# HICL Infrastructure PLC
# Interim Report 2019

Delivering Real Value.

Ecole Centrale Superlec (France)

# Contents



HICL's entire investment business was transferred from HICL Infrastructure Company Limited ("HICL Guernsey") to HICL Infrastructure PLC (the "Company" or "HICL UK") on 1 April 2019, by way of a scheme of arrangement as detailed in the Prospectus dated 4 March 2019. To enable an improved assessment of the Company's investment business comparative data on pages 1-36 (for the six months to 30 September 2018, and as at 31 March 2019) relates to HICL Guernsey, being the owner of HICL's investment business until 1 April 2019. All financial information from 1 April 2019 relates to the Company. Financial information in Section 2 represents the half year financial statements of HICL Infrastructure PLC, prepared in accordance with IFRS, and therefore incorporates the comparatives of the Company only. Throughout "HICL" means HICL Infrastructure Company Limited up to and including 31 March 2019 and HICL Infrastructure PLC from 1 April 2019.

# 2019 Highlights

**157.8p**

**NAV per share**

Up 0.3p from 157.5p at 31 March 2019

**5.7%**

**Annualised Shareholder Return**

Based on interim dividends paid plus uplift in NAV per share in the period (15.0% at 30 September 2018)

**1.05x**

**Dividend cash cover**

1.06x at 30 September 2018

**8.25p**

**Reaffirmed Dividend Guidance[1] for 2020**

**8.45p**

**Reaffirmed Dividend Guidance[1] for 2021**

**8.65p**

**New Dividend Guidance[1] for 2022**

MARKET SEGMENT

**September 2019**

**March 2019**

| | Sep 19 | Mar 19 |
|---|---|---|
| ▲ PPP projects | 71% | 71% |
| ▲ Demand-based assets | 22% | 21% |
| ▲ Regulated assets | 7% | 8% |

GEOGRAPHIC LOCATION

**September 2019**

**March 2019**

| | Sep 19 | Mar 19 |
|---|---|---|
| ▲ UK | 75% | 77% |
| ▲ EU | 17% | 15% |
| ▲ North America | 8% | 8% |

## Top ten investments


## Differentiated Investment Proposition

**LOW SINGLE ASSET CONCENTRATION RISK**

**46%**

Ten largest assets as a proportion of the portfolio as at 30 September 2019

**STRONG INFLATION CORRELATION**

**0.8**

Correlation of portfolio returns to inflation[2] as at 30 September 2019

**GOOD CASH FLOW LONGEVITY**

**28.5 years**

Weighted average asset life as at 30 September 2019

[1] 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

[2] If outturn inflation was 1% p.a. higher than the valuation assumption in each and every forecast period, the expected return from the portfolio (before Corporate Group expenses) would increase by 0.8%

# A portfolio of investments in community infrastructure

"Effective partnerships, that preserve and enhance outcomes, are essential for social sustainability and delivering long-term returns to our investors"

**Ian Russell CBE, Chairman, HICL Infrastructure PLC**

"HICL's portfolio of sustainable and resilient infrastructure investments is embedded in communities, and inherently supports economic development and overall well-being"

**Harry Seekings, Co-Head of Infrastructure, InfraRed Capital Partners**

# A business model that delivers value for stakeholders


**Active management**
Generate base case cash flows and deliver well-maintained infrastructure for end users

**Outperformance**
Improve financial performance and enhance communities' experience of infrastructure

**Resilience**
Construct a sustainable portfolio of investments with a strong, long-term social purpose

"InfraRed has been a signatory of the Principles for Responsible Investment ("PRI") since 2011. We are proud that InfraRed's infrastructure business achieved an A+ rating, the highest attainable, for the fifth successive year in our 2019 PRI assessment."

**Werner von Guionneau, CEO, InfraRed Capital Partners**

*Signatory of:*

https://www.un.org/sustainabledevelopment/

# Chairman's Statement

**Ian Russell, CBE**
Chairman

As an owner and operator of core public infrastructure, the fulfilment of HICL's social responsibilities is fundamental to the Company's investment proposition: the delivery of sustainable, long-term income.

The sustainability of the Company's partnerships is central to generating stable, long-term returns for our investors and is predicated on InfraRed's stakeholder-led approach to managing public infrastructure over the long term. HICL and its shareholders are invested in a portfolio of core infrastructure which sits at the heart of local communities. This confers significant social responsibility onto the Company. As a custodian of public infrastructure, HICL strives to deliver reliably on this responsibility to community partners and other stakeholders. Recognising this, the Company's strategy reflects the Board's commitment to support the UN's Sustainable Development Goals.

"HICL and its shareholders are invested in a portfolio of core infrastructure which sits at the heart of local communities."

The Company's success is based on the prioritisation and protection of its social purpose; and on the success of the relationships HICL shares with communities and stakeholders.

These stewardship responsibilities and the execution of the day-to-day operations to meet them (including both active management of the existing portfolio and comprehensive due diligence of new investments) form the backbone of the governance relationship between the Board and InfraRed, HICL's Investment Manager. The Board has faith that InfraRed takes HICL's stakeholder responsibilities seriously, which extend beyond execution of day-to-day operations. These include wider sustainability considerations recognising InfraRed's commitment to the Principles for Responsible Investment ("PRI") for many years and longstanding rating by PRI as A+, since 2014.

"The Company is extending the dividend guidance by a further year, targeting 8.65p for the year ending 31 March 2022…"

**Financial performance**

I am pleased to report resilient performance in the first half of the year, with Total Shareholder Return[1] on an annualised basis of 5.7% and Net Asset Value ("NAV") growth of 0.3p per share to 157.8p for the six months to 30 September 2019. NAV growth has benefited from a range of value enhancing activities including lifecycle reprofiling and the disposal of two assets at a premium to book value. An analysis of the key movements in the Directors' Valuation in the period can be found in Section 1.2 Valuation of the Portfolio.

The predictability of the long-term, stable cash flows from HICL's portfolio allows the Board to have good visibility over the forecast near-term performance of the Company. Since its initial inception as HICL Infrastructure Company Limited[2], HICL has delivered 12 years of consecutive dividend growth. I am therefore delighted to be able to announce dividend guidance for the year ending 31 March 2022.

[1] NAV (on an Investment Basis) per share appreciation plus dividends paid
[2] On 1 April 2019, HICL's entire investment business was transferred from HICL Infrastructure Company Limited to HICL Infrastructure PLC. See Section 1.6 – Operating & Financial Review for details

The current target dividend guidance of 8.25p per share for the year to 31 March 2020 and 8.45p pence per share to 31 March 2021 is reaffirmed. The Company is extending the dividend guidance by a further year, targeting 8.65p for the year ending 31 March 2022, an increase of 0.2p from the prior year[3].

The payment of sustainable distributions to shareholders is important to the Company and, in this context, the dividend guidance is viewed as appropriate by the Board.

