's[1] Business Model and Investment Proposition

Delivering long-term, stable income from a diversified portfolio of infrastructure investments at the lower end of the risk spectrum

Business Model



A Differentiated Investment Proposition (as at 30 September 2018)

RELATIVELY LOW SINGLE ASSET CONCENTRATION RISK

47% — Ten largest assets as a proportion of the portfolio

STRONG INFLATION CORRELATION

0.8 — Correlation of portfolio returns to inflation[2]

GOOD CASH FLOW LONGEVITY

30.0 yrs — Weighted average asset life

1 HICL Infrastructure Company Limited ("HICL" or "the Company", and together with subsidiaries "the Group")
2 If outturn inflation were 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 2018

156.4p

NAV per share

Up 6.8p per share in the period (149.6p at 31 March 2018)

£2,905m

Directors' Valuation[1]

Value of the Company's 117 investments (£2,837m at 31 March 2018)

15.0%

Annualised shareholder return

Based on interim dividends paid plus uplift in NAV per share in the period (8.9% at 30 September 2017)

£146m[2]

Disposals

Three disposals[2]

£91m

Investments

One incremental and three new investments

Reaffirmed dividend guidance[3]

8.05p

for 2019

8.25p

for 2020

New dividend guidance[3] for 2021

8.45p

for 2021

Company information

2006

Listed on the London Stock Exchange

9.5%

Total return[4] since IPO

4 million

Average daily volume of shares traded[5]

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, which excludes the AquaSure Desalination PPP that was sold post-period end and includes £35.3m of future commitments. On an IFRS basis, investments at fair value through profit or loss was £2,799.5m
2 Including the disposal of AquaSure Desalination PPP, which was completed post-period end
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 Calculated based on the uplift in NAV per share plus dividends paid
5 Source: Thomson Reuters Datastream, six months to 30 September 2018

1. Chairman's Statement

Ian Russell
Chairman

I am pleased to present HICL's Interim Results for the six months to 30 September 2018.

The Company has delivered strong performance, with a total return of 15.0%, on an annualised basis[1], or 9.5% per annum since IPO. This came from both outperformance of base case valuation assumptions and a reduction in the discount rates used to value the portfolio, largely the result of elevated market pricing for assets. The valuation of the Company's portfolio has increased by £68m in the period to £2,905m[2].

Robust cash flow forecasts from HICL's portfolio of 117 investments give the Board confidence in the Company's future performance and I am delighted to announce further dividend guidance to March 2021. We reaffirm the target dividend of 8.05p per share[3] for the current year and of 8.25p per share[3] for the next financial year, ending 31 March 2020. We are also adding guidance of 8.45p per share[3] for the year ending 31 March 2021.

Shareholders value the proactive and professional approach that HICL's Investment Adviser, InfraRed Capital Partners Limited ("InfraRed"), adopts in its role as a steward of infrastructure for local communities and in support of the public sector's delivery of essential services. This was exemplified in the aftermath of Carillion's collapse and InfraRed continues to prioritise uninterrupted service delivery and focuses on minimising the impact on all stakeholders at the affected projects, including ex-Carillion employees.

Investments in operational infrastructure typically produce stable returns for investors. However, Carillion's collapse has shown that when something goes wrong, active asset management built on strong, local relationships is invaluable. InfraRed has led the successful transition of six projects, which represent 40 separate facilities, to long-term arrangements with financially stable counterparties at no additional cost to the taxpayer.

Stakeholder considerations also underpinned the business plan submitted by Affinity Water to Ofwat in September. It directly addresses the desire of both Affinity Water's customers and Defra to see additional investment in the water network in order to meet the increasing demands on water resources caused by population growth and the impact of climate change on rainfall patterns. This plan also reflects the long-term nature of HICL's investment in Affinity Water.

Strategic progress

As set out in the Company's 2018 Annual Results, the Investment Adviser has continued to pursue a strategy of optimising the portfolio and its performance, which is one important component of delivering value through active portfolio management.

> "Robust cash flow forecasts from HICL's portfolio of 117 investments give the Board confidence in the Company's future performance"

The sales of the Group's investments in the Highland Schools PPP2 project (UK) and the AquaSure Desalination PPP project (Australia) both achieved pricing that outperformed their previously reported valuations. Following the disposals, the portfolio's total return, cash flow longevity and inflation correlation metrics are all improved. Proceeds from the sale of Highland Schools were reinvested in the acquisition of an incremental stake in the A63 Motorway (France).

As part of its report, the Investment Adviser has prepared a case study on the demand-based assets within the portfolio, including the A63 Motorway. These assets improve portfolio construction and diversification and, notably, the toll road investments in particular have significantly outperformed InfraRed's acquisition assumptions.

Change in corporate domicile

Approximately 90% of HICL's shareholders are UK based, and include retail investors (through online platforms, wealth managers and brokers) and institutional investors (such as pension funds, asset management groups and insurance companies). The Board recognises that the Company has a predominantly UK shareholder base and a portfolio that is largely invested in the UK, and is mindful of the potential for future changes in the cross-border tax landscape.

Following the discussion of domicile in the Company's September 2017 Interim Results, March 2018 Annual Results, and an informal consultation with a number of institutional shareholders, the Board is recommending that the Company moves its investment business from Guernsey to a new UK incorporated plc.

The proposed move onshore would be undertaken through a scheme of arrangement transferring the Company's portfolio to a new, listed UK plc with shareholders being given one share in the new company for each share that they hold in HICL. An Extraordinary General Meeting ("EGM") of shareholders will be required to approve the new arrangements. A circular will be sent to shareholders in Q1 2019 giving notice of the EGM and setting out the details of the Board's recommendation which, if approved by shareholders, is expected to complete on 31 March 2019 or shortly thereafter.

Corporate governance

Chris Russell is approaching nine years as a Director and will be stepping down from the Board on 31 March 2019. Chris has made an invaluable contribution to the success of HICL and will be missed greatly. We have commenced a search for a new Director, using an external recruitment firm.

Key risks

Political uncertainty in the UK remains a key risk faced by the Company. Commentary around the possibility of nationalisation of infrastructure assets ignores the considerable benefits that private capital brings in terms of ring-fenced capital maintenance budgets, private sector management expertise and resource, and the transfer of significant operational risk away from the public sector. More practically, nationalisation would be highly complex and come at a considerable cost to tax payers.

The Investment Adviser witnesses at first hand the dedication of Affinity Water's management and workforce to delivering ever-improving efficiency and operational performance, which is reflected in Affinity Water's business plan. Initial feedback on the plan from Ofwat is expected in January 2019 with a final determination made by the end of the calendar year. The business plan reinforces the Board's conviction that the private sector is very well placed to deliver the continuous improvement in water services that all stakeholders rightly expect.

Acknowledgement of the benefits of responsible private sector participation in infrastructure stewardship will be crucial for any government to secure investment in the infrastructure required to underpin the delivery of public services in the future. In that context, policies and regulation aimed at addressing and penalising the excesses of some past owners of water companies in England and Wales, while tempting in the current political climate, are retrograde and risk undermining the confidence of long-term, responsible investors.

We remain alert to the financial stability of project company subcontractors and have contingency plans should any of the weaker counterparties to a small number of projects in HICL's portfolio succumb to financial difficulties. InfraRed's network provides a number of potential replacement service providers, as has been demonstrated in the aftermath of Carillion's liquidation.

The outcome of Brexit remains unclear for the UK economy. HICL is well-positioned to weather this period of flux with strong inflation correlation. The portfolio benefits from a mix of contracted and regulated revenues, together with diverse investments in the demand-based assets market segment.

> "I am delighted to announce further dividend guidance to March 2021"

Outlook

Demand for infrastructure investments continues to be strong, reflecting the development of the asset class over the past 20 years. Recent significant transaction activity includes the takeover of John Laing Infrastructure Fund ("JLIF"). This demonstrated that pricing for investments continues to be elevated whilst investors seek long-term, stable income. Against this backdrop, HICL's immediate pipeline remains relatively subdued as InfraRed continues its disciplined approach to delivering accretive acquisitions and portfolio optimisation.

The takeover of JLIF showed that certain investors are not overly concerned by the current UK political climate. We take some reassurance from the comment in the 2018 Budget speech that the current government will "honour existing contracts".

Value enhancements remain core to HICL's business model, having contributed significantly to the 32% growth in the Company's annual dividend since IPO in 2006 and supporting the extended dividend guidance to March 2021. The Board has confidence in InfraRed's development of the Company's ongoing programme for future value enhancement, and in the ability of the Company's business model to continue to deliver its investment proposition into the long term.

Ian Russell
Chairman
20 November 2018

[1] On a NAV appreciation plus interim dividends paid basis
[2] On an Investment Basis, which excludes the AquaSure Desalination PPP that was sold post-period end and includes £35.3m of future commitments
[3] This is a target only and not a profit forecast. There can be no assurance that this target will be met

Allenby & Connaught, UK

2. Investment Adviser's Report

Harry Seekings
Co-Head, Infrastructure, InfraRed

Keith Pickard
Director, Infrastructure, InfraRed

HICL – A DIVERSIFIED INVESTMENT PROPOSITION

- ▲ Relatively low single asset concentration risk
- ▲ Strong inflation correlation
- ▲ Good cash flow longevity

The Investment Adviser

InfraRed Capital Partners Limited ("InfraRed") acts as Investment Adviser to HICL and as Operator of the Group's investment portfolio. InfraRed is an independent investment management firm:

- ▲ Headquartered in London with offices in New York, Hong Kong, Seoul and Sydney;
- ▲ 20-year track record of successful investment in infrastructure;
- ▲ c. 75 infrastructure professionals with in-depth technical, operational and investment knowledge; and
- ▲ Authorised and regulated by the Financial Conduct Authority.

As Investment Adviser to HICL, InfraRed has day-to-day responsibility for the Company and interfaces with HICL's key stakeholders. Our activities include:

- ▲ The development of HICL's strategy;
- ▲ Investment due diligence and execution; and
- ▲ Capital raising, investor relations and preparation of key external communications.

As Operator of the Group's portfolio, our Asset Management and Portfolio Management teams preserve and, where possible, enhance value for stakeholders and shareholders, with a heavy focus on client engagement.

InfraRed takes its responsibilities to all stakeholders in infrastructure seriously. It acknowledges its role in demonstrating responsible management of key public assets, furthering dialogue on the benefits of private investment and restoring trust in partnerships between the public and private sectors as a valid model to deliver services to tax payers and other stakeholders.

InfraRed has been, since 2011, a signatory of the Principles for Responsible Investment ("PRI"), an investor initiative in partnership with UNEP Finance Initiative and UN Global Compact. The infrastructure business line achieved an A+ rating, the highest attainable, for the fourth successive year in our 2018 PRI assessment.

2. Investment Adviser's Report

(continued)

Strategic progress

Active portfolio management remains at the heart of InfraRed's activities when delivering HICL's investment proposition. We continue to seek opportunities to realise value for HICL's shareholders through optimising portfolio construction and performance. This has been achieved through unlocking value from the existing portfolio, both in terms of value enhancements and, where appropriate, disposals.

The portfolio has outperformed in the period with returns exceeding budget and contributing an incremental 1.0p per share to the overall NAV growth in the period. This was underpinned by value enhancements, such as delivering construction assets and lifecycle reviews. These and further examples are discussed in detail in Section 8 – Operating & Financial Review.

As explained in the Company's 2018 Annual Results, InfraRed continues to seek opportunities to enhance HICL's portfolio performance by making strategic disposals that take advantage of ongoing favourable market conditions. The proceeds have been used either to make accretive investments or to repay drawings under the Group's Revolving Credit Facility ("RCF").

In the six months to 30 September 2018, InfraRed's teams in London and Sydney completed the sale of the Highland Schools PPP2 project (UK) and exchanged contracts for the sale of the AquaSure Desalination PPP project (Australia), which completed after the end of the period. In combination, these disposals have enhanced key portfolio performance metrics, including total return, inflation correlation and weighted average asset life. In the case of the sale of Highland Schools, the proceeds were re-invested in an incremental stake in the A63 Motorway (France), which is forecast to produce an attractive total return.

In the period, InfraRed completed four investments for the Group across all HICL's target market segments. These additions to HICL's portfolio stemmed from InfraRed's long-term relationships with either the vendor or acquisition consortium partners:

- ▲ The incremental stake in the A63 Motorway (operational demand-based asset; France);
- ▲ The transmission assets associated with the Burbo Bank Extension wind farm ("Burbo Bank OFTO") (operational regulated asset; UK);
- ▲ Belfast Metropolitan College project (operational PPP project; UK); and
- ▲ The Biology, Pharmacy and Chemistry Department of the Paris-Sud University (construction PPP project; France).

The Company's consortium was also announced as the preferred bidder for the transmission assets associated with the Race Bank wind farm ("Race Bank OFTO") (operational regulated asset; UK). This project is expected to reach financial close in Q1 2019.

InfraRed continues to follow a consistent, disciplined approach to improving portfolio construction. The impact of this in the two years since 30 September 2016, which was the semi-annual reporting date before HICL acquired its first toll road investment, has been:

- ▲ An increase in the weighted average asset life to 30.0 years (30 September 2016: 20.8 years);
- ▲ An increase in the portfolio's inflation correlation to 0.8[1] (30 September 2016: 0.7); and
- ▲ Diversification of the portfolio's risk profile between 'core infrastructure' market segments, with 22% comprising six demand-based assets[2] and 8% being two regulated assets (30 September 2016: 6% demand-based assets and no regulated assets).

In addition to underlying outperformance of the portfolio, a 6.8p increase in the NAV per share at 30 September 2018 is primarily attributable to a reduction in the discount rates used to value the majority of assets in the portfolio. This change reflects market conditions, as seen first hand through the Group's disposals and also some of the elevated pricing implied in the recent takeover of John Laing Infrastructure Fund. Demand for infrastructure in HICL's target market segments and geographies, and corresponding upwards pricing pressure on assets, is being driven in large part by unlisted infrastructure funds and direct institutional investors seeking to deploy increasing allocations to the sector. Unless there is a material change to market conditions, we do not see this appetite reducing in the near-term as investors continue to seek long-term, stable income.

Change in corporate domicile

The Company intends to undertake a scheme of arrangement to change the domicile and tax residency of HICL's investment business to the UK, by transferring the Company's assets to a new UK incorporated company whose shares would be listed on the UKLA's Official List and admitted to the main market of the London Stock Exchange. This will align HICL's domicile with its predominantly UK shareholder base and a portfolio that is largely invested in the UK.

The Board and InfraRed believe that this is in the best interests of the Company and its shareholders as a whole given the evolving environment including in relation to future changes in cross-border taxation and the potential impact this could have on future shareholder returns.

This recommendation follows a discussion of domicile in the Company's September 2017 Interim Results, March 2018 Annual Results, and an informal consultation with a number of institutional shareholders. It will be the subject of a shareholder circular and will be put before

1 If outturn inflation were 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%
2 Demand-based assets with returns correlated to GDP comprise 20% of the portfolio, by value, at 30 September 2018

shareholders for a vote at an Extraordinary General Meeting of the Company, to be held on a date that will be notified to shareholders in due course. The aim, subject to regulatory and other approvals, is to implement the change on 31 March 2019 or shortly thereafter.

Operational highlights

PPP projects

Core to HICL's portfolio, PPP projects represent 70% of the portfolio, by value. Their position at the lower end of the infrastructure market risk spectrum is due to their:

- Long-term contracts with strong public sector clients;
- Availability-based revenue mechanisms; and
- Long-term funding arrangements and maintenance contracts which allocate risk to those parties that are best placed to manage it.

InfraRed's Asset Management and Portfolio Management teams continue to seek opportunities for value enhancement for stakeholders and shareholders. In the period the A9 Road and Breda Court PPP projects, both in the Netherlands, achieved major construction milestones on time and on budget. For the project companies' public sector clients, achieving availability allows them to start using the road or occupying the facility. For shareholders this reflects an important milestone in reducing the risk profile of the investment. Further examples are provided in Section 8 – Operating & Financial Review.

Corporate responsibility is a priority for InfraRed. In the period, we hosted a number of our corporate partners and management teams of some of the Group's investments at our third annual fancy-dress dodgeball tournament. Over £22,000 was raised to contribute towards funding additional teaching facilities at Talbot Specialist School, which is part of the Sheffield Schools PPP project.

Carillion

Good progress has been made in respect of de-risking PPP projects affected by the liquidation of Carillion. Six affected projects where Carillion was previously the facilities management contractor have been successfully transferred to long-term arrangements with financially stable counterparties that were approved by both public sector clients and project lenders. These outcomes were achieved at no additional cost to the taxpayer under the PPP contracts. The remaining four projects are on stable interim arrangements whilst commercially-agreed long-term contracts are finalised. More detail is provided in Section 8 – Operating & Financial Review.

Our expectation remains in line with previous guidance that distribution lock-ups at the affected projects will be substantially released by the end of the current financial year, and that the impact of transition costs, distribution lock-ups and historic liabilities will be within the valuation adjustment taken in the Company's 2018 Annual Results.

We are working closely with public sector clients, central government and other stakeholders. As noted in InfraRed's Code of Conduct, available on the InfraRed website (www.ircp.com), the focus is on transferring the delivery of services into safe hands in a timely and coordinated manner. At the heart of this approach is the aim to avoid any unnecessary uncertainty for ex-Carillion employees and public-sector clients, or disruption for those that use the facilities.

Demand-based assets

At 30 September 2018, HICL's six demand-based assets comprised 22% of portfolio value, including the incremental acquisition in the A63 Motorway (France) made in the period.

Four of these assets have returns correlated to GDP growth rates and they represented 19%, by value, of HICL's portfolio immediately after the acquisition of the incremental stake in the A63 Motorway. They provide diversification without compromising the portfolio's overall position of providing returns that are relatively uncorrelated to GDP.

Operational demand-based assets are at the lower end of the risk spectrum when accompanied by strong usage history or limited uncertainty in forecast demand. Typically, they are long-dated, add good inflation correlation and provide returns at a premium to PPP projects. These assets are generally less sensitive to political and regulatory risks compared to PPP projects or regulated assets.

In the period, the performance of the two toll roads was:

- A63 Motorway (France): Traffic volumes were 0.5% higher in the period than forecast in the 31 March 2018 valuation. Outperformance of valuation assumptions was seen despite much lower traffic levels on the weekend when France played in the Football World Cup Final.
- Northwest Parkway (USA): Traffic volumes were 7.5% higher in the period than forecast in the 31 March 2018 valuation.

We are pleased to report that the investment performance of High Speed 1 (UK) in the period was consistent with that forecast in the 31 March 2018 valuation.

A case study on demand-based assets as a market segment is provided on pages 14 and 15 at the end of this report, including additional disclosure in relation to the three largest demand-based assets in HICL's portfolio.

Regulated assets

Regulated assets comprised 8% of the portfolio, by value, at 30 September 2018. These are assets with monopoly characteristics, subject to regulatory price controls that balance performance standards and affordable pricing for end users. Where the asset is subject to periodic price reviews, these provide protection to investors over the long-term from industry-wide movements in costs (including the cost of capital, operations, maintenance and asset replacement), and provide opportunities to reset the cost of capital to reflect changing market conditions. Counterparty risk is lower for regulated assets compared to PPP projects and demand-based concessions, as operations and maintenance activities are often either self-performed or contracted to a wide array of local contractors.

During the period, HICL completed its investment in the Burbo Bank OFTO[3] and, alongside its consortium partner, was announced as preferred bidder for the Race Bank OFTO. Like PPP projects, OFTOs receive availability-based revenue payments. These two investments provide additional diversification to both the regulated assets segment of the portfolio and the portfolio as a whole.

Affinity Water

Affinity Water submitted its 2020 – 2025 business plan[4] to Ofwat on 3 September 2018. Engagement with Ofwat, Defra[5], customers and a wide range of stakeholders formed the basis of the business plan to ensure it balances the needs of customers and shareholders alike over the long term.

Affinity Water's Customer Challenge Group ("CCG") is made up of representatives from organisations and charities who have an interest in the industry. The members provide expertise, experience and insight into social and welfare policy, community and environment, and public affairs across the areas Affinity Water serves. The CCG reported that the company "amassed and used a significant evidence base about their customers' views, needs and requirements."

Through the consultation process, Affinity Water found that 82% of customers consider the final plan to be acceptable and more than 75% find it acceptable for bills to be increased by £3 – £5 in real terms from 2020 to 2025 in return for a business plan that proposes to:

- ▲ Continue the supply of high quality water;
- ▲ Reduce leakage from water pipes by 15%;
- ▲ Reduce average consumption from 147 to 129 litres per person per day;
- ▲ Develop innovative demand management options based on real-time consumption data;
- ▲ Improve the strategic sharing and management of regional resources;
- ▲ Continue to support and protect the quality of water resources;
- ▲ Reduce water abstraction by 36 Ml/d (mega-litres per day) to improve sustainability; and
- ▲ Invest £1.4bn to maintain core network assets and build greater resilience in the future.

Financial highlights

The financial results for the six months to 30 September 2018 have been driven by a 0.2% reduction in the weighted average valuation discount rate that largely reflects the ongoing elevated pricing of market transactions, value enhancements resulting in outperformance of portfolio returns against the base case, and transaction activity since 31 March 2018 (four acquisitions and three disposals).

Overall, this has resulted in NAV per share increasing by 6.8p, from 149.6p as at 31 March 2018 to 156.4p as at 30 September 2018, in addition to the dividends paid of 1.97p per share in June 2018 and 2.01p per share in September 2018.

The Company's annualised total shareholder return ("TSR"), based on growth in NAV per share plus dividends paid, was 15.0% for the period (2017: 8.9%). Excluding the impact of changes in economic assumptions and reference discount rates, other than in relation to projects moving from construction to operations, the annualised return from the underlying portfolio was 9.0%.

Overall portfolio performance has delivered cash flow receipts for the Group on an Investment Basis[6] of £111.1m (2017: £91.3m). Net operating cash flows after finance and operating costs on an Investment Basis were £93.6m (2017: £77.9m), which covered the interim dividends paid in the six-month period 1.33 times (2017: 1.26 times), or 1.06 times excluding profits on disposal of £18.9m.

Earnings per share were higher at 10.8p (2017: 5.1p), which included 3.5p for the change in reference discount rates.

The ongoing charges percentage for the period on an annualised basis was 1.09%, using the Association of Investment Companies' methodology, compared to 1.06% for the six months to 30 September 2017. The increase reflects higher gearing in the six months to 30 September 2018 compared to the six months to 30 September 2017.

The Group has drawings on its RCF of approximately £70m following the receipt of the proceeds from the sale of the AquaSure Desalination PPP project, which completed after the period end. We consider this level of borrowing comfortable in light of the Company's strong balance sheet and it does not materially impede the Company's ability to fund additional investments (as and when further attractive opportunities arise).

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 3.5 of the Company's 2018 Annual Report.

Political and regulatory risk

In common with other investors in infrastructure, political and regulatory risks are inherent in HICL's business model. This is due to the contractual relationship that PPP project companies and demand-based concessions have with public

[3] Electricity transmission cable under Ofgem's Offshore Transmission Owner ("OFTO") programme
[4] The full plan is available: https://stakeholder.affinitywater.co.uk/business-plan.aspx
[5] The Department for Environment, Food and Rural Affairs
[6] Investment Basis is the same basis as was applied in prior periods. See Section 3.1 of the March 2018 Annual Report & Financial Statements for further details

sector counterparties, and the role of regulators in undertaking periodic reviews and setting price controls for regulated assets.

We remain aware that political comment, particularly in the UK, raises the possibility of nationalisation of infrastructure, including regulated utilities. This rhetoric typically disregards the considerable benefits that private capital brings to the public sector, in terms of ring-fenced capital maintenance budgets, long-term certainty of cash flows, private sector management expertise and resource and the transfer of significant operational risk, as well as the practical considerations and the material cost to the taxpayer of nationalisation.

To address political risk, the value of private investment in public infrastructure needs to gain a voice. Water UK is one example. It reports that "Water companies in England and Wales have spent around £150bn improving pipes, pumping stations, sewers and treatment centres [since privatisation], and [they continue] to spend £8bn a year to keep on improving"[7], "which has cut leakage by a third over the last 20 years"[8]. Meanwhile the average bill for the supply of clean water in England and Wales in 2018-19 is £189 a year[9] or 52p a day. Affinity Water has invested c. £3.2bn since privatisation and has proposed a further £1.4bn of investment in its 2020 – 2025 business plan submission to Ofwat. The business plan is now being reviewed by Ofwat and detail on their initial assessment, which may result in changes to the plan, will be provided as part of HICL's 2019 year-end results.

Counterparties

The PPP project companies and demand-based asset concessionaires in which the Group invests typically subcontract the provision of the services to specialist providers (construction, operations or maintenance companies). The failure of a supply chain provider could negatively impact the project company's ability to fulfil its contractual obligations with the client.

Counterparty credit risk is considered at regular intervals by InfraRed's credit risk team. The portfolio has a small number of projects with relatively weak counterparties. We are comfortable with the level of exposure to these companies and with our contingency plans. These contingency plans incorporate lessons learned from the fallout of the Carillion collapse, and contemplate a scenario in which a key subcontractor enters administration or liquidation, and our network provides a number of potential replacement service providers.

Brexit

The UK is scheduled to withdraw from the European Union on 29 March 2019. A range of outcomes is still possible. The impact of Brexit on HICL is most likely to be seen in deviations from economic assumptions used in the portfolio valuation and cash flow forecasts, including metrics such as inflation and GDP growth rate. The investment proposition provides long-term investors with returns that have strong inflation linkage and relatively low correlation to UK GDP.

HICL has a diversified portfolio of assets and so the overall portfolio is relatively insensitive to changes in UK GDP[10]. The Company's Risk Committee has considered specific stress tests. Individual assets that are more likely to be impacted by Brexit are undertaking contingency planning where possible. Sensitivities to changes in economic assumptions are provided in Section 3 – Portfolio & Valuation.

Market and outlook

Recent secondary market transactions across HICL's target market segments have seen unlisted capital competing for certain high-profile assets, with the pricing achieved higher than might have been expected. Correspondingly, pricing discipline around new acquisitions remains important in the current market.

In the PPP market segment, our focus will be on greenfield and primary market transactions where HICL has a track record in creating value by successfully de-risking projects through construction. We will continue to adopt a highly selective approach to secondary market transactions.

We do not expect statements in the October 2018 Budget in the UK regarding the future use of PF2s as procurement models to have a material impact on HICL's ability to source investment opportunities; noting that less than one quarter, by value, of the acquisitions that HICL has made over the last three financial years have been UK PPP projects. We look forward to entering into dialogue with the Treasury in relation to the future involvement of long-term, private capital in funding the UK's current and future infrastructure needs and welcome the announcement that existing contracts will be honoured.

Regulated asset opportunities continue to be sporadic and often sizeable. We continue to evaluate regulated electricity and gas transmission and distribution networks. We will pursue opportunities that meet HICL's risk-reward appetite, which includes continuing to bid for OFTOs.

We maintain previous guidance that the Company has a self-imposed limit that at the point of investment no more than 20% of the portfolio, by value, be demand-based assets with returns correlated to GDP growth. As the portfolio is at this level, we do not expect further investments in this market segment in the short term.