**Business model in action**

The three pillars of HICL's business model: Value Preservation, Value Enhancement and Accretive Investment work together to allow the Company to create and enhance value for communities and investors alike.

**Value preservation and enhancement**

Active management of the underlying assets ensures that users experience well-maintained public infrastructure, whilst the continued drive towards operational efficiencies delivers portfolio outperformance, which in the period has contributed to the increase in NAV.

Many of our shareholders also directly use and benefit from the infrastructure the Company is invested in. For example, those living in the North West of England might access one of over 2,000 beds across five hospitals, one of 24,000 pupil places at 20 schools, or be served by one of 16 police stations in the HICL portfolio. Their homes might be one of the 230,000 homes in the area powered by the offshore wind energy delivered by the Burbo Bank OFTO[4].

HICL shareholders, either directly through personal investments or indirectly through local authority or corporate pension schemes, also benefit from the provision of stable income over the long term.

Through the Investment Manager, the Company also continues to contribute to the UK national debate on the future funding of public infrastructure, via Treasury consultations and contributions to industry body submissions. In these submissions, we hope to demonstrate the positive example of private stewardship of society's core infrastructure assets that HICL seeks to provide, which illustrates HICL's strategy of investing in essential core infrastructure that supports sustainable communities.

**Accretive investment**

HICL continues to build a diversified portfolio of investments which, as set out above, is positioned to deliver resilient, long-term income for shareholders.

The Company's investment activity is motivated by the pursuit of improved portfolio metrics and the delivery of resilient, sustainable returns over the long term. Opportunities are reviewed to assess whether they enhance the investment proposition for shareholders and fit within the Company's social purpose.

The completion of the Company's acquisition of a stake in the Race Bank OFTO (UK), following the period end, exemplifies this mindset; the addition of this asset is accretive to the existing investments, further diversifies the portfolio and facilitates the transmission of renewable energy to over 500,000 UK households, supporting the UK's transition to a low carbon economy.

> "Investment activity is motivated by the pursuit of improved portfolio metrics and the delivery of resilient, sustainable returns over the long term."

Guiding assets through construction to operations provides upside to the Company and offers another route to enhancing value. The financial close of HICL's investment in the Blankenburg Connection PPP project (the Netherlands) therefore represents the opportunity to create further value for shareholders in the future.

HICL has also made strategic disposals to optimise the portfolio, which are due to complete by the end of the year. The sales of both Enniskillen Hospital (UK) and Health & Safety Laboratories (UK) PPP projects delivered significant value for the Group and improved key portfolio metrics.

**Outlook**

The Investment Manager, on the Company's behalf, is cultivating a healthy pipeline of core infrastructure opportunities across the UK, Europe, North America, Australia and New Zealand. Market demand remains high for good quality, core infrastructure investments and pricing discipline therefore remains a key focus.

While the UK has experienced political uncertainty, the Board is confident in the resilience of HICL's business model. With a long-term mindset at its core, the Directors believe the Company's strategy will continue to deliver responsibly managed, core infrastructure for communities and sustainable returns for shareholders.

**Ian Russell**
Chairman
19 November 2019

[3] This is a target only and not a profit forecast. There can be no assurance that this target will be met
[4] Offshore Transmission Owner


A9 Road (Netherlands)

# 01 Strategic Report

# 1.1
# Investment Manager's Report

**Harry Seekings**
Co-Head, Infrastructure, InfraRed
Harry has overall responsibility for leading the InfraRed team in relation to HICL.

**Keith Pickard**
Director, Infrastructure, InfraRed
Keith is responsible for managing the financial activities carried out by InfraRed for HICL and its subsidiaries.

"A long-term, stakeholder-led view unlocks the potential of investments, reduces risk in the portfolio, and creates enduring benefits for local communities."

### The Investment Manager

InfraRed Capital Partners Limited ("InfraRed") acts as the Investment Manager to HICL, and also as Operator of the Group's investment portfolio. InfraRed has also been appointed as HICL's alternative investment fund manager ("AIFM"), under the Alternative Investment Fund Manager Directive ("AIFMD").

InfraRed is an independent investment management firm:

- ▲ Headquartered in London with offices in New York City, Hong Kong, Mexico City, Seoul and Sydney;
- ▲ 20+ year track record of successful investment in infrastructure in over 200 projects;
- ▲ c. 85 infrastructure professionals with in-depth technical, operational and investment knowledge; and
- ▲ Authorised and regulated by the Financial Conduct Authority.

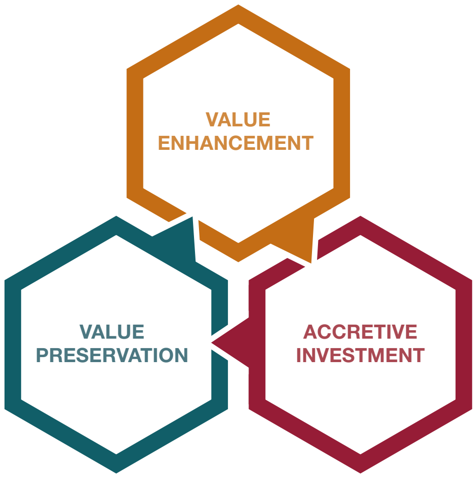
As Investment Manager to HICL, InfraRed has day-to-day responsibility for the Company and interfaces with HICL's key stakeholders. Our activities include:

- ▲ 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 are responsible for preserving and, where possible, enhancing value for stakeholders and shareholders, with a strong focus on client engagement.

In our role as custodians of public infrastructure, we take our responsibilities to HICL's stakeholders seriously. HICL's success is intrinsically linked to our responsible management of key public assets and we work hard to build trusting partnerships between the public and private sectors. InfraRed has been, since 2011, a signatory of the Principles for Responsible Investment ("PRI") and is represented on the Infrastructure Advisory Committee of PRI. The infrastructure business line achieved an A+ rating, the highest attainable, for the fifth successive year in our 2019 PRI assessment. InfraRed's PRI Assessment report can be found on InfraRed's website.

HICL's strategy is to deliver sustainable income from a diversified core infrastructure portfolio (the "Investment Proposition"). This is achieved through successful execution by the Investment Manager across the three pillars of HICL's Business Model:




## Value Preservation

InfraRed's Asset Management and Portfolio Management teams work closely in partnership with the individual management teams in HICL's portfolio companies. These teams deliver HICL's Investment Proposition by preserving the value of investments for shareholders and stakeholders. This is achieved by providing well-maintained infrastructure for end users which generate base-case cash flows for shareholders.

## Value Enhancement

The Asset Management and Portfolio Management teams seek opportunities to deliver outperformance from the portfolio through value enhancements. Resultant financial upside can often be shared, either between HICL's shareholders and public sector clients for PPP projects, or with the customers of regulated assets through periodic regulatory price reviews. This means that projects and assets are both enhanced to the benefit of end users, and contribute to shareholder return through improved financial performance.