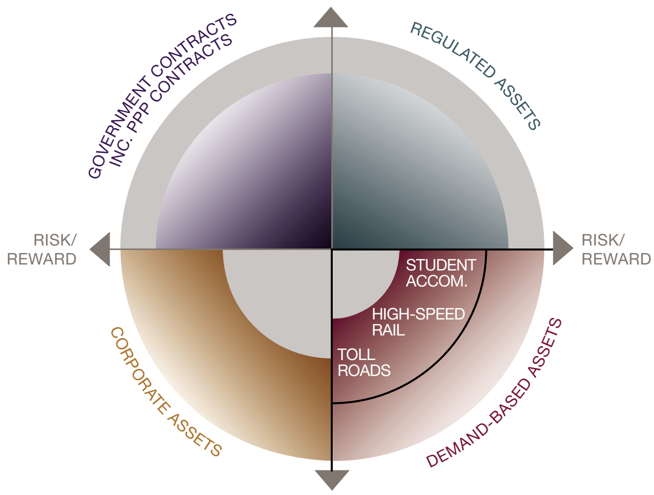
We will continue to optimise HICL's portfolio, firstly by taking advantage of favourable market conditions to strategically dispose of assets where it makes sense to do so; and, secondly, by making selective acquisitions in HICL's core market segments. We will use the flexibility of the Group's RCF to smooth the timing of these transactions. As a result, InfraRed will continue to generate additional value for HICL's shareholders while enhancing the portfolio's diversification and the Company's accretion metrics.

[7] https://www.working4water.org.uk
[8] https://www.water.org.uk/news-water-uk/latest-news/michael-roberts-response-labours-clear-water-report
[9] https://www.discoverwater.co.uk/annual-bill
[10] If outturn UK GDP growth were 0.5% p.a. lower for all future periods than the valuation assumption of 2.0% per annum, expected return from the portfolio (before Group expenses) would decrease 0.1% from 7.2% to 7.1%

2. Investment Adviser's Report
Case Study

Demand-based assets deliver accretion and diversification

6	7.7%	42.3yrs	1.0
demand-based assets[11] (portfolio: 117)	weighted average discount rate (portfolio: 7.2%)	weighted average remaining asset life (portfolio: 30.0 yrs)	inflation correlation (portfolio: 0.8)



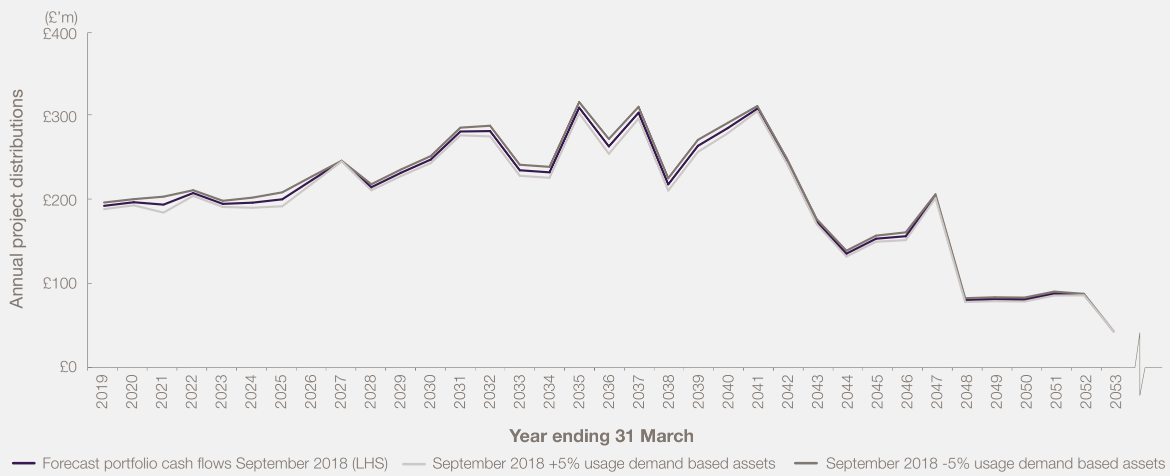
Investment characteristics

- ▲ Strong track record of demand
- ▲ Less sensitive to political and regulatory risks
- ▲ Exposed to usage risk

Exposure to volume risk has limited impact on portfolio returns

As noted above, demand-based assets are exposed to traffic / usage risk. For a subset of these assets, traffic / usage is correlated to GDP. These assets provide diversification without compromising the portfolio's overall position of providing returns that are relatively uncorrelated to GDP. The sensitivity of portfolio cash flows to changes in GDP is shown in the chart on page 21.

The chart below presents the impact on the portfolio cash flows of a change in the traffic / usage of all demand based assets.

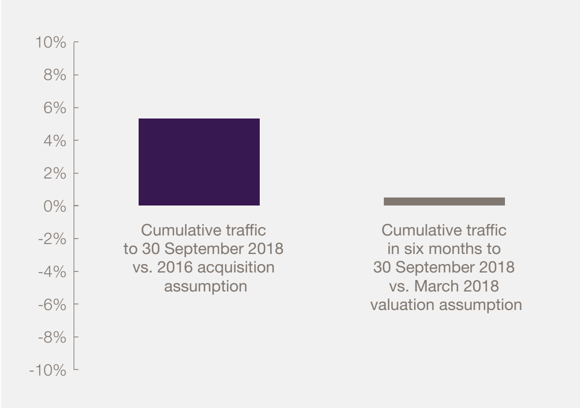


[11] A63 Motorway, France; Helicopter Training Facility, UK; High Speed 1, UK; M1-A1 Road, UK; Northwest Parkway, USA; Sheffield University Student Accommodation, UK

A63 Motorway, France (6%[12])

- ▲ Operational since 2013; first stake acquired in 2016
- ▲ Unregulated, principal road trade route between Southwestern France and Spain
- ▲ Cumulative traffic volumes have exceeded acquisition assumptions by 5%
- ▲ No change in the future traffic growth rate assumption since the original acquisition
- ▲ Incremental stake purchased in the period

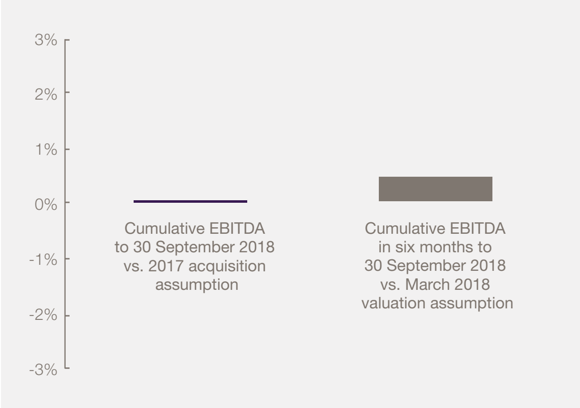
Cumulative traffic compared to 2016 acquisition and March 2018 valuation assumptions



High Speed 1, UK (7%[12])

- ▲ Operational since 2009; acquired in 2017
- ▲ Partially regulated, high-speed rail link and stations (London to Channel Tunnel)
- ▲ Cumulative train paths materially in line with acquisition assumptions
- ▲ New direct route from London to Amsterdam. London to Bordeaux route being developed
- ▲ New NED, 30 years sector experience, joins the Board

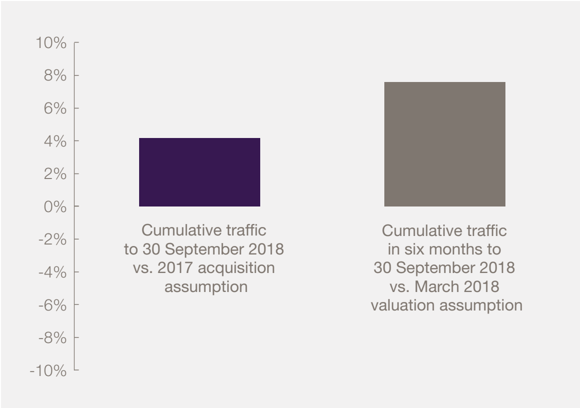
Cumulative EBITDA[13] compared to 2017 acquisition and March 2018 valuation assumptions



Northwest Parkway, USA (6%[12])

- ▲ Operational since 2007; acquired in 2017
- ▲ Unregulated, four-lane toll road; part of ring road around Denver, Colorado
- ▲ Cumulative traffic volumes have exceeded acquisition assumptions by 4%
- ▲ Plans to introduce variable tolling to improve vehicle flow by adjusting toll rates in response to traffic volumes
- ▲ No change in the future traffic growth rate assumption since the 2017 acquisition

Cumulative traffic compared to 2017 acquisition and March 2018 valuation assumptions



[12] Valuation as a percentage of the total portfolio valuation as at 30 September 2018 excluding AquaSure Desalination PPP, that was sold post period end
[13] High Speed 1 derives its revenues from a number of sources including domestic train paths; international train paths; operations, maintenance and renewals; station charges; retail and advertising; and car parking. EBITDA is the key financial performance indicator

Barking & Dagenham Schools, UK

3. Portfolio & Valuation

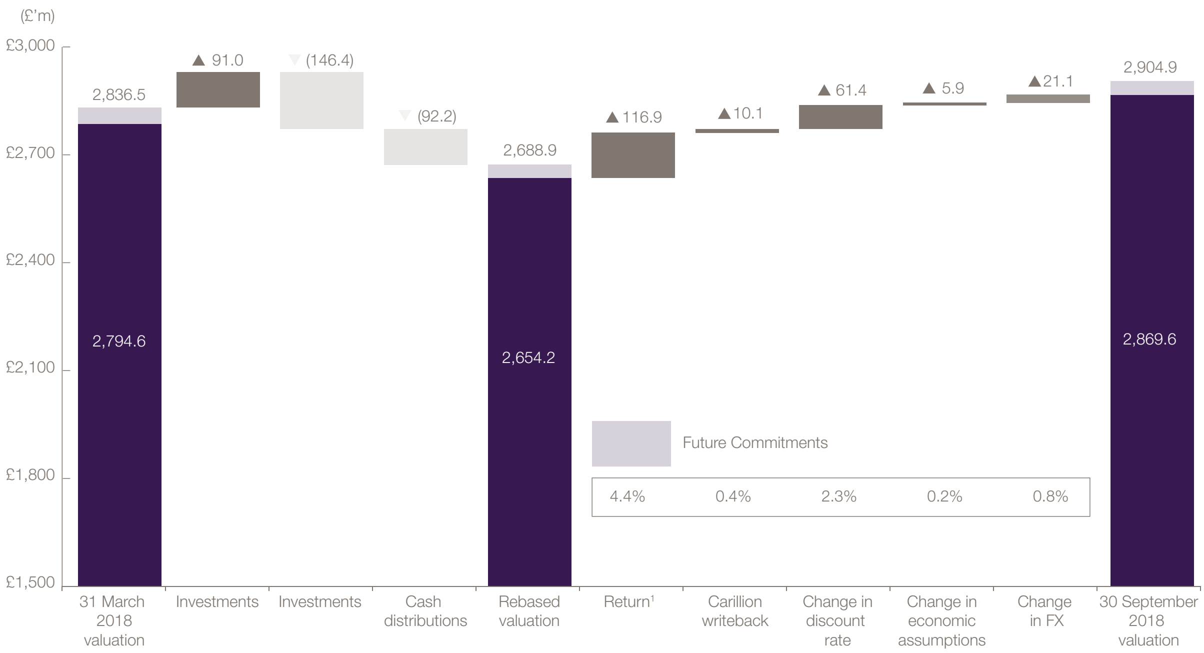
Valuation and discount rates

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 cash flow analysis of the forecast investment cash flows from each portfolio company. The exception to this is the listed senior debt in the A13 Road project which is valued at the quoted market price for 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 2018 was £2,904.9m[2], compared to £2,836.5m at 31 March 2018 (up 2.4%). A reconciliation between the Directors' Valuation at 30 September 2018 and that shown in the financial statements is given in Note 11 to the financial statements. The Directors' Valuation includes £35.3m of future investment commitments in respect of Willesden Hospital, N17 Road and the Paris-Sud University project.

A breakdown of the movement in the Directors' Valuation in the period



[1] "Return" comprises the unwinding of the discount rate and portfolio outperformance, excluding the impact of changes in economic assumptions and discount rates, other than project specific changes such as projects moving from construction to operations

[2] £2,904.9m excludes AquaSure Desalination PPP project, which was sold post-period end, and reconciles, on an Investment Basis, to £2,869.6m Investments at fair value through £35.3m of future commitments

3. Portfolio & Valuation
(continued)

Rebased net valuation

Valuation blocks (purple) have been split into investments at fair value[3] and future commitments (light purple). The percentage movements have been calculated on investments at fair value as this reflects the returns on the capital employed in the period.

Valuation movements during the period to 30 September 2018 (£m)	£'m	£'m	Percentage change
Directors' Valuation at 31 March 2018		**2,836.5**	
Investments	91.0		
Divestments	(146.4)		
Cash receipts from investments	(92.2)		
		(147.6)	
Less future commitments		(34.7)	
Rebased valuation of the portfolio		**2,654.2**	
Return[4] from the portfolio	116.9		4.4%
Carillion write back	10.1		0.4%
Change in discount rate[5]	61.4		2.3%
Economic assumptions	5.9		0.2%
FX movement on non-UK investments	21.1		0.8%
		215.4	8.1%
Future commitments		35.3	
Directors' Valuation at 30 September 2018[6]		**2,904.9**	

Allowing for the investments and divestments during the period, and investment receipts of £92.2m, the rebased valuation was £2,654.2m. The growth in the valuation of the portfolio excluding future commitments at 30 September 2018 over the rebased value was 8.1%.

The increase arises from a £116.9m return from the portfolio, a £10.1m increase from a partial reversal of discount rate changes on projects impacted by Carillion's insolvency, £61.4m from a reduction in reference discount rates, £5.9m uplift in valuation attributable to change in economic assumptions arises from a revised interpretation of recent US tax legislation applicable to infrastructure projects, and a £21.1m (pre-hedging) increase from a change in foreign exchange rates.

Return from the portfolio

The return from the portfolio of £116.9m (2017: £98.4m) represents a 4.4% (2017: 3.6%) increase in the rebased value of the portfolio over the six-month period. This gives an annualised return from the underlying portfolio of 9.0% versus the discount rate or expected annual return of 7.4% demonstrating outperformance of the portfolio.

Incremental value was generated from operational outperformance across various cost saving and efficiency initiatives as well as actual UK inflation on average running above the 2.75% p.a. forecast. 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 cash flows, 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 cash flows.

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 2018 is 7.2%, down from 7.4% at 31 March 2018. This reflects the competitive dynamics we have observed in the market place for transaction pricing including the takeover of John Laing Infrastructure Fund ("JLIF") by a consortium of private infrastructure investors at a premium to JLIF's NAV.

An analysis of the weighted average discount rates for the investments in the portfolio analysed by territory, and showing movement in the period, is shown over:

3 On an Investment Basis
4 "Return" comprises the unwinding of the discount rate and portfolio outperformance, excluding the impact of changes in economic assumptions and discount rates, other than project specific changes such as projects moving from construction to operations
5 Excludes the impact of the Carillion write back
6 A reconciliation between the Directors' Valuation and the financial statements is given in Note 11 to the financial statements

Country	Long-term government bond yield (30 September 2018)	Risk premium (30 September 2018)	Discount rate (30 September 2018)	31 March 2018 Discount rate	Movement
UK	1.9%	5.2%	7.1%	7.4%	(0.3)%
Eurozone	1.4%	5.7%	7.1%	7.6%	(0.5)%
North America	3.0%	5.0%	8.0%	8.2%	(0.2)%
Portfolio	**1.9%**	**5.3%**	**7.2%**	**7.4%**	**(0.2)%**

The risk premium for each region is derived from the market discount rate less the appropriate long-term government bond yield.

Valuation assumptions

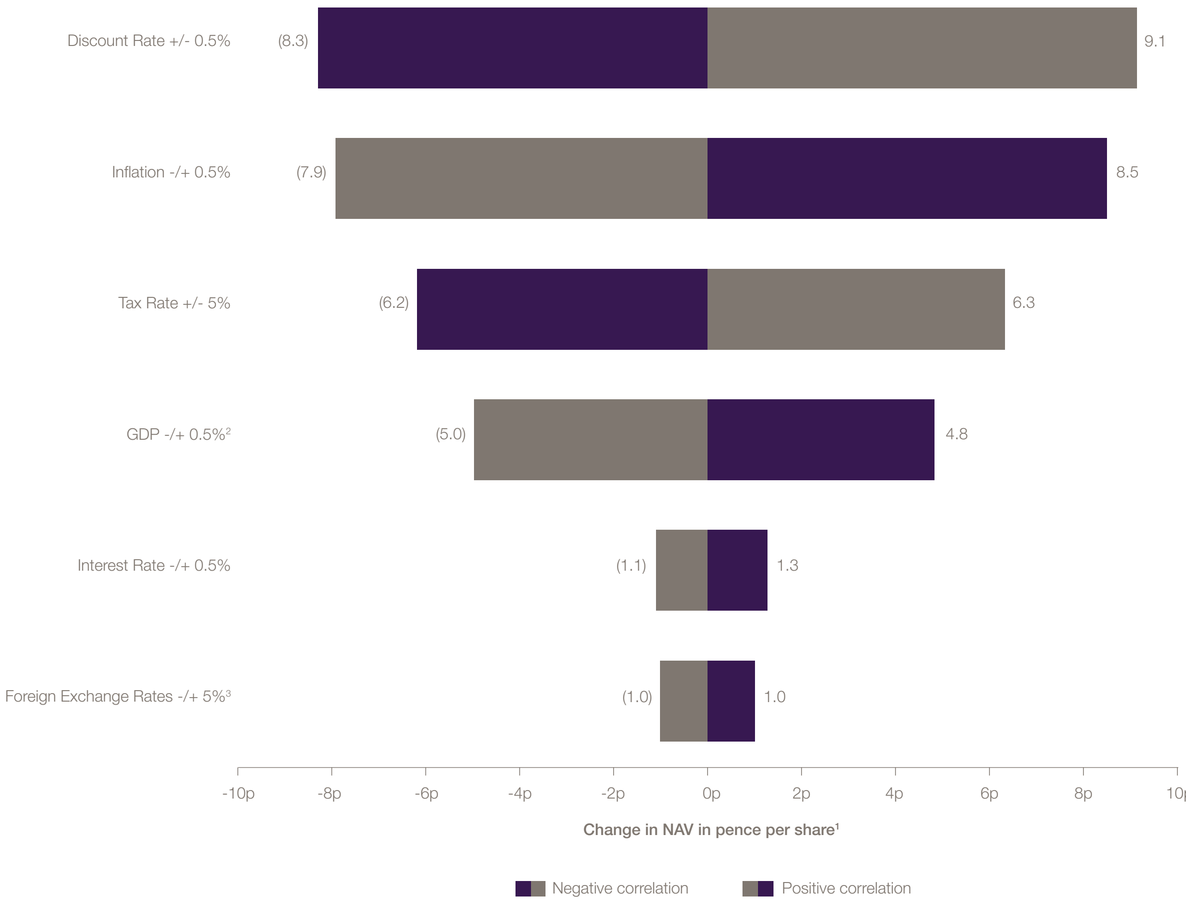
Apart from the discount rates, the other key economic assumptions used in determining the Directors' Valuation of the portfolio are as follows:

		30 September 2018	31 March 2018
Inflation Rates (p.a.)	UK (RPI and RPIx)[1] UK (CPIH)[2]	2.75% p.a. 2.0% p.a.	2.75% p.a. 2.0% 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.
Interest Rates (p.a.)	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	0.5% p.a. to March 2021, 1.5% p.a. thereafter	0.5% p.a. to March 2021, 1.5% p.a. thereafter
	Canada	2.0% p.a. to March 2021, 3.0% p.a. thereafter	2.0% p.a. to March 2021, 3.0% p.a. thereafter
	USA	2.0% p.a. with a gradual increase to 3.0% p.a. long-term	2.0% p.a. with a gradual increase to 3.0% p.a. long-term
Foreign Exchange Rates	CAD / GBP	0.59	0.55
	EUR / GBP	0.89	0.88
	USD / GBP	0.77	0.71
Tax Rates (p.a.)	UK	19% to March 2020, 17% thereafter	19% to March 2020, 17% thereafter
	Eurozone	Ireland 12.5% France 25% – 33.3% Netherlands 20% – 25%	Ireland 12.5% France 25% – 33.3% Netherlands 20% – 25%
	USA	21% Federal & 4.6% Colorado State	21% Federal & 4.6% Colorado State
	Canada	26% and 27%	26% and 27%
GDP Growth Rates (p.a.)	UK	2.0%	2.0%
	Eurozone	1.8%	1.8%
	USA	2.5%	2.5%

[1] Retail Price Index ("RPI") and Retail Price Index excluding mortgage interest payments ("RPIx")
[2] Consumer Prices Index including owner occupiers' housing costs

Valuation sensitivities

The portfolio's valuation is sensitive to each of the macro-economic assumptions listed above. 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 valuation follows below. The sensitivities are also contained in Note 3 to the interim financial statements.



[1] NAV per share based on 1,790m Ordinary Shares as at 30 September 2018
[2] Sensitivities for inflation, interest rates, tax rates and lifecycle are based on the 35 largest investments extrapolated for the whole portfolio
[3] Foreign exchange rate sensitivity is net of Group hedging at 30 September 2018

Discount rate sensitivity

Whilst not a macro-economic assumption, the weighted average discount rate that is applied to each portfolio company's forecast cash flows, for the purposes of valuing the portfolio, is the single most important judgement and variable. The impact of a 0.5% change in the discount rate on the Directors' Valuation and the NAV per share is shown above.

Inflation rate sensitivity

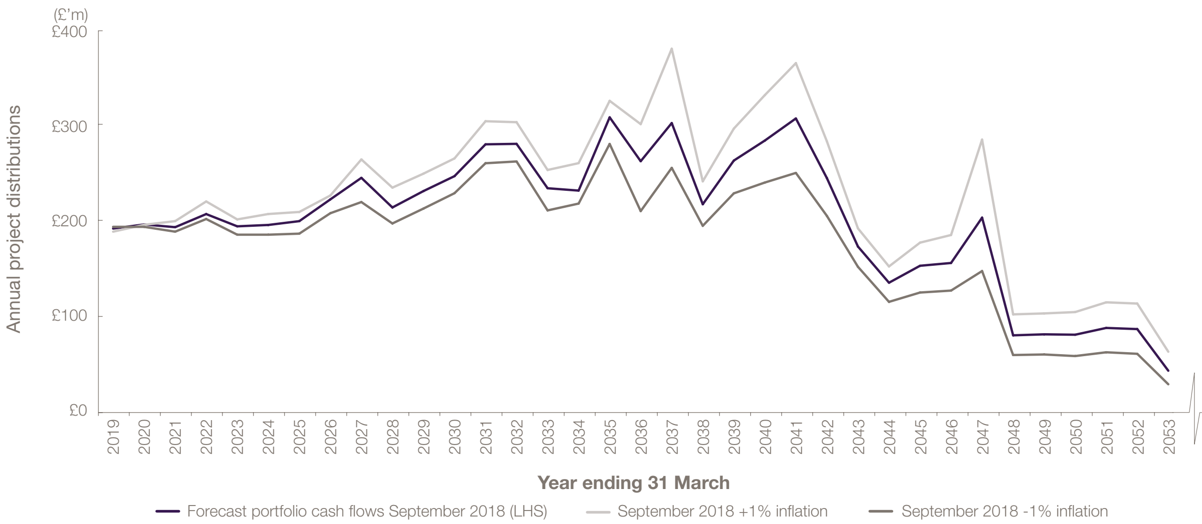
PPP projects in the portfolio have contractual income streams derived from public sector clients, which are rebased every year for inflation. UK projects tend to use either Retail Price Index ("RPI") or RPI excluding mortgage interest payments ("RPIx") while non-UK projects use Consumer Price Index ("CPI"), 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 is generally rebased annually for inflation. Similarly, for PPP projects in the UK this is typically RPI, while non-UK projects use CPI. On Affinity Water, one of the Company's regulated assets, 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 currently and CPIH (Consumer Prices Index including owner occupiers' housing costs) in the next regulatory period.

The chart shows that the Directors' Valuation and NAV per share are both positively correlated to inflation. The portfolio's inflation correlation at 30 September 2018 was 0.8 (March 2018: 0.8) such that should inflation be 1% p.a. higher than the valuation assumption for all future periods the expected return from the portfolio would increase 0.8% from 7.2% to 8.0%.

In the UK RPI and RPIx were both 3.3% for the year ended 30 September 2018. The portfolio valuation assumes UK inflation of 2.75% per annum for both RPI and RPIx, the same assumption as for the comparative period. The September 2018 forecasts for RPI out to December 2019 range from 2.3% to 4.2% from 20 independent forecasters as compiled by HM Treasury, with an average forecast of 3.1%.

Cash flow sensitivity to inflation

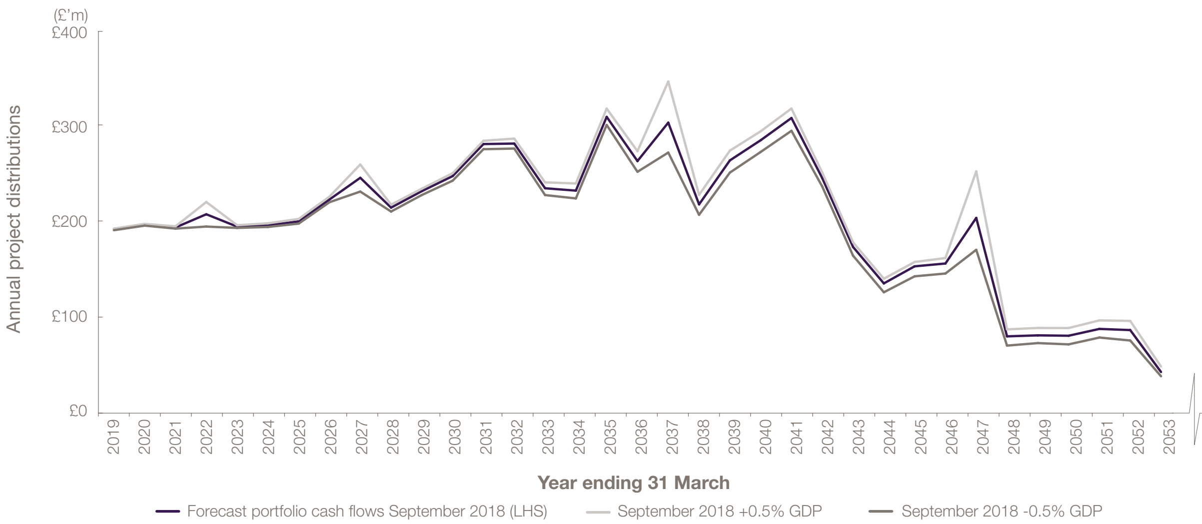


Gross Domestic Product ("GDP") growth rate sensitivity

At 30 September 2018, the portfolio had four investments which are considered sensitive to GDP, namely the A63 Motorway, M1-A1 Road, Northwest Parkway and High Speed 1. At times of higher economic activity there will be greater traffic volumes using these roads and railways generating increased revenues for the projects than compared to periods of lower economic activity and therefore we assess these as GDP sensitive investments.

If outturn GDP growth were 0.5% p.a. lower for all future periods than those in the valuation assumptions set out on page 19 for all future periods, expected return from the portfolio (before Group expenses) would decrease 0.2% from 7.2% to 7.0% (decrease by 0.2% to 7.2% at 31 March 2018).

Cash flow sensitivity to GDP growth rates



3. Portfolio & Valuation

(continued)

Interest rate sensitivity

Each portfolio company's interest costs are at fixed rates, either through fixed rate bonds, bank debt which is hedged with an interest rate swap, or linked to inflation through index-linked bonds. However, there are two investments – Affinity Water (UK) and Northwest Parkway (USA) – which have refinancing requirements, exposing these investments to interest rate risk. Except for these two, an investment's sensitivity to interest rates predominantly relates to the cash deposits which the investment is required to maintain as part of its senior debt funding. For example, most PPP projects would have a debt service reserve account in which six months of debt service payments are held.

At 30 September 2018, cash deposits for the portfolio were earning interest at a rate of 0.2% per annum on average. There is a consensus that UK base rates will remain low for an extended period, with a current median forecast for UK base rates in December 2019 of 1.25% p.a.