## Accretive Investment

InfraRed works to construct and maintain HICL's portfolio such that the Company's Investment Proposition is sustainably delivered, is consistent with HICL's overall risk appetite, and reaffirms the Company's strong social purpose. This is achieved through active due diligence of new investment opportunities.

**Operational highlights**

**PPP projects**

Public-private partnerships ("PPPs") are the foundation of HICL's investment portfolio. At 30 September 2019, HICL held investments in 108 of these, representing 71% of the portfolio, by value.

Portfolio optimisation is a core component of the strategy to deliver value for shareholders. This strategy has continued to be successfully implemented by InfraRed in the six months to 30 September 2019. Accretive acquisitions, coupled with strategic disposals, have delivered improvements in the Company's key portfolio metrics.

In the period, the Company:

- Completed the acquisition of an interest in the Blankenburg Connection PPP project (the Netherlands), which increased HICL's exposure to assets in construction (3% of the portfolio, by value). This provides potential to deliver value enhancement in the future, as construction milestones are achieved and the project is de-risked.
- Agreed the sales of the Group's investments in Enniskillen Hospital (UK) and Health & Safety Laboratories (UK), improving the portfolio's correlation of returns to inflation and also the weighted average asset life of investments in the portfolio. The disposals were announced after the period end and will achieve a premium to carrying value in excess of 10%. Over the past 18 months, we have used selective disposals to crystallise value for HICL's shareholders. Through this process of recycling, almost 7% of portfolio value has been redeployed into attractive long-term investments, which are accretive to the portfolio.

# 1.1
# Investment Manager's Report (continued)

### Demand-based assets

The Company's six demand-based assets represent 22% of the portfolio by value, as at 30 September 2019.

The performance of these assets has generally been good, with traffic on both toll roads, the A63 Motorway in France and the Northwest Parkway in the USA, ahead of expectations.

High Speed 1 ("HS1"), the UK high-speed rail link between St Pancras and the Channel Tunnel, has continued to perform in line with our forecast. HS1 has also submitted its five-year business plan for Control Period 3 ("CP3") for both the route network and the station assets. In each case, draft determinations have been published by the Office of Rail and Road and the Department for Transport. The final determination for the stations was published in October and for the route will be received in January 2020. The concession model means that costs are passed down to the train operating companies so there is little direct impact of the overall determination on HS1's financial performance.

### Regulated assets

HICL has investments in regulated assets (together representing 7% of the portfolio, by value as at 30 September 2019); Affinity Water (6% by value), a water-only company which supplies clean water to 3.6 million people in the south-east of England; and two OFTOs[1,2] which are part of the UK transmission network, supplying renewable energy from offshore windfarms to the UK grid, and which supply enough clean energy to power over 700,000 UK homes.

In July 2019, Ofwat published its draft determination on Affinity Water's business plan for the 2019 Price Review ("PR19") for Asset Management Period 7 (April 2020 to March 2025) ("AMP7"). The regulator has accepted a number of Affinity's performance commitments, and has acknowledged that the company has addressed much of the regulator's feedback. However, elements of the determination represent significant challenges for the company. Aligned to the previous guidance in HICL's Interim Update Statement in August 2019, the impact of both the factors included within the draft determination and the prevailing negative political environment on valuations of private sector investments in UK regulated assets has resulted in a reduction in the value of the Company's investment in Affinity Water at 30 September 2019 by £40m. The final determination on Affinity Water's PR19 business plan for AMP7 will be published in December 2019.

### Financial highlights

Net Asset Value ("NAV") has grown by 0.3p per share to 157.8p for the six months to 30 September 2019. The Company's annualised total shareholder return, based on growth in NAV per share on an Investment Basis plus dividends paid, was 5.7% for the period (2018: 15.0%), and over the 13 years since IPO HICL has delivered 9.3%.

Cash flow receipts from the portfolio on an Investment Basis were £95.2m[3] (2018: £111.1m), and net operating cash flows after finance and operating costs on an Investment Basis were £76.5m[4] (2018: £74.7m excluding profits on disposal), which covered the interim dividends paid in the six-month period 1.05 times (2018: 1.06 times, excluding profits on disposal). Earnings per share were 4.4p (2018: 10.8p). A reconciliation between the IFRS Basis and Investment Basis can be found in Section 1.6 Operating & Financial Review.

HICL uses the Association of Investment Companies ("AIC") methodology to assess the ongoing charges percentage, which for the period was 1.09% (2018: 1.09%).

At the time of writing, HICL has a funding requirement of approximately £90m. The Board and Investment Manager continue to assess market conditions when considering the timing of activities to manage HICL's funding position and RCF balance, which could include capital raising.

### Sustainability

InfraRed takes seriously the responsibilities that come with stewardship of essential public infrastructure. Taking a long-term, stakeholder-led view unlocks the potential from investments, reduces risk in the portfolio, and creates enduring benefits for local communities. Short-term decision making at the expense of future success undermines stakeholder trust and would endanger the Company's ability to deliver income in the long term.

The PRI principles provide a voluntary framework for incorporating Environmental, Social and Governance ("ESG") issues into investment practice, contributing to a sustainable financial system. In its annual assessment by PRI, InfraRed has achieved the highest possible rating for the past five years, ranking well above industry standards. InfraRed's Responsible Investment Transparency Report, PRI Assessment and ESG policy are available via the ESG page of the Investment Manager's website.

Sustainability matters are integrated into InfraRed's investment decisions and management processes.

[1] The Race Bank OFTO, which reached financial close following the period end, is not included in the 7% regulated asset total
[2] There are a further two OFTO investments which HICL has preferred bidder status on – these are expected to close in the first half of 2020
[3] £76.1m on an IFRS Basis
[4] £75.3m on an IFRS Basis

### Key risks

Each quarter the Board's Risk Committee reviews the risk appetite of the Company. This includes an assessment of emerging risks, supported by comprehensive stress testing and associated mitigation strategies. Risks are reviewed and steps are taken to reduce the impact on stakeholders, including the Company's shareholders.

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 2019 Annual Report for HICL Infrastructure Company Limited, which is available on the Company's website.

#### Political and regulatory risk

The UK political landscape remains a key risk faced by HICL.

#### Part of the conversation

As a custodian of essential public infrastructure, InfraRed is actively involved in the national debate on the future of infrastructure financing and regulation, and in articulating the benefits of private sector involvement in the delivery of infrastructure.

InfraRed submitted evidence, in April 2019, to the National Infrastructure Commission for its *The Future of Regulation Study* and a response, in June 2019, to the *Infrastructure Finance Review Consultation* launched by HM Treasury and the Infrastructure and Projects Authority.

We are also an active participant in a number of industry bodies and contributed to the submissions made by the AIC, the Global Infrastructure Investor Association and The Infrastructure Forum during the period.

#### Brexit

HICL's investment proposition provides long-term investors with returns that have strong inflation correlation, low impact from deposit rate changes and a low correlation to UK GDP. Whilst the conclusion of Brexit remains unclear, and a range of outcomes remain possible, these characteristics provide a measure of mitigation against an adverse impact of the eventual outcome.

For HICL, the impact is most likely to be in deviations from macro-economic assumptions used in the portfolio valuation and cash flow forecasts, including metrics such as inflation, deposit interest rates and GDP growth rate.

HICL's foreign exchange policy balances the volatility that may arise from foreign exchange movements, including as a result of Brexit, with the cost of hedging.

Assets which may be directly impacted by a disorderly Brexit in the short term, such as HS1, have contingency plans in place to alleviate potential disruption of services.

The inherent resilience that comes with a well-diversified portfolio helps the Company to withstand economic shock. The Company's low beta versus equity markets of 0.26[5] positions HICL's shareholders well in times of market turmoil.

### Market and outlook

The market for core infrastructure investments continues to be very competitive, characterised by high levels of demand from unlisted investors for good quality infrastructure assets. InfraRed remains focused on pricing discipline when assessing opportunities, to ensure that new acquisitions meet the Company's accretion tests and improve portfolio metrics.

HICL is a long-term, buy-and-hold investor; however current market conditions are favourable for selective strategic disposals. These can propel organic growth and provide opportunities to deliver additional value for shareholders by recycling capital into investments which are more accretive to the portfolio as a whole. This strategy has been successful over the past 18 months and clearly demonstrates that HICL has a range of routes to successfully grow NAV.

Despite the challenging market dynamics, the pipeline for HICL remains healthy, with InfraRed leveraging its expertise and network of relationships to generate new investment opportunities for the Company. These include PPPs in Northern Europe and North America and regulated assets in selected geographies, including additional OFTOs. Selectively, the Investment Manager also continues to consider assets with corporate offtake counterparties, such as rolling stock or metering businesses.

Overall, InfraRed believes that the infrastructure asset class has unique attractions for yield investors, particularly in a low interest rate environment. HICL has market-leading, differentiated characteristics, a well-diversified portfolio and a pipeline of opportunities for growth, meaning that the Company is well-positioned for the future.

[5] Average 250-day rolling beta versus the FTSE All Share over the past three years

**N17/N18 Road (Ireland)**

# 1.2
# Valuation of the Portfolio

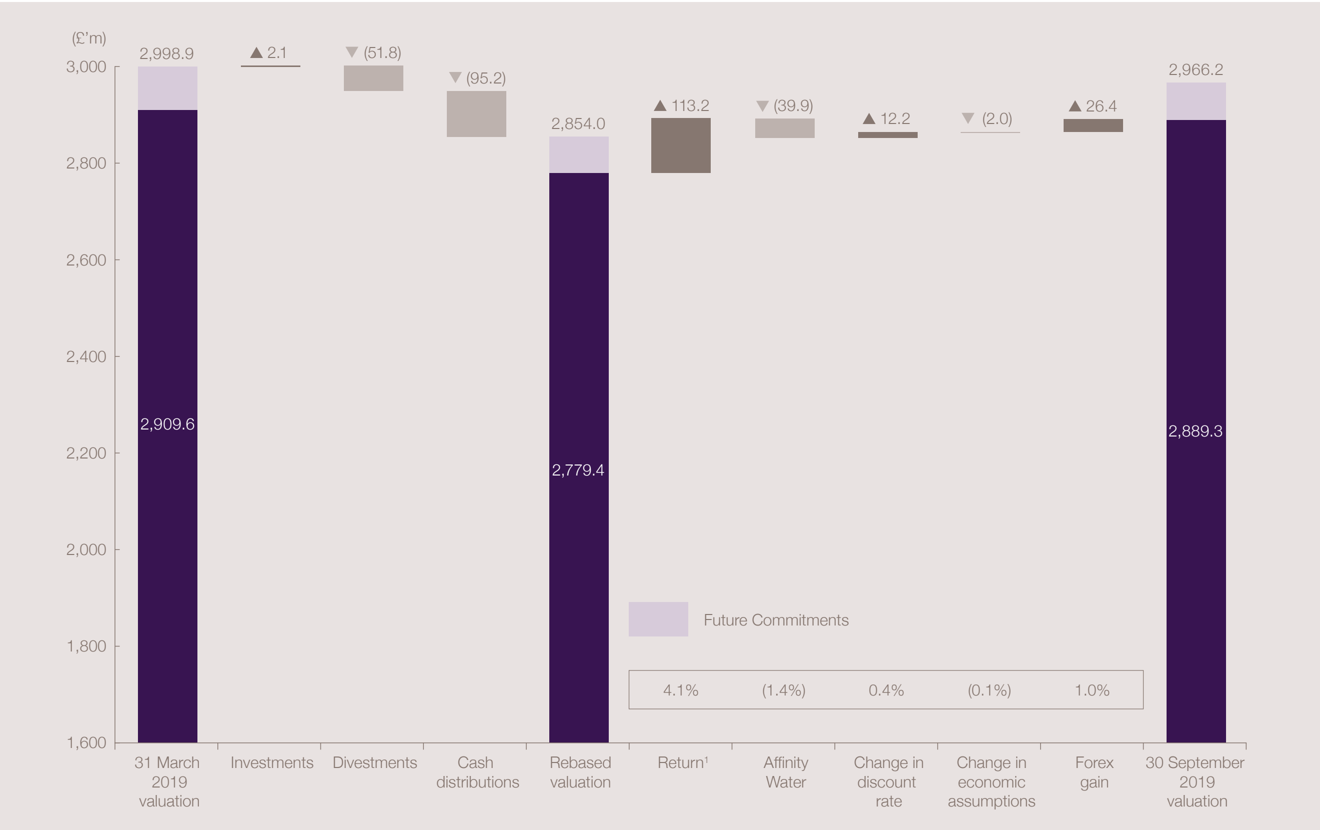
### Valuation and discount rates

InfraRed, in its capacity as Investment Manager 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 and 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 report and opinion from a third party on the valuation prepared by InfraRed. 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 HICL Guernsey's IPO in 2006 and in each subsequent six-month reporting period (further details can be found in the HICL Infrastructure Company Limited's March 2019 Prospectus, available from the Company's website).