The portfolio valuation assumes UK interest rates are 1.0% p.a. to March 2021 and 2.0% p.a. thereafter, this is unchanged from March 2018. Overseas jurisdictions also remain unchanged and the assumptions can be found on page 19.

Corporation tax rate sensitivity

The profits of each portfolio company are subject to corporation tax in the country where the project 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 were a 5% increase in UK corporation tax rates, there would be a NAV per share reduction of 4.9p.

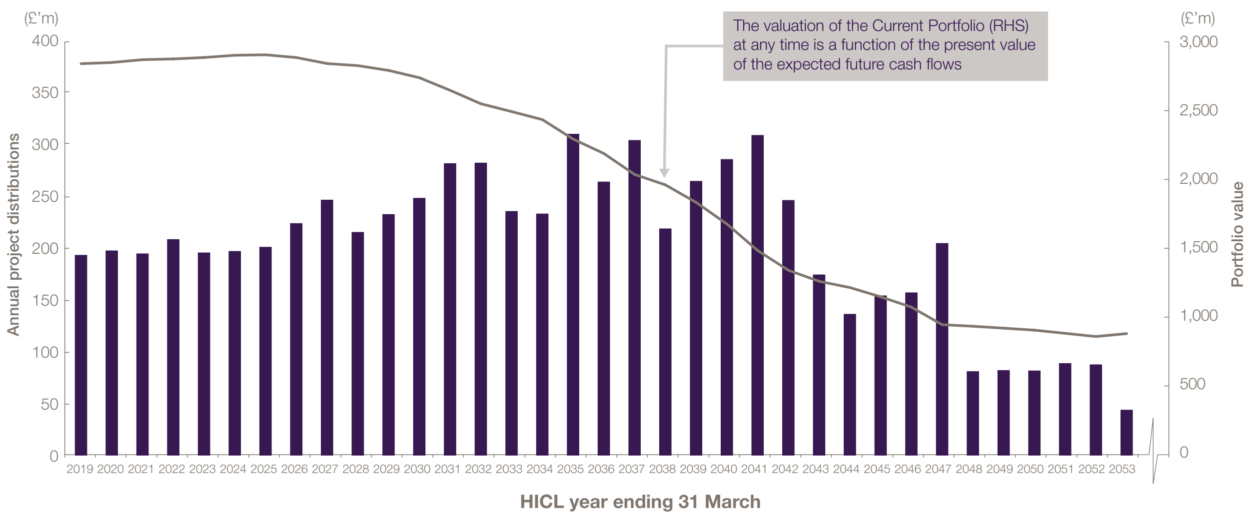
The UK corporation tax assumption for the portfolio valuation is 19% to March 2020 and 17% thereafter, which is unchanged from March 2018. There have been no changes to overseas tax rates in the period.

Foreign exchange rates sensitivity

21% 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 20 is net of the Group's foreign exchange hedges at 30 September 2018. Further detail on the Company's foreign exchange policy is outlined in Section 8 – Operating & Financial Review.

Future cash flows[7,8,9]

The chart below shows the expected future cash flows to be received by the Group from the portfolio as at 30 September 2018 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 cash flows from the portfolio, coupled with a stable portfolio valuation in the medium term.



[7] The chart represents a target only and is not a profit forecast. There can be no assurance that this target will be met

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

[9] The cash flows and the valuation are from the portfolio of 117 investments (excluding AquaSure Desalination PPP) at 30 September 2018 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 during which cash receipts from the portfolio will be paid to the Company's shareholders as capital and the portfolio valuation will reduce as projects reach the end of their concession term, assuming that the proceeds are not invested in new investments.

It is these forecast cash flows from the Group's current portfolio of investments that give the Board the confidence that HICL remains on track to deliver a dividend of 8.05p per share for the year to 31 March 2019 and that there should be sufficient cash cover for the target dividends which have been announced for the following two years:

- 8.25p per share for the year to 31 March 2020; and
- 8.45p per share for the year to 31 March 2021.

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

- 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 cash flow forecasts; and
- 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 against its strategic objectives. The results for the six months ended 30 September 2018 are set out below.

KPI	Measure	30 September 2018	30 September 2017
Dividends	Aggregate interim dividends declared per share for the year	**4.02p**	**3.92p**
		Objective: An annual distribution of at least that achieved in the prior year **Commentary:** Achieved	
Total Shareholder Return	NAV growth and dividends paid per share since IPO	**9.5% p.a.**	**9.5% 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	**1.33x[2]**	**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%**	**0.8%**
		Objective: Maintain positive correlation **Commentary:** Achieved	
Competitive Cost Proposition	Annualised ongoing charges / average undiluted NAV[3]	**1.09%**	**1.06%**
		Objective: Efficient gross (portfolio level) to net (investor level) returns, with the intention to reduce ongoing charges where possible **Commentary:** Market competitive cost proposition	

[1] Set by reference to the issue price of 100p per share, at the time of the Company's IPO in February 2006. Previously reported on a dividends declared basis
[2] 1.06x excluding profits on disposal of £18.9m
[3] Calculated in accordance with Association of Investment Companies guidelines. Ongoing charges excluding non-recurring items such as acquisition costs

Offshore electricity transmission substation of Burbo Bank OFTO, UK

5. Portfolio Characteristics

At 30 September 2018

MARKET SEGMENT

	Sep-18	Mar-18
PPP projects	70%	74%
Demand-based assets	22%	18%
Regulated assets	8%	8%

GEOGRAPHIC LOCATION

	Sep-18	Mar-18
UK	79%	80%
EU	13%	10%
Australia	–	3%
North America	8%	7%

OWNERSHIP STAKE

	Sep-18	Mar-18
100% ownership	25%	27%
50%-100% ownership	30%	28%
Less than 50% ownership	45%	45%

SECTOR

	Sep-18	Mar-18
Accommodation	10%	10%
Education	16%	18%
Electricity, Gas & Water	8%	11%
Health	29%	28%
Fire, Law & Order	7%	7%
Transport	30%	26%

INVESTMENT STATUS

	Sep-18	Mar-18
Fully operational	99%	99%
Construction	1%	1%

6. Portfolio Statistics[1]

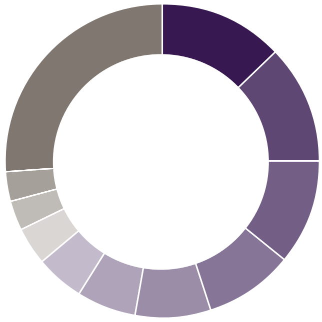
At 30 September 2018

TEN LARGEST ASSETS ACCOUNT FOR 47% OF THE PORTFOLIO[1]

Key
- PPP projects
- Demand-based assets
- Regulated assets

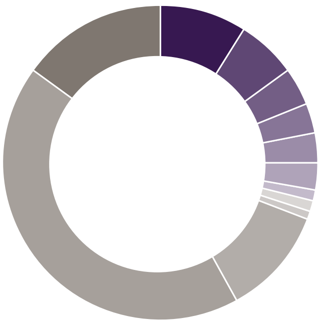
Affinity Water	8%
High Speed 1	7%
A63 Motorway	6%
Northwest Parkway	6%
Southmead Hospital	4%
Home Office	4%
Pinderfields & Pontefract Hospitals	4%
Dutch High Speed Rail Link	3%
Allenby & Connaught	3%
Queen Alexandra Hospital	2%
Remaining investments	53%

TEN LARGEST FACILITIES MANAGEMENT AND OPERATIONS COUNTERPARTY EXPOSURES[2]



In House	13%
Bouygues	12%
Engie	11%
Equity	9%
Network Rail	8%
Egis	6%
Mitie	5%
Sodexo	4%
Siemens	3%
KBR	3%
Other	26%

TEN LARGEST CONSTRUCTION COUNTERPARTY EXPOSURES[3,4]



Balfour Beatty	9%
Colas	6%
Laing O'Rourke	4%
Bouygues	3%
Lendlease	3%
KBR	3%
Hochtief	1%
Bilfinger	1%
Galliford Try	1%
Other contractors	11%
Latent defects limitation / warranty period expired	43%
Affinity Water and High Speed 1[5]	15%

LATENT DEFECTS LIMITATIONS / WARRANTY PERIODS REMAINING[3,4]

Within 1 year	9%
1-2 years	7%
2-5 years	12%
5-10 years	11%
10+ years	3%
Latent defects limitation / warranty period expired	43%
Affinity Water and High Speed 1[5]	15%

1 By value using Directors' Valuation of £2,904.9m as at 30 September 2018, which excludes the AquaSure Desalination PPP
2 At 20 November 2018 to include two Carillion affected projects, which completed their transition to new long-term arrangements since the balance sheet date. Using Directors' Valuation at 30 September, excluding AquaSure Desalination PPP and A13 senior bonds. Where a project has more than one operations contractor in a joint and several contract, the better credit counterparty has been selected (based on analysis by the Investment Adviser). Where a project has more than one operations contractor, not in a joint and several contract, the exposure is split equally among the contractors, so the sum of the pie segments equals the Directors' Valuation. Projects where Interserve or Kier are the facilities management contractor represent less than 2% and approximately 1% of the portfolio, by value, respectively
3 By value, at 30 September 2018, using Directors' Valuation excluding AquaSure Desalination PPP and A13 senior bonds. Where a project has more than one operations contractor in a joint and several contract, the better credit counterparty has been selected (based on analysis by the Investment Adviser). Where a project has more than one operations contractor, not in a joint and several contract, the exposure is split equally among the contractors, so the sum of the pie segments equals the Directors' Valuation
4 Latent defects limitations / warranty period expired includes 13% portion for construction contracts which at 15 January 2018 were in their warranty defects period with Carillion
5 Assets subject to regulatory regimes that help mitigate the potential impact of defects on equity

7. Investment Portfolio

Portfolio of 117 assets[1]

Education 16%

Bangor & Nendrum Schools	Ealing Schools	Kent Schools	Renfrewshire Schools
Barking & Dagenham Schools	East Ayrshire Schools	Manchester School	Rhondda Schools
Belfast Metropolitan College	Ecole Centrale Supélec (France)	Newham BSF Schools	Salford & Wigan BSF Phase 1
Boldon School	Edinburgh Schools	Newport Schools	Salford & Wigan BSF Phase 2
Bradford Schools 1	Falkirk Schools NPD	North Ayrshire Schools	Salford Schools
Bradford Schools 2	Fife Schools 2	North Tyneside Schools	Sheffield Schools
Conwy Schools	Haverstock School	Norwich Schools	Sheffield BSF Schools
Cork School of Music (Ireland)	Health & Safety Labs	Oldham Schools	South Ayrshire Schools
Croydon School	Helicopter Training Facility	Paris-Sud University (France)	University of Bourgogne (France)
Darlington Schools	Highland Schools	Perth & Kinross Schools	West Lothian Schools
Defence Sixth Form College	Irish Grouped Schools (Ireland)	PSBP NE Batch	Wooldale Centre for Learning
Derby 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	Ireland Primary Care Centres (Ireland)	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] Excludes AquaSure Desalination PPP, which was sold post period end

Fire, Law & Order — 7%

Addiewell Prison	Exeter Crown and County Court	Metropolitan Police Training Centre	Tyne & Wear Fire Stations
Breda Court (Netherlands)	Gloucester Fire & Rescue	Royal Canadian Mounted Police HQ (Canada)	Zaanstad Prison (Netherlands)
Dorset Fire & Rescue	Greater Manchester Police Stations	South East London Police Stations	
Durham & Cleveland Firearms Training Centre	Medway Police	Sussex Custodial Centre	

Transport — 30%

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

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			

Electricity, Gas & Water — 8%

Affinity Water	AquaSure Desalination PPP (Australia)	Burbo Bank OFTO

Key

- New investment in the period
- Incremental investment in the period
- Disposal in the period
- Partial disposal in the period
- Disposal post period end

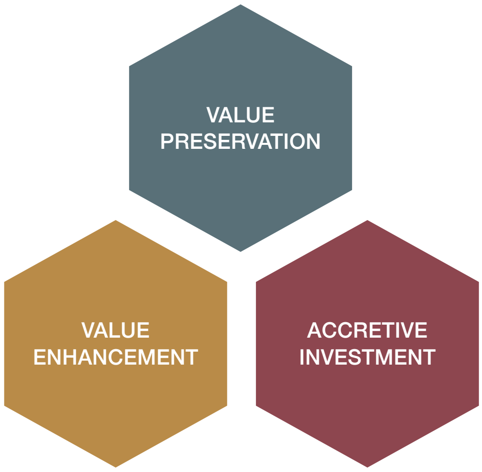
8. Operating & Financial Review

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 for all stakeholders; and
- Accretive Investment in assets that enhance the delivery of the investment proposition.

The Company delegates the majority of the day-to-day activities required to deliver the business model to the Investment Adviser, InfraRed.



Value Preservation

InfraRed's Asset Management and Portfolio Management teams work closely together, in partnership with the management teams in the Group's portfolio companies, to deliver HICL's investment proposition by preserving the value of the Group's investments for shareholders and stakeholders. The objective is to ensure portfolio companies perform in line with the relevant contractual obligations and / or regulatory framework; and deliver the forecast base case investment return.

Carillion

Counterparty risk is a focus of the Group. In relation to the liquidation of Carillion, ten projects were affected where Carillion was the primary facilities management contractor and a further five projects where Carillion was the original construction contractor.

Where Carillion was the facilities management contractor, the Investment Adviser's Asset Management team's efforts have centred around continuity of service delivery to the clients to quickly transfer from Carillion to stable, reputable providers and a smooth transition to new long-term arrangements for all stakeholders, especially staff. In doing so, communication has been important and the Investment Adviser has ensured that clients, staff, local MPs and government departments have been kept informed of progress and plans.

Six of these projects, comprising 11 primary care facilities, 20 police stations, six fire stations, and three police and fire administrative and training facilities, have now transferred to long-term arrangements. The replacement operators on these projects are Bouygues, Engie and Integral. The remaining four projects are being managed under stable interim arrangements. Long-term arrangements have been commercially agreed for two of these projects and are proceeding through the full consenting process. Across the ten projects, the replacement facilities management contractors were chosen, with the approval of clients, based on their experience of operating similar infrastructure and their financial strength.