The Directors' Valuation of the portfolio on an Investment Basis at 30 September 2019 was £2,966.2m[2], compared to £2,998.9m at 31 March 2019 (down 1.1%). A reconciliation between the Directors' Valuation at 30 September 2019 and that shown in the financial statements is given in Note 11 to the financial statements. The Directors' Valuation includes £76.9m of future investment commitments in respect of A9 Road, Blankenburg Connection 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 net portfolio outperformance, excluding Affinity Water and the impact of changes in economic assumptions, discount rates and FX rates
[2] £2,966.2m excludes Health & Safety Labs and Enniskillen Hospital PPP projects, which exchanged on 27 September 2019 and are due to complete by the end of the year, and reconciles, on an Investment Basis, to £2,889.3m Investments at fair value through £76.9m of future commitments

# 1.2
# Valuation of the Portfolio (continued)

### Rebased net valuation

Valuation blocks (purple) have been split into investments at fair value[1] and future commitments. 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 2019 (£m)**

| | £'m | £'m | % Change |
|---|---|---|---|
| **Directors' Valuation at 31 March 2019** | | **2,998.9** | |
| Investments | 2.1 | | |
| Divestments | (51.8) | | |
| Cash receipts from investments | (95.2) | | |
| | | (144.9) | |
| Less future commitments | | (74.6) | |
| **Rebased valuation of the portfolio** | | **2,779.4** | |
| Return[2] from the portfolio | 113.2 | | 4.1% |
| Affinity Water | (39.9) | | (1.4%) |
| Change in discount rate | 12.2 | | 0.4% |
| Economic assumptions | (2.0) | | (0.1%) |
| FX movement on non-UK investments | 26.4 | | 1.0% |
| | | 109.9 | 4.0% |
| Future commitments | | 76.9 | |
| **Directors' Valuation at 30 September 2019[3]** | | **2,966.2** | |

Allowing for the investments and divestments during the period, and investment receipts of £95.2m, the rebased valuation was £2,779.4m. The growth in the valuation of the portfolio excluding future commitments at 30 September 2019 over the rebased value was 4.0%.

The increase arises from a £113.2m return from the portfolio, a write-down of £39.9m for Affinity Water, a £12.2m increase from a reduction in reference discount rates in Eurozone and Canada, a £2.0m decrease from a reduction in long-term interest rates in the Eurozone and an increase in tax rates in the Netherlands and a £26.4m (pre-hedging) increase from a change in foreign exchange rates.

### Return from the portfolio

The return from the portfolio of £113.2m (2018: £116.9m) represents a 4.1% (2018: 4.4%) increase in the rebased value of the portfolio over the six-month period.

Incremental value was generated from operational outperformance across various cost saving and efficiency initiatives. Further detail on these factors is outlined in Section 1.6 – Operating & Financial Review.

### Affinity Water

As announced in the Interim Update Statement on 6 August 2019, Affinity Water received its Draft Determination for Price Review 19 ("PR19") from the regulator ("Ofwat") on 18 July 2019. Ofwat noted a number of performance commitments had been addressed, however there were still significant challenges. Affinity Water responded in August with a final submission and the Final Determination from Ofwat is expected in December 2019. Based on this latest submission to Ofwat, and aligned to the previous guidance in the Company's Interim Update Statement in August 2019, the valuation of Affinity Water at 30 September 2019 has been reduced by £39.9m compared with the valuation as at 31 March 2019. This reduction reflects, broadly in equal measure i) analysis of the latest draft determination in relation to its business plan for AMP7; and ii) the impact of the prevailing negative political environment on valuations of private sector investments in UK regulated assets.

For further information on this please refer to Section 1.6 – Operating & Financial Review.

[1] On an Investment Basis
[2] "Return" comprises the unwinding of the discount rate and portfolio outperformance, excluding Affinity Water and the impact of changes in economic assumptions, discount rates and FX rates
[3] A reconciliation between the Directors' Valuation and the financial statements is given in Note 11 to the financial statements

## 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 Manager'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 independent third party valuation expert to ensure that the valuation of the Group's portfolio is appropriate.

The weighted average discount rate at 30 September 2019 is 7.1%, down from 7.2% at 31 March 2019. This reflects the reduction in reference discount rates in the Eurozone where we have seen government bond yields decrease and Canada where the Investment Manager has observed transactional activity that implies a reduction in risk premiums. The 0.1% increase in the UK weighted average discount rate is due to a rise in the discount rate applied to Affinity Water's valuation.

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 below:

| | 30 September 2019 | | | | |
|---|---|---|---|---|---|
| **Country** | **Long-term government bond yield** | **Risk premium** | **Discount rate** | **31 March 2019 Discount rate** | **Movement** |
| UK | 0.9% | 6.2% | 7.1% | 7.0% | 0.1% |
| Eurozone | 0.1% | 7.0% | 7.1% | 7.3% | (0.2%) |
| North America | 1.8% | 6.0% | 7.8% | 8.0% | (0.2%) |
| **Portfolio** | **0.9%** | **6.2%** | **7.1%** | **7.2%** | **(0.1%)** |

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

# 1.2 Valuation of the Portfolio (continued)

**Valuation assumptions**

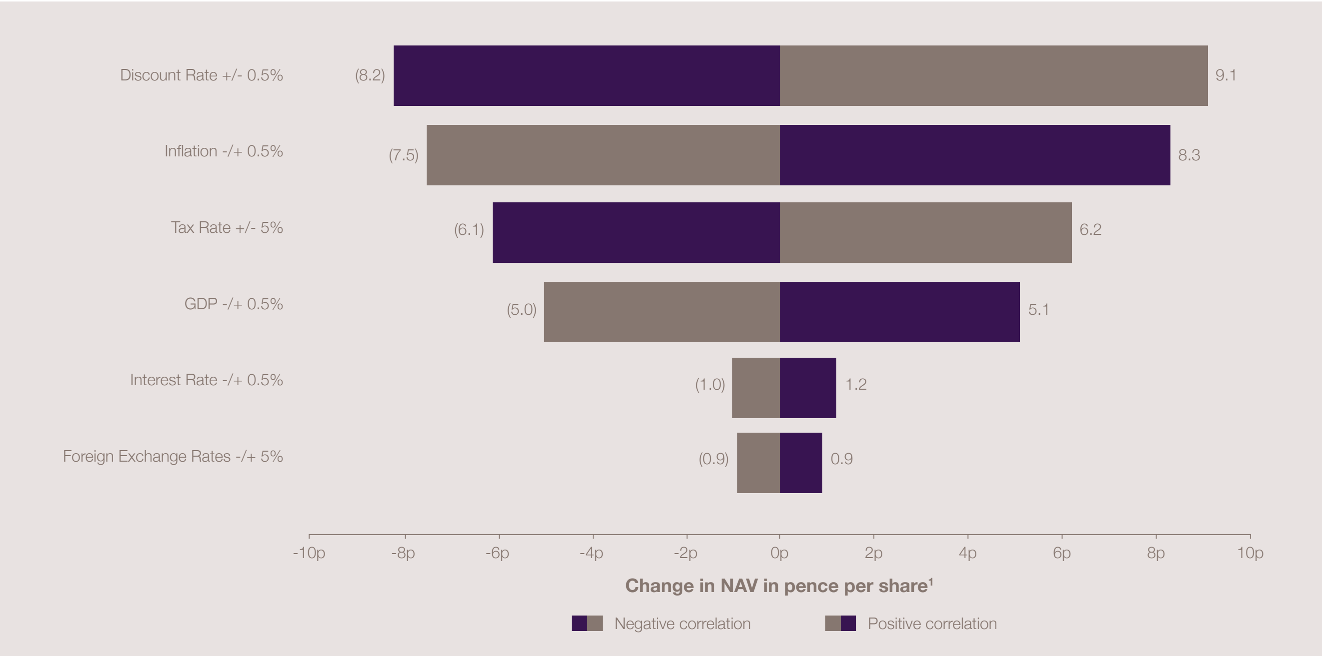
Apart from the discount rates, the other key economic assumptions used in determining the Directors' Valuation of the portfolio are as follows:

| | | 30 September 2019 | 31 March 2019 |
|---|---|---|---|
| **Inflation Rates** | UK (RPI and RPIx)[1]<br>UK (CPIH)[2] | 2.75% p.a.<br>2.0% p.a. | 2.75% p.a.<br>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** | UK | 1.0% p.a. to March 2022, 2.0% p.a. thereafter | 1.0% p.a. to March 2022, 2.0% p.a. thereafter |
| | Eurozone | 0.5% p.a. to March 2022, 1.0% p.a. thereafter | 0.5% p.a. to March 2022, 1.5% p.a. thereafter |
| | Canada | 2.0% p.a. to March 2021, 2.5% p.a. thereafter | 2.0% p.a. to March 2021, 2.5% p.a. thereafter |
| | USA | 2.0% p.a. with a gradual increase to 2.5% p.a. long-term | 2.0% p.a. with a gradual increase to 2.5% p.a. long-term |
| **Foreign Exchange Rates** | CAD / GBP | 0.61 | 0.57 |
| | EUR / GBP | 0.89 | 0.86 |
| | USD / GBP | 0.81 | 0.77 |
| **Tax Rates** | UK | 19% to March 2020, 17% thereafter | 19% to March 2020, 17% thereafter |
| | Eurozone | Ireland 12.5%<br>France 25% - 33.3%<br>Netherlands 21.7% - 25% | Ireland 12.5%<br>France 25% - 33.3%<br>Netherlands 20.5% by 2025 |
| | 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 ("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[1,2,3]. The sensitivities are also contained in Note 3 to the interim financial statements.




### 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.

[1] NAV per share based on 1,791m Ordinary Shares as at 30 September 2019
[2] Sensitivities for inflation, interest rates and tax rates are passed on the 35 largest investments extrapolated for the whole portfolio
[3] Foreign exchange rate sensitivity is net of Corporate Group hedging at 30 September 2019

# 1.2
# Valuation of the Portfolio (continued)

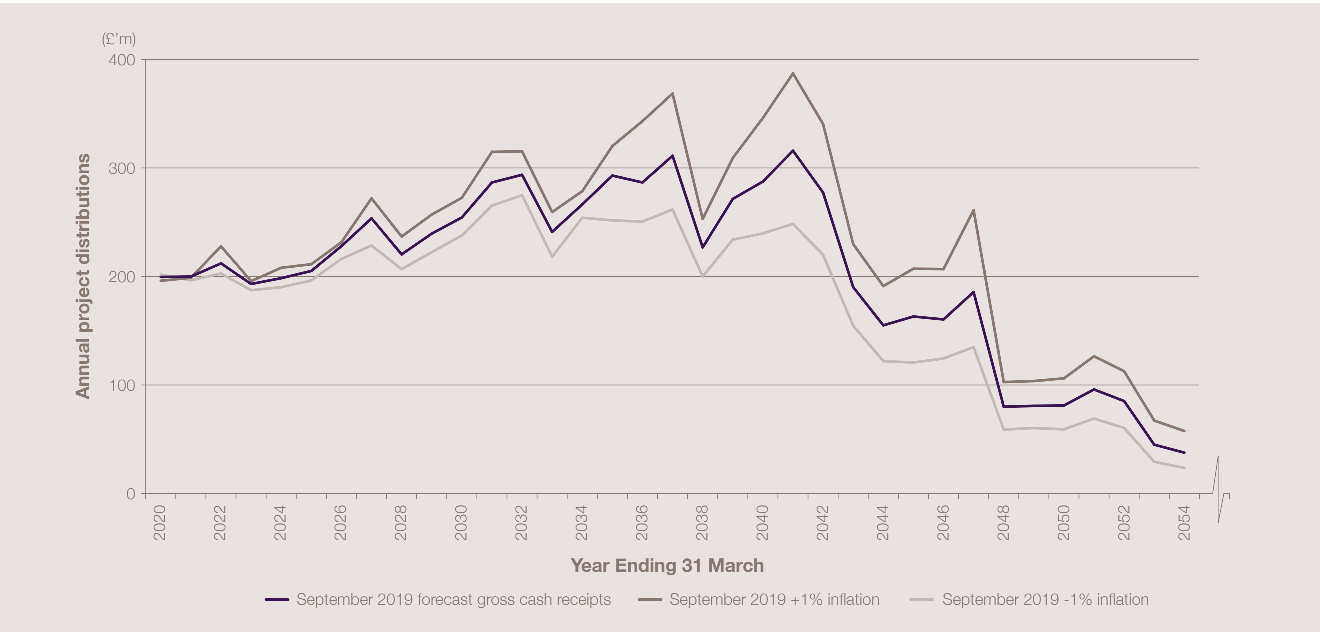
On the demand-based assets the concession agreement usually prescribes how user fees are set, which is generally rebased annually for inflation. Similarly, for PPP projects in the UK this is typically RPI, while non-UK projects use CPI. On Affinity Water, one of the Company's regulated assets, revenues 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 2019 was 0.8 (March 2019: 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 by 0.8% from 7.1% to 7.9%.

In the UK RPI and RPIx were both 2.4% for the year ended 30 September 2019. 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 2019 forecasts for RPI out to December 2020 range from 2.2% to 4.2% from 20 independent forecasters as compiled by HM Treasury, with an average forecast of 3.0%.

On 4 September 2019, the UK government published its response to the UKSA's proposed reform of RPI to potentially align it to CPIH. This could result in a material reduction in the level of RPI from 2025 or 2030. The historical difference between RPI and CPIH has averaged 0.8% – 0.9%. Since 4 September 2019 the movement in RPI from 2030 implied by the narrowing in the difference between long-term RPI and CPI swap rates is a reduction of around 0.1% which, if applied to the valuation of the portfolio, would reduce it by an insignificant 0.1%. The 25-year RPI swap rate at 30 September 2019 was 3.4%, 0.65% above HICL's UK RPI forecast assumption of 2.75%, therefore we have not made a downward adjustment to the long-term UK RPI forecast assumption.