Four of the five projects where Carillion was the original construction contractor are out of distribution lock-up. In line with previous guidance, distribution lock-ups at the affected projects are expected to be substantially released during the current financial year.

The Investment Adviser has reduced the discount rate adjustment applied to the affected projects at 31 March 2018, which has increased their value by £10m. This reflects a recovery of approximately half of the initial £19.4m valuation reduction associated with changes in discount rates following the improvement in risk profile as long-term arrangements are secured. The Investment Adviser continues to expect the impact of transition costs, distribution lock-ups and historic liabilities to be within the remaining £40m of the initial valuation adjustment.

Affinity Water

Affinity Water submitted its business plan for 2020 to 2025 to Ofwat in September 2018. This reflects the output of engagement with customers and other stakeholders, as well as assurance from the company's Customer Challenge Group, and targets improvements to the resilience and performance of the network through the investment of £1.4bn and operational improvements.

These substantial investment plans will be funded through a modest increase in customers' bills of 71p per year between 2020 and 2025, a total increase of £3.54 in real terms, which has the support of customers. The additional financial burden of Ofwat's Price Review 19 ("PR19") will fall upon shareholders.

HICL's valuation of its equity stake in Affinity Water assumes that the business plan for PR19 is adopted for 2020 to 2025 and makes similar assumptions thereafter. It does not make any allowances for future regulatory reviews that may seek to encourage faster investment than is currently planned to respond to the increasing pressure on infrastructure, particularly in South East England, from continuing population growth in the region, and the potential for extreme weather linked to climate change.

Construction defects

Construction defects are in most cases revealed through the regular programme of operations and maintenance activities or as a result of proactive asset surveys commissioned by portfolio companies. Defects detected within the statutory limitations period are lodged with the relevant construction subcontractor for remediation. The cost of remediation is the responsibility of the construction subcontractor and is not borne by the PPP project company. Contractual claim mechanisms, or ultimately a court process, may be used where disputes arise, though the need to escalate matters in this manner has been low historically.

Following the expiry of the statutory limitations period or in certain other circumstances, for example if the subcontractor becomes insolvent, the risk of remediation of construction defects when detected typically falls to the PPP project company itself and becomes an equity risk. The lifecycle budget would normally be a source of cost mitigation.

The health and safety of users and people working on the infrastructure is a priority for the Board, the Investment Adviser and the project management teams. Areas of focus include fire safety, in particular external cladding systems.

Cladding

We continue to focus on construction defects, including those relating to fire safety, such as facilities' cladding systems. As a result of a detailed review of the portfolio's fire safety that was proactively commenced in early 2017, we identified that cladding systems needed rectification works at a small number of assets. In each case, the public-sector client was promptly informed and has been apprised of fire prevention and protection measures and progress towards rectification has been made. Where appropriate, the project management teams have worked closely with the local fire service, who advise and approve the adequacy of fire prevention and protection measures in place whilst the defects are remedied.

One of these assets was affected by the collapse of Carillion and the current estimate to rectify the construction defect is contained within the valuation of that asset. Costs to remedy the defects at the other assets are expected to be borne by their respective construction contractors.

Other construction defects

Progress resolving alleged building defects and operational issues at a hospital PPP continues. A negotiated settlement is likely. The value of the investment in the portfolio is in the range of £0-5m.

As previously reported, there is a road PPP that has suffered from operational issues and construction defects. An agreement was reached with the construction subcontractor with compensation having been paid to the project company. The value of the investment in the portfolio is in the range of £0-5m.

Compensation on termination

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.

Heads of terms were agreed with respect to the compensation due to the Group for a school PPP project which was voluntarily terminated by the local authority client during the financial year ended 31 March 2016. This has taken time to resolve due to the commercial nature of the negotiations and the number of parties involved. The project company will not be at risk for the remediation of the outstanding construction defects. The value of the investment in the portfolio was in the range of £0-5m, and compensation will be received in line with market value.

As at 30 September 2018, the Investment Adviser estimated 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 2% of total portfolio value.

8. Operating & Financial Review

(continued)

Value Enhancement

The Asset Management and Portfolio Management teams seek opportunities to deliver outperformance from the portfolio for all stakeholders through value enhancements. Financial upside is often shared, between the Company's shareholders and public sector clients for PPP projects or with the customers of regulated assets through periodic regulatory price reviews.

Over the course of the six months, value enhancement initiatives were a key component of the annualised return from the underlying portfolio of 9.0%. Examples of value enhancement in the period include:

Construction completion

During the period, the A9 Road and Breda Court, both in the Netherlands, achieved major construction milestones on budget and on time.

The Group has two investments remaining in construction: Irish Primary Care, in Ireland, and the Biology, Pharmacy and Chemistry Department of the Paris-Sud University, in France, which together represent 1% of the portfolio. Progress in relation to both of these projects remains good, and their delivery represents an opportunity for future value enhancement.

De-risking construction projects in the portfolio added £5–10m in the period through a reduction in the discount rates used to value those assets.

Third party income

The hospitals in the portfolio often include a small number of retail outlets; examples include coffee shops and newsagents. Typically, a base level of rent is passed on to the client. Outperformance against this may be retained by the project. Renewal of leases is undertaken by the project management team and overseen by the Investment Adviser. They will consider qualitative and quantitative factors in determining new tenants. The retail leases at two hospital facilities in the portfolio were agreed, which increased the valuation of the assets by £0-5m in the period.

Lifecycle

Public sector clients to PPP projects typically contract the long-term risk of asset condition to the private sector. Project companies, and therefore equity, have retained this risk on a proportion of the PPP portfolio. The risk has been contracted to the operations and maintenance subcontractor(s) on the remainder of the PPP portfolio.

Technical advisors evaluate whether efficiencies can be achieved in lifecycle, or capital maintenance, budgets without compromising maintenance programmes and taking into account the actual condition of the assets and how well they are performing. These efficiencies can result in a combination of the recognition of historic savings and new budget forecasts. Lender consent is sought for revised budgets. New lifecycle forecasts were completed on six projects, which increased the valuation of the associated assets by £0-5m in the period.

The Investment Adviser, project management teams and contractors seek innovative approaches to managing the environment of the infrastructure. At Central Middlesex Hospital, the project company and its facilities management contractor commissioned artwork for the new Park Royal Medical Practice, which opened in the hospital in 2018 as a variation to the original design. This has created, for both patients and staff, an improved and attractive environment. It is expected that the fabric of the clinic will suffer less wear and tear because users of the facility will treat their surroundings with greater care as effort has gone into the aesthetic appeal of its design. If this proves successful then the idea may be rolled out more widely.

Strategic disposals

The Investment Adviser has been seeking opportunities to enhance portfolio value by making strategic disposals that take advantage of ongoing favourable market conditions. During the period, the Group completed the sale of the Highland Schools PPP2 project and the part sale of a stake in the Oldham Library PPP project. The sale of AquaSure Desalination PPP project was completed shortly after the period end. These sales contributed £5-10m to the results for the period, which was in addition to gains recognised in relation to these assets in the previous financial year ended 31 March 2018.

Demand-based assets

The Group's demand-based toll road assets continue to deliver strong traffic growth. The historic rate of growth has exceeded acquisition projections. The Investment Adviser has not changed the assumed rate of future traffic growth. In the period, traffic outperformance delivered an additional £0-5m to the Group. A case study is provided in Section 2 – Investment Adviser's Report.

Accretive Investment

The Company has a clearly defined Investment Policy, which can be found on the Company's website. This sets the over-arching framework within which the Company aims to build a portfolio that delivers HICL's investment proposition and is consistent with the Company's overall risk appetite.

Working within delegated parameters approved by the HICL Board, InfraRed is responsible for the selection and pricing of new investments and, from time to time, disposals. The Acquisition Strategy is periodically reviewed by the Board and agreed with InfraRed, most recently in September 2018.

During the half year, the Group made three new investments and one incremental investment for a total consideration of £91m.

HICL's consortium was also announced as the preferred bidder for the Race Bank OFTO. HICL's 50% share of the consideration is expected to be up to £30m when the project reaches financial close in Q1 2019. The consortium continues to bid for the remaining projects in Ofgem's Tender Round 5.

The Group made two divestments in the period:

- ▲ Its 100% stake in the Highlands Schools PPP2 project (UK) for £56m, which was reflected in the project's valuation at 31 March 2018. Sale proceeds, which exceeded the Directors' Valuation of £46m as at 30 September 2017 by £10m, were redeployed in the acquisition of the incremental stake in the A63 Motorway (France).
- ▲ A 15% stake in the Oldham Library PPP project (UK) to the joint venture partner Kajima for a consideration of £1m. The Group retains a 75% interest in the project. This sale provided the Group with an opportunity to make administrative cost savings by incorporating the project into the wider strategic partnership with Kajima.

On 1 November 2018, the Group completed the sale of its 9.7% stake in the AquaSure Desalination PPP project (Australia) for AUD161m.

The value of the Group's investment in AquaSure was increased by approximately 10% in September 2017, in line with a market transaction earlier that year. The disposal price generated a further premium for the Group, of approximately 7% over the valuation of the investment at 31 March 2018. The proceeds were used to reduce the balance on the Group's Revolving Credit Facility.

Date	Amount	Type	Stage	Asset	Market Segment	Stake Acquired	Overall Stake
Apr 2018	€21m	New	Construction	Paris-Sud University (France)	PPP	85%	85%
Apr 2018	£6m	New	Operational	Belfast Metropolitan College (UK)	PPP	75%	75%
Apr 2018	£10m	New	Operational	Burbo Bank OFTO (UK)	Regulated	50%	50%
Jun 2018	€62m	Incremental	Operational	A63 Motorway (France)	Demand-based	7%	21%

8. Operating & Financial Review

(continued)

Financial review

This section summarises the financial results of the Company for the six month period ended 30 September 2018. The Company prepares IFRS financial statements which do not consolidate any subsidiaries, including those that are themselves investment entities.

Consistent with prior periods, 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 which consolidates the results of the Company and its Corporate Subsidiaries. This basis is designated the Investment Basis and provides shareholders with further information regarding the Corporate Group's gearing and expenses, and 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 2018			Six months to 30 September 2017		
£m	Investment Basis	Consolidation Adjustments	IFRS Basis	Investment Basis	Consolidation Adjustments	IFRS Basis
Total income[1]	211.0	(17.1)	193.9	108.1	(19.6)	88.5
Expenses & finance costs	(18.2)	16.9	(1.3)	(20.3)	19.4	(0.9)
Profit / (loss) before tax	**192.8**	**(0.2)**	**192.6**	**87.8**	**(0.2)**	**87.6**
Tax	(0.2)	0.2	–	(0.2)	0.2	–
Earnings	**192.6**	**–**	**192.6**	**87.6**	**–**	**87.6**
Earnings per share	**10.8p**	**–**	**10.8p**	**5.1p**	**–**	**5.1p**

[1] Includes net foreign exchange gain of £16.1m (2017: £2.8m loss)

On an Investment Basis, Total income of £211.0m (2017: £108.1m) represents the return from the portfolio recognised as income comprising dividends, sub-debt interest and valuation movements. The 95% (£102.9m) increase in Total income reflects a 0.2% reduction in the weighted average discount rate combined with foreign exchange gains aligned with continued outperformance from the portfolio. 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 £193.9m (2017: £88.5m) comprises income received by the Company and valuation movements in its investments.

Foreign exchange movements comprise a £21.1m foreign exchange gain (2017: £3.3m loss) on revaluing the non-UK assets in the portfolio using September 2018 exchange rates, partly offset by a £5.0m foreign exchange hedging loss (2017: £0.5m gain).

Earnings on an Investment Basis and IFRS Basis were £192.6m, an increase of £105.0m against the prior period. This reflects the factors stated above as well as reduced Expenses & finance costs of £18.2m (2017: £20.3m) reflecting lower one-off acquisition fees in the current period compared to the previous period – further detail is given in Investment Basis Cost Analysis below.

Earnings per share were 10.8p (2017: 5.1p), the increase being driven by the growth in earnings.

Investment Basis Cost Analysis

£m	Six months to 30 September 2018	Six months to 30 September 2017
Finance costs	2.2	1.8
Investment Adviser fees	14.6	17.0
Auditor – KPMG – for the Group	0.2	0.2
Directors' fees & expenses	0.2	0.2
Acquisition bid costs	–	0.4
Professional fees	0.9	0.5
Other expenses	0.1	0.2
Expenses & finance costs	**18.2**	**20.3**

Total fees accruing to the Investment Adviser were £14.6m (2017: £17.0m) 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, 0.8% for assets above £2.25bn and 0.65% for assets above £3bn, a 1.0% fee on acquisitions made from third parties, and the £0.1m p.a. advisory fee.

The decrease in the Investment Adviser's fees is due to lower one-off acquisition fees in the current period of £0.8m (2017: £4.3m), partly offset by management fees on the larger portfolio.

During the period, the Corporate Group incurred negligible third party acquisition bid costs (2017: £0.4m), mainly being legal, technical and tax due diligence, on unsuccessful bids and bids in progress.

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 and finance costs were £1.3m (2017: £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 2018	Six months to 30 September 2017
Investment Adviser[1]	13.8	12.7
Auditor – KPMG – for the Group	0.2	0.2
Directors' fees and expenses	0.2	0.2
Other ongoing expenses	0.6	0.5
Total expenses	14.8	13.6
Average NAV	2,720.2	2,565.6
Ongoing charges	1.09%	1.06%

[1] Excludes acquisition fees of £0.8m (2017: £4.3m), in line with AIC calculation methodology

Ongoing charges, in accordance with the Association of Investment Companies' ("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 1.09% (2017: 1.06%). The slight increase reflects the higher usage of the Group's multi-currency Revolving Credit Facility ("RCF") to fund acquisitions during the period. The use of gearing to fund acquisitions has the effect of increasing portfolio value which increases total expenses without a commensurate increase in net assets.