**Cash flow sensitivity to inflation**

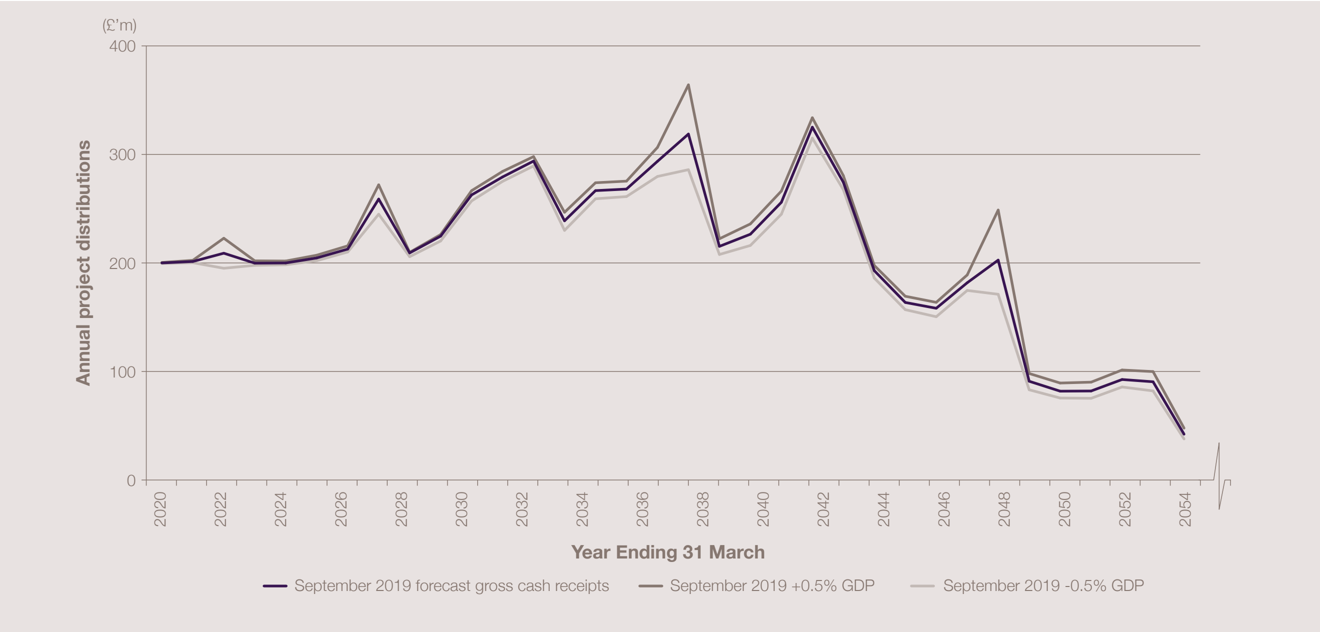


### Gross Domestic Product ("GDP") Growth Rate Sensitivity

At 30 September 2019, the portfolio had four investments which are considered sensitive to GDP, namely the A63 Motorway (France), High Speed 1, M1-A1 Road and Northwest Parkway (USA). 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 16 for all future periods, expected return from the portfolio (before Group expenses) would decrease by 0.2% from 7.1% to 6.9% (decrease by 0.2% to 7.0% at 31 March 2019).

**Cash flow sensitivity to GDP Growth Rates**




### 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 2019, cash deposits for the portfolio were earning interest at a rate of 0.8% 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 2020 of 1.0% p.a.

The portfolio valuation assumes UK deposit interest rates are 1.0% p.a. to March 2022 and 2.0% p.a. thereafter; this is unchanged from March 2019. Forecast Eurozone deposit interest rates have reduced from 1.5% to 1.0% from 2022 to reflect lower interest rate expectations. All other jurisdictions remain unchanged from March 2019.

### 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.

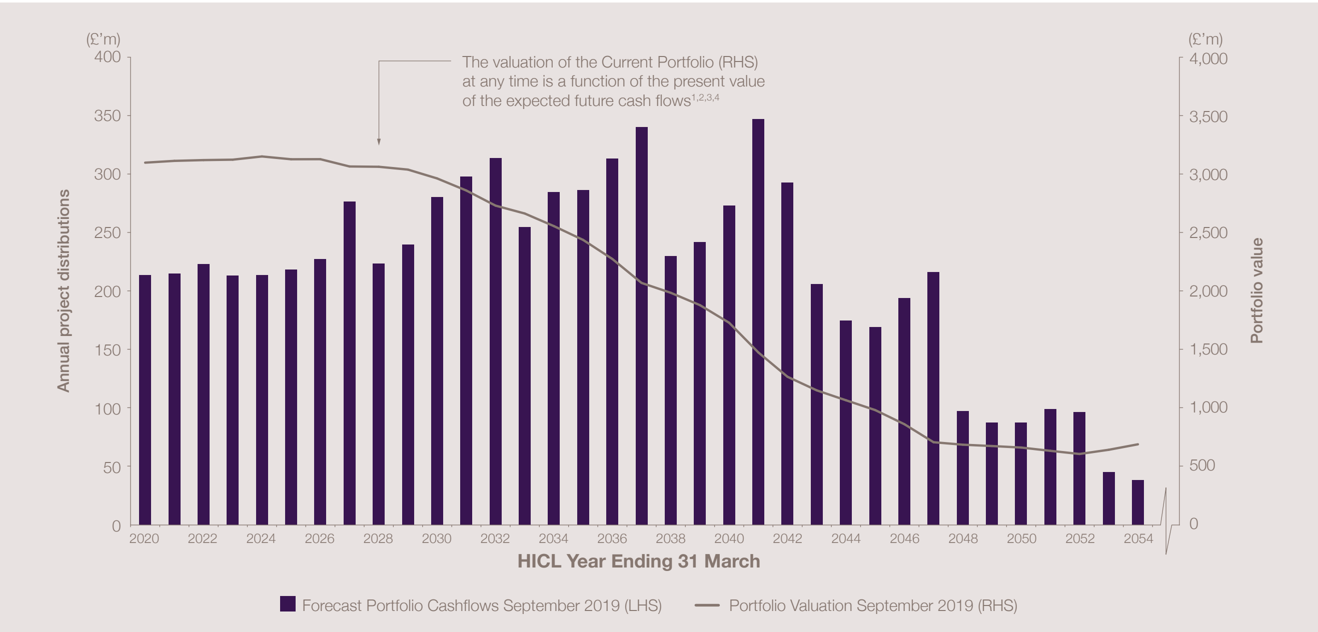
There has been a suggestion that a future UK government could consider raising UK corporation tax rates. To the extent there were a 5% increase in UK corporation tax rates, there would be a NAV per share reduction of 4.6p.

# 1.2
# Valuation of the Portfolio (continued)

The UK corporation tax assumption for the portfolio valuation is 19% to March 2020 and 17% thereafter, which is unchanged from March 2019. The tax rates in the Netherlands have increased slightly to 25% from 22.6% for 2020 and to 21.7% from 20.5% from 2021.

**Foreign exchange rates sensitivity**
25% 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 17 is net of the Group's foreign exchange hedges at 30 September 2019. Further detail on the Company's foreign exchange policy is outlined in Section 1.6 – the Operating & Financial Review.

**Future cash flows[1,2,3]**
The chart below shows the expected future cash flows to be received by the Group from the portfolio as at 30 September 2019 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.




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 target dividend of 8.25p per share for the year to 31 March 2020 and that there should be sufficient cash cover for the target dividends which have been announced for the following two years:

▲ 8.45p per share for the year to 31 March 2021[5]; and

▲ 8.65p per share for the year to 31 March 2022[5].

[1] The chart represents a target only and is not a profit forecast. There can be no assurance that this target will be met
[2] The cash flows and the valuation are based on a number of assumptions, including discount rates, inflation rates, deposit interest rates, tax rates and foreign exchange rates. These assumptions and the valuation of the current portfolio may vary over time
[3] The cash flows and the valuation are from the portfolio of 116 investments (excluding Health & Safety Labs and Enniskillen Hospital) at 30 September 2019 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
[4] Valuation considers cash flows beyond 2054, for example for Northwest Parkway (USA) 88 years of cash flows, are assumed
[5] This is a target only and not a profit forecast. There can be no assurance that this target will be met

**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, 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 Manager 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.

# 1.3
# Key Performance Indicators

The Board has identified metrics to measure clearly the Company's performance against its strategic objectives. The results for the six months ended 30 September 2019 are set out below.

| KPI | Measure | Objective | Commentary | 30 September 2019 | 30 September 2018 |
|---|---|---|---|---|---|
| **Dividends** | Aggregate interim dividends declared per share for the year | An annual distribution of at least that achieved in the prior year | **Achieved** | 4.12p | 4.02p |
| **Total Shareholder Return** | NAV growth and dividends paid per share since IPO | A long-term IRR target of 7% to 8% as set out at IPO[1] | **Achieved** | 9.3% p.a. | 9.5% p.a. |
| **Cash-covered Dividends** | Operational cash flow/ dividends paid to shareholders | Cash covered dividends | **Achieved** | 1.05x | 1.06x |
| **Positive Inflation Correlation** | Changes in the expected portfolio return for 1% p.a. inflation change | Maintain positive correlation | **Achieved** | 0.8% | 0.8% |
| **Competitive Cost Proposition** | Annualised ongoing charges/ average undiluted NAV[2] | Efficient gross (portfolio level) to net (investor level) returns, with the intention to reduce ongoing charges where possible | **Market competitive cost proposition** | 1.09% | 1.09% |

[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] Calculated in accordance with Association of Investment Companies guidelines. Ongoing charges excluding non-recurring items such as acquisition costs

Allenby & Connaught (UK)

# 1.4
# Portfolio Analysis

as at 30 September 2019

## MARKET SEGMENT

**September 2019**

**March 2019**

| | Sep 2019 | Mar 2019 |
|---|---|---|
| ▲ PPP projects | 71% | 71% |
| ▲ Demand-based assets | 22% | 21% |
| ▲ Regulated assets | 7% | 8% |

## GEOGRAPHIC LOCATION

**September 2019**

**March 2019**

| | Sep 2019 | Mar 2019 |
|---|---|---|
| ▲ UK | 75% | 77% |
| ▲ EU | 17% | 15% |
| ▲ North America | 8% | 8% |

## OWNERSHIP STAKE

**September 2019**

**March 2019**

| | Sep 2019 | Mar 2019 |
|---|---|---|
| ▲ 100% ownership | 26% | 25% |
| ▲ 50% – 100% ownership | 32% | 32% |
| ▲ Less than 50% ownership | 42% | 43% |

## SECTOR

**September 2019**

**March 2019**

| | Sep 2019 | Mar 2019 |
|---|---|---|
| ▲ Accommodation | 11% | 11% |
| ▲ Education | 14% | 15% |
| ▲ Electricity, Gas & Water | 7% | 8% |
| ▲ Health | 29% | 28% |
| ▲ Fire, Law & Order | 7% | 7% |
| ▲ Transport | 32% | 31% |

## INVESTMENT STATUS

**September 2019**

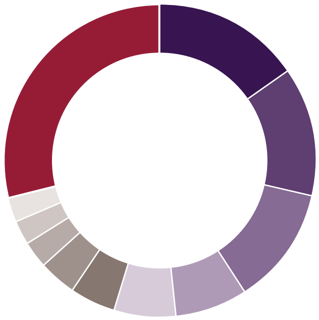
**March 2019**

| | Sep 2019 | Mar 2019 |
|---|---|---|
| ▲ Fully operational | 97% | 97% |
| ▲ Construction | 3% | 3% |

## TEN LARGEST INVESTMENTS

| | |
|---|---|
| High Speed 1 | 7% |
| A63 | 7% |
| Northwest Parkway | 6% |
| Affinity Water | 6% |
| Southmead Hospital | 4% |
| Pinderfields & Pontefract Hospitals | 4% |
| Home Office | 4% |
| Dutch High Speed Rail Link | 3% |
| Queen Alexandra Hospital | 3% |
| Allenby & Connaught | 2% |
| Remaining Investments | 54% |

## TEN LARGEST FACILITIES MANAGEMENT AND OPERATIONS COUNTERPARTY EXPOSURES[1]

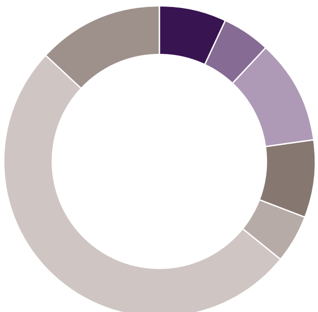


| | |
|---|---|
| Bouygues | 15% |
| Engie | 13% |
| In House | 12% |
| Network Rail | 7% |
| EGIS | 7% |
| Mitie | 5% |
| Sodexo | 4% |
| Siemens | 3% |
| Integral | 3% |
| KBR | 2% |
| Other | 29% |

## TEN LARGEST CONSTRUCTION COUNTERPARTY EXPOSURES[1,2]

| | |
|---|---|
| Balfour Beatty | 9% |
| Colas | 7% |
| Laing O'Rourke | 3% |
| DEME | 2% |
| Bouygues | 2% |
| Hochtief | 2% |
| Bilfinger | 1% |
| Strabag | 1% |
| Lendlease | 1% |
| Other contractors | 8% |
| Latent defects limitation/Warranty period expired | 51% |
| Affinity Water and High Speed 1 | 13% |

## LATENT DEFECTS LIMITATIONS/ WARRANTY PERIODS REMAINING[1,2]



| | |
|---|---|
| Within 1 year | 7% |
| 1–2 years | 5% |
| 2–5 years | 11% |
| 5–10 years | 8% |
| 10+ years | 5% |
| Latent defects limitation/ Warranty period expired | 51% |
| Affinity Water and High Speed 1 | 13% |

[1] By value, at 30 September 2019, using Directors' Valuation excluding A13 senior bonds. Where a project has more than one contractor in a joint and several contract, the better credit counterparty has been selected (based on analysis by the Investment Manager). 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

[2] Assets subject to regulatory regimes