Investment Basis Summary Balance Sheet

	30 September 2018			31 March 2018		
£m	Investment Basis	Consolidation Adjustments	IFRS Basis	Investment Basis	Consolidation Adjustments	IFRS Basis
Investments at fair value	**2,869.6**	**(70.1)**	**2,799.5**	**2,794.6**	**(117.4)**	**2,677.2**
Working capital	83.8	(84.3)	(0.5)	(2.3)	1.5	(0.8)
Net (debt) / cash	(154.2)	154.4	0.2	(115.2)	115.9	0.7
Net assets attributable to Ordinary Shares	**2,799.2**	**–**	**2,799.2**	**2,677.1**	**–**	**2,677.1**
NAV per share (before dividend)	156.4p	–	156.4p	149.6	–	149.6
NAV per share (post dividend)	154.4p	–	154.4p	147.6	–	147.6

On an Investment Basis, Investments at fair value increased 3% in the six months to £2,869.6m (March 2018: £2,794.6m), which is the Directors' Valuation of £2,904.9m (March 2018: £2,836.5m) net of £35.3m of future investment obligations (March 2018: £41.9m). Further detail on the movement in Investments at fair value is given in Section 3 – Portfolio & Valuation.

Working capital on an Investment Basis includes an £89.0m receivable for the sale proceeds of the AquaSure Desalination PPP project on which the contract for sale had exchanged at 30 September 2018, with completion (and the receipt of sale proceeds) occurring after the balance sheet date.

8. Operating & Financial Review

(continued)

The Corporate Group had net debt, on an Investment Basis, at 30 September 2018 of £154.2m (March 2018: net debt of £115.2m); the movement in the six months reflecting cash used for acquisition activity. Drawings from the Group's RCF at the end of the period were £159.7m (March 2018: £134.6m) and have reduced to approximately £70m following the receipt of the AquaSure sale proceeds.

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

On an IFRS Basis, Investments at fair value increased 5% to £2,799.5m (March 2018: £2,677.2m), reflecting the Investment Basis movements above as well as a £47.3m increase in the fair value of the Corporate Subsidiaries from the sale of AquaSure partly offset by higher drawings of the Group's RCF. On an IFRS Basis, cash and cash equivalents were broadly unchanged from March 2018. The Group's cash and debt management is undertaken through the Corporate Subsidiaries.

NAV per share was 156.4p before the 2.01p second quarterly distribution (March 2018: 149.6p). NAV per share has increased 6.8p, reflecting 10.8p earnings per share net of 4.0p distributions in the six month period to 30 September 2018.

Analysis of the Growth in NAV per Share Pence per share			
NAV per share at 31 March 2018			**149.6p**
Valuation movements			
Reduction in discount rates	3.5p		
Change in economic assumptions	0.3p		
FX gain	0.9p		
		4.7p	
Portfolio performance			
Portfolio outperformance[1]	1.0p		
Carillion write back	0.6p		
Expected NAV growth[2]	0.5p		
		2.1p	
Total		**6.8p**	
NAV per share at 30 September 2018			**156.4p**

[1] Includes the impact of lower discount rates on projects moving from construction to operations
[2] Expected NAV growth is the Company's budgeted EPS less target dividend

Investment Basis Summary Cash Flow

	Six months to 30 September 2018			Six months to 30 September 2017		
£m	**Investment Basis**	**Consolidation adjustments**	**IFRS Basis**	**Investment Basis**	**Consolidation adjustments**	**IFRS Basis**
Cash from investments[1]	111.1	(38.6)	72.5	91.3	(25.2)	66.1
Operating and finance costs outflow	(17.5)	15.9	(1.6)	(13.4)	12.0	(1.4)
Net cash inflow before capital movements	**93.6**	**(22.7)**	**70.9**	**77.9**	**(13.2)**	**64.7**
Cost of new investments, including acquisition costs	(99.1)	98.2	(0.9)	(450.1)	181.2	(268.9)
Disposal of investments[2]	38.6	(38.6)	–	–	–	–
Share capital raised net of costs	(0.2)	–	(0.2)	265.5	–	265.5
FX movement on borrowings / hedging[3]	(1.6)	1.6	–	(1.4)	1.4	–
Distributions paid	(70.3)	–	(70.3)	(61.6)	–	(61.6)
Movement in the period	(39.0)	38.5	(0.5)	(169.7)	169.4	(0.3)
Net (debt) / cash at start of period	(115.2)	115.9	0.7	82.2	(81.3)	0.9
Net (debt) / cash at end of period	**(154.2)**	**154.4**	**0.2**	**(87.5)**	**88.1**	**0.6**

[1] Includes £18.9m profit on disposal (2017: £nil) based on historic cost
[2] Historic cost of £38.6m and profit on disposal of £18.9m equals the proceeds from disposal of investments of £57.5m
[3] Includes movement in capitalised debt issue costs of £0.3m (2017: £1.0m)

Cash inflows from the portfolio on an Investment Basis were £111.1m (2017: £91.3m) or 1% higher at £92.2m excluding the impact of the disposals of the Highland Schools PPP2 project and 15% of the Oldham Library PPP project. Underlying cash generation excluding profits on disposal was broadly flat in the period as contributions from acquisitions combined with active cash management across the portfolio more than offset the shortfall in yield from the projects not distributing due to Carillion's liquidation.

Cost of new investments by the Corporate Group on an Investment Basis of £99.1m (2017: £450.1m) represents the cash cost of three new investments, one incremental investment, loan note subscriptions, and acquisition costs of £1.3m (2017: £6.0m).

On an IFRS Basis, the Company received £72.5m from its direct Corporate Subsidiary (2017: £66.1m). 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 £0.9m (2017: £268.9m) reflects funds extended by the Company to its direct Corporate Subsidiary in the period, being scrip dividend take up. The comparative period also includes share capital raised net of costs through the June 2017 tap issue.

Hedging and borrowing is undertaken by a Corporate Subsidiary and therefore the Company had no cash flows for this on an IFRS Basis. On an Investment Basis, the £1.6m cash outflow (2017: £1.4m cash outflow) comprised £1.3m from foreign exchange rate hedging settlements in the period and £0.3m movement in capitalised debt arrangement costs. The Corporate Group enters into forward sales to hedge FX exposure in line with the Company's hedging policy set out below.

Dividends paid in the period increased 14%, or £8.7m, to £70.3m (2017: £61.6m) reflecting increased shares in issue combined with a higher dividend per share. Dividend cash cover, which compares operational cash flow excluding profits on disposal of £74.7m (2017: £77.9m) to dividends paid, was 1.06 times[1] (2017: 1.26 times). The reduced dividend cash cover arose from Carillion's insolvency which in the period caused restrictions on distributions to equity on ten projects.

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.

The Group's £400m RCF was renewed on 31 January 2018 on improved terms and has an expiry date of 31 May 2021. The Company is therefore able to confirm that sufficient working capital is available for the financial year ending 31 March 2019, without needing to refinance. Periodically, the Investment Adviser will, however, consider refinancing options aligned to the pipeline of potential transactions. The Group has drawings on its RCF of approximately £70m following the receipt of the proceeds from the sale of the AquaSure Desalination PPP, which was completed after period end. Sufficient capacity is retained on the RCF for the Group to fund additional investments as and when further attractive opportunities arise.

Foreign Exchange Hedging

The Company's hedging policy targets NAV per share volatility of no more than 2% for a 10% movement in foreign exchange rates. The policy balances the cost/benefit of hedging activity whilst retaining the key objective of materially mitigating the impact of foreign exchange movements on HICL's financial results.

Hedging as at 30 September 2018 compared to non-Sterling portfolio values were:

	Non-UK assets £m	FX hedge £m	FX hedge as % of non-UK assets %
Euro	356	162	46%
North America	228	59	26%
Australia	90	91	100%
	674	**312**	**46%**

[1] Including profits on disposal of £18.9m, dividend cash cover was 1.33 times

Metropolitan Police South East London, 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.

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.

On behalf of the Board

I Russell
Chairman
20 November 2018

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 2018 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 2018 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 Dempsey
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey
20 November 2018

Condensed Unaudited Income Statement

for the six months ended 30 September 2018

	Note	Six months ended 30 September 2018 Total £m	Six months ended 30 September 2017 Total £m
Investment income	5	193.9	88.5
Total income		**193.9**	**88.5**
Fund expenses	6	(1.3)	(0.9)
Profit before tax		**192.6**	**87.6**
Profit for the period	9	**192.6**	**87.6**
Earnings per share – basic and diluted (pence)	9	**10.8**	**5.1**

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 2018

	Note	30 September 2018 Unaudited £m	31 March 2018 Audited £m
Non-current assets			
Investments at fair value through profit or loss	11	2,799.5	2,677.2
Total non-current assets		**2,799.5**	**2,677.2**
Current assets			
Trade and other receivables		0.1	–
Cash and cash equivalents		0.2	0.7
Total current assets		**0.3**	**0.7**
Total assets		**2,799.8**	**2,677.9**
Current liabilities			
Trade and other payables		(0.6)	(0.8)
Total current liabilities		**(0.6)**	**(0.8)**
Total liabilities		**(0.6)**	**(0.8)**
Net Assets		**2,799.2**	**2,677.1**
Equity			
Ordinary share capital	12	0.2	0.2
Share Premium	12	2,026.3	2,025.6
Retained reserves		772.7	651.3
Total equity		**2,799.2**	**2,677.1**
Net assets per Ordinary Share (pence)		**156.4**	**149.6**

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

The financial statements were approved and authorised for issue by the Board of Directors on 20 November 2018, 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 2018

	Six months ended 30 September 2018 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 2018	2,025.8	651.3	2,677.1
Profit for the period	**–**	**192.6**	**192.6**
Distributions paid to Company shareholders in cash	–	(70.3)	(70.3)
Distributions paid to Company shareholders by scrip issue	–	(0.9)	(0.9)
Distributions paid to Company shareholders in the period	–	(71.2)	(71.2)
Ordinary Shares issued for cash	–	–	–
Ordinary Shares issued for scrip dividend	0.9	–	0.9
Total Ordinary Shares issued in the period	0.9	–	0.9
Costs of share issue	(0.2)	–	(0.2)
Shareholders' equity at 30 September 2018	**2,026.5**	**772.7**	**2,799.2**

	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)
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 share issue	(1.8)	–	(1.8)
Shareholders' equity at 30 September 2017	**2,024.0**	**687.3**	**2,711.3**

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

Condensed Unaudited Cash Flow Statement

for the six months ended 30 September 2018

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m
Cash flows from operating activities		
Profit before tax	192.6	87.6
Adjustments for:		
Investment income	(193.9)	(88.5)
Operating cash flows before movements in working capital	(1.3)	(0.9)
Changes in working capital:		
Increase in receivables	(0.1)	–
Decrease in payables	(0.2)	(0.5)
Cash flow from operations	(1.6)	(1.4)
Interest received on investments	72.5	66.1
Net cash from operating activities	**70.9**	**64.7**
Cash flows from investing activities		
Investment in subsidiary	(0.9)	(268.9)
Net cash used in investing activities	**(0.9)**	**(268.9)**
Cash flows from financing activities		
Net (payment)/proceeds from issue of share capital	(0.2)	265.5
Distributions paid to Company shareholders	(70.3)	(61.6)
Net cash (used in)/from financing activities	**(70.5)**	**203.9**
Net decrease in cash and cash equivalents	**(0.5)**	**(0.3)**
Cash and cash equivalents at beginning of period	0.7	0.9
Cash and cash equivalents at end of period	**0.2**	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 2018

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 (the "interim financial statements") as at and for the six months ended 30 September 2018 comprise the financial statements for the Company only as explained in Note 2.

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 and Europe.

The statutory financial statements for the year ended 31 March 2018 were approved by the Directors on 22 May 2018 and are available from the Company's Administrator and on the Company's website www.hicl.com. The auditor's report on these interim financial statements was unmodified.

2. KEY ACCOUNTING POLICIES

Basis of preparation

The interim financial statements were approved by the Board of Directors on 20 November 2018.

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").

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 financial instruments are classified as Investments at fair value through profit and loss.

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 2018, except for the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*, which became effective for accounting periods beginning on or after 1 January 2018. The adoption of the new standards had no material impact on the Company's reported results.

Going concern

The Directors have considered areas of financial risk, the Company's access to the Revolving Credit Facility ("RCF") and reviewed cashflow 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 2018
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments at fair value through profit or loss (Note 11)	–	–	2,799.5	2,799.5

				31 March 2018
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments at fair value through profit or loss (Note 11)	–	–	2,677.2	2,677.2

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, along with the working capital of the Corporate Subsidiaries.

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 cashflow 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 period. This valuation uses key assumptions which are benchmarked from a review of recent comparable market transactions in order to arrive at a fair market value. Valuations are performed on a 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 2018	31 March 2018
Inflation Rates	UK (RPI and RPIx)[1] CPIH[2]	2.75% p.a. 2.0% p.a.	2.75% p.a. 2.0% 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.
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	0.5% p.a. to March 2021, 1.5% p.a. thereafter	0.5% p.a. to March 2021, 1.5% p.a. thereafter
	Canada	2.0% p.a. to March 2021, 3.0% p.a. thereafter	2.0% p.a. to March 2021, 3.0% p.a. thereafter
	USA	2.0% p.a. with a gradual increase to 3.0% p.a. long-term	2.0% p.a. with a gradual increase to 3.0% p.a. long-term
Foreign Exchange Rates	CAD / GBP	0.59	0.55
	EUR / GBP	0.89	0.88
	USD / GBP	0.77	0.71
Tax Rates	UK	19% to March 2020, 17% thereafter	19% to March 2020, 17% thereafter
	Eurozone	Ireland 12.5% France 25% – 33.3% Netherlands 20% – 25%	Ireland 12.5% France 25% – 33.3% Netherlands 20% – 25%
	USA	21% Federal & 4.6% Colorado State	21% Federal & 4.6% Colorado State
	Canada	26% and 27%	26% and 27%
GDP Growth Rates	UK	2.0%	2.0%
	Eurozone	1.8%	1.8%
	USA	2.5%	2.5%

[1] Retail Price Index and Retail Price Index excluding mortgage interest payments
[2] Consumer Prices Index including owner occupiers' housing costs

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 ended	Range	Weighted average
30 September 2017	4.9% to 9.8%	7.4%
31 March 2018	4.1% to 9.8%	7.4%
30 September 2018	**3.4%[1] to 9.6%**	**7.2%**

[1] The 3.4% discount rate relates to the A13 senior bonds. The rate is the implied rate from the quoted market price of the bonds at 30 September 2018

3. FINANCIAL INSTRUMENTS (CONTINUED)

A change to the weighted average rate of 7.2% 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 rates	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
September 2018	**+£163.5m**	**£2,799.5m**	**-£148.3m**
March 2018	+£152.4m	£2,677.2m	-£138.7m
Implied change in NAV per Ordinary Share[1] – September 2018 (March 2018)	**+9.1 pence** (+8.5 pence)	**156.4 pence** (149.6 pence)	**-8.3 pence** (-7.7 pence)

[1] Net Asset Value per Ordinary Share based on 1,790 million Ordinary Shares as at 30 September 2018

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 Retail Price Index ("RPI") or RPI excluding mortgage payments ("RPIx") while non-UK projects use Consumer Price Index ("CPI"), 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 rates	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
September 2018	**-£141.7m**	**£2,799.5m**	**+£152.1m**
March 2018	-£125.5m	£2,677.2m	+£146.3m
Implied change in NAV per Ordinary Share[1, 2] – September 2018 (March 2018)	**-7.9 pence** (-7.0 pence)	**156.4 pence** (149.6 pence)	**+8.5 pence** (+8.2 pence)

[1] Analysis is based on the Company's 35 largest investments, pro-rata for the whole portfolio
[2] Net Asset Value per Ordinary Share based on 1,790 million Ordinary Shares as at 30 September 2018

Interest rates

Each portfolio company'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 investments' senior debt funding, though a small number of projects 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 2018 cash deposits for the portfolio were earning interest at a rate of 0.2% per annum on average.

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 rates	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
September 2018	**-£19.5m**	**£2,799.5m**	**+£22.8m**
March 2018	-£21.0m	£2,677.2m	+£24.0m
Implied change in NAV per Ordinary Share[1, 2] – September 2018 (March 2018)	**-1.1 pence** (-1.2 pence)	**156.4 pence** (149.6 pence)	**+1.3 pence** (+1.3 pence)

[1] Analysis is based on the Company's 35 largest investments, pro-rata for the whole portfolio
[2] Net Asset Value per Ordinary Share based on 1,790 million Ordinary Shares as at 30 September 2018

3. FINANCIAL INSTRUMENTS (CONTINUED)

Gross Domestic Product ("GDP") growth rates

The portfolio has 4 projects (2017: 4 projects) where revenues are positively correlated to changes in GDP. These projects are A63 Motorway, M1-A1 Road, Northwest Parkway and High Speed 1 which together comprise 20% of the Investments at fair value through profit or loss.

A change to the GDP growth 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:

GDP growth rates	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
September 2018	**-£88.9m**	**£2,799.5m**	**+£86.4m**
March 2018	-£69.4m	£2,677.2m	+£70.5m
Implied change in NAV per Ordinary Share[1] – September 2018 (March 2018)	**-5.0 pence** (-3.9 pence)	**156.4 pence** (149.6 pence)	**+4.8 pence** (+3.9 pence)

[1] Net Asset Value per Ordinary Share based on 1,790 million Ordinary Shares as at 30 September 2018

Tax rates

The profits of each project company are subject to corporation tax in the country in which the project is located.

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 rates	-5.0% p.a. change	Investments at fair value through profit or loss	+5.0% p.a. change
September 2018	**+£113.2m**	**£2,799.5m**	**-£110.6m**
March 2018	+£106.9m	£2,677.2m	-£106.2m
Implied change in NAV per Ordinary Share[1,2] – September 2018 (March 2018)	**+6.3 pence** (+6.0 pence)	**156.4 pence** (149.6 pence)	**-6.2 pence** (-5.9 pence)

[1] Analysis is based on the Company's 35 largest investments, pro-rata for the whole portfolio
[2] Net Asset Value per Ordinary Share based on 1,790 million Ordinary Shares as at 30 September 2018

Foreign exchange

The Company's hedging policy 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% FX movement. Further detail on the Company's hedging policy is included within Section 8 – Operating & Financial Review.

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

Foreign exchange	-5.0% change	Investments at fair value through profit or loss	+5.0% change
September 2018	**-£18.0m**	**£2,799.5m**	**+£18.0m**
March 2018	-£14.9m	£2,677.2m	+£14.9m
Implied change in NAV per Ordinary Share[1,2] – September 2018 (March 2018)	**-1.0 pence** (-0.8 pence)	**156.4 pence** (149.6 pence)	**+1.0 pence** (+0.8 pence)

[1] Analysis is based on the Company's 35 largest investments, pro-rata for the whole portfolio
[2] Net Asset Value per Ordinary Share based on 1,790 million Ordinary Shares as at 30 September 2018

4. GEOGRAPHICAL ANALYSIS

The tables below provide an analysis based on the geographical location of the Company's underlying investments.

Investment income	UK	Eurozone	North America	Australia	Total
September 2018	**£124.4m**	**£30.5m**	**£30.9m**	**£8.1m**	**£193.9m**
% of Total investment income	**64%**	**16%**	**16%**	**4%**	**100%**
September 2017	£63.2m	£11.7m	£4.3m	£9.3m	£88.5m
% of Total investment income	71%	13%	5%	11%	100%

Investments at fair value through profit and loss	UK	Eurozone	North America	Australia	Total
September 2018	**£2,125.1m**	**£356.4m**	**£227.6m**	**£90.4m**	**£2,799.5m**
% of Total investments	**76%**	**13%**	**8%**	**3%**	**100%**
March 2018	£2,141.8m	£267.7m	£187.4m	£80.3m	£2,677.2m
% of Total investments	80%	10%	7%	3%	100%

5. INVESTMENT INCOME

	Six months ended 30 September 2018 Total £m	Six months ended 30 September 2017 Total £m
Income from investment	72.5	66.1
Gain on valuation	121.4	22.4
	193.9	88.5

6. FUND EXPENSES

	Six months ended 30 September 2018 Total £m	Six months ended 30 September 2017 Total £m
Fees paid to auditor and its associate	0.2	0.2
Investment Adviser fees (Note 13)	0.1	0.1
Directors' fees (Note 13)	0.2	0.2
Professional fees	0.8	0.4
	1.3	0.9

The Company had no employees during the period (31 March 2018: Nil).

7. NET FINANCE INCOME

In the six months ended 30 September 2018, the Company had de minimus net finance income consisting of interest earned on bank deposits offset by some bank charges.

Notes to the Condensed Unaudited Financial Statements

(continued)

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 117 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 2018 Total	Six months ended 30 September 2017 Total
Profit attributable to equity holders of the Company	£192.6m	£87.6m
Weighted average number of Ordinary Shares in issue	1,789.6m	1,725.5m
Basic and diluted earnings per Ordinary Share	10.8 pence	5.1 pence

10. DIVIDENDS

	Six months ended 30 September 2018 Total £m	Six months ended 30 September 2017 Total £m
Total distributions paid to Company shareholders in the period:		
Fourth quarterly interim dividend for the year ended 31 March 2018 of 1.97p (2017: 1.92p) per share	35.2	31.2
First quarterly interim dividend for the year ending 31 March 2019 of 2.01p (2017: 1.96p) per share	36.0	35.0
	71.2	**66.2**

The fourth quarterly interim dividend for the year ended 31 March 2018 of £35.2 million, representing 1.97 pence per share, was paid on 29 June 2018. The first quarterly interim dividend for the year ending 31 March 2019 of £36.0 million, representing 2.01 pence per share, was paid on 28 September 2018. Both dividends are included in the Condensed Unaudited Statement of Changes in Shareholders' Equity.

On 14 November 2018, the Board approved a second quarterly interim dividend for the year ending 31 March 2019 of 2.01 pence per share which will result in a total expected distribution of £36.0m, payable on 31 December 2018. 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 2018.

Interim dividend for the period	Year ending 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2014
3 months ending 30 June	2.01p	1.96p	1.91p	1.86p	1.81p	
3 months ending 30 September	2.01p	1.96p	1.91p	1.86p	1.81p	
3 months ending 31 December		1.96p	1.91p	1.86p	1.81p	
3 months ending 31 March		1.97p	1.92p	1.87p	1.87p	
6 months ending 30 September						3.5p
6 months ending 31 March						3.6p
		7.85p	7.65p	7.45p	7.3p	7.1p

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 £m	31 March 2018 £m
Opening balance	2,677.2	2,419.4
Investments in the period	0.9	266.7
Interest received on investments	(72.5)	(133.0)
Investment income	193.9	124.1
Carrying amount at period end	**2,799.5**	**2,677.2**
This is represented by:		
Greater than one year	2,799.5	2,677.2
Carrying amount at period end	**2,799.5**	**2,677.2**

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, along with the working capital of the Corporate Subsidiaries.

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

The valuation of the Company's underlying portfolio at 30 September 2018 reconciles to the Condensed Unaudited Balance Sheet as follows:

	30 September 2018 £m	31 March 2018 £m
Directors' Valuation	2,904.9	2,836.5
Less: future commitments (Note 14)	(35.3)	(41.9)
Investments at fair value per Investment Basis	2,869.6	2,794.6
Net debt in Corporate Subsidiaries	(154.4)	(115.9)
Working capital in Corporate Subsidiaries	84.3	(1.5)
Investments at fair value per Condensed Unaudited Balance Sheet	2,799.5	2,677.2

Acquisitions
The Company, via its Corporate Subsidiaries, made the following acquisitions during the six months ended 30 September 2018:

- In April 2018 the Company acquired a 85% equity interest in the Biology, Pharmacy and Chemistry Department of the Paris-Sud University for a total commitment of €20.7 million, which includes a loan stock subscription obligation payable following the substantial completion of construction of the project.
- In April 2018, the Company acquired a 75% equity and loan interest in the Belfast Metropolitan College PFI project for total consideration of £6.4 million through an existing joint venture company, Redwood Partnership Ventures 2 Limited, in which the Company has a 75% shareholding.
- In April 2018, the Company acquired a 50% equity and loan interest in the transmission assets associated with the Burbo Bank Extension wind farm for total consideration of £9.9 million.
- In June 2018, the Company acquired an incremental 7.2% equity and loan interest in the A63 Motorway for €62.0 million.

Disposals
The Company, via its Corporate Subsidiaries, made the following disposals during the six months ended 30 September 2018:

- In June 2018, the Company disposed of its 100% equity and subordinated debt interest in the Highland Schools PPP2 project for £56.4 million.
- In July 2018, the Company disposed of 15% of its 90% equity and subordinated debt interest in the Oldham Library PPP project for £0.9 million.

Note 15 details the disposal made by the Company, via its Corporate Subsidiaries, since the period end.

12. SHARE CAPITAL AND RESERVES

Ordinary Shares	30 September 2018 m	31 March 2018 m
Authorised and issued at 1 April	1,789.5	1,623.3
Issued for cash	–	162.2
Issued as a scrip dividend alternative	0.6	4.0
Authorised and issued at end of period – fully paid	1,790.1	1,789.5

The holders of the 1,790,113,245 Ordinary Shares (31 March 2018: 1,789,556,677) 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	30 September 2018 £m	31 March 2018 £m
Opening balance	2,025.8	1,753.5
Premium arising on issue of Ordinary Shares	0.9	274.2
Costs of issue of Ordinary Shares	(0.2)	(1.9)
Balance at end of period	2,026.5	2,025.8

Share capital is £179.0 thousand (31 March 2018: £179.0 thousand).

For the six month period ended 30 September 2018
On 28 September 2018, 0.6 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 158.12p as a scrip dividend alternative in lieu of cash for the first quarterly interim dividend in respect of the year ending 31 March 2019.

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 £13.7m, of which £6.9m remained payable at the period end (2017: £12.6m). The total fees for new portfolio investments were £0.8m, of which the full balance remained payable at the period end (2017: £4.3m). These fees are charged to a Corporate Subsidiary.

The Investment Adviser fee charged to the Company was £0.1 million (disclosed as Investor Adviser fees in Note 6) of which the full balance remained payable at the period end (2017: £0.1 million).

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £177k (disclosed as Directors' fees in Note 6) in the period (2017: £157k). One Director also receives fees for serving as Director of the two Luxembourg subsidiaries – the annual fees are £6k (2017: £6k).

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 2018, the Company, via a Corporate Subsidiary, had £35.3 million commitments for future project investments (31 March 2018: £41.9m).

15. EVENTS AFTER BALANCE SHEET DATE

On 1 November 2018, the Company, via its Corporate Subsidiaries, completed the disposal of its 9.7% interest in the AquaSure Desalination PPP project for AUD161m.

The second quarterly interim dividend for the year ending 31 March 2019 of 2.01 pence per share was approved by the Board on 14 November 2018 and is payable on 31 December 2018 to shareholders on the register as at 23 November 2018.

Directors & Advisers

Directors
Ian Russell, CBE (Chairman)
Mike Bane (Appointed 1 July 2018)
Susie Farnon
Simon Holden
Frank Nelson
Kenneth D. Reid
Chris Russell

Registrar
Link Market Services (Guernsey) Limited
Mont Crevelt House
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Guernsey GY2 4LH

Administrator To Company, Company Secretary And Registered Office
Aztec Financial Services (Guernsey) Limited
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Investment Adviser And Operator
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Auditor
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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
£2.8bn as at 30 September 2018

Market capitalisation
£2.7bn as at 30 September 2018

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;

0.8% above £2.25bn up to £3.0bn; and

0.65% above £3.0bn

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 2018 Annual Report and can be found in full on the Company's website.

ISIN and SEDOL
ISIN: GB00B0T4LH64 SEDOL: B0T4LH6

Website
www.hicl.com

[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

A13 Road, UK

HICL
Infrastructure

Delivering Real Value.

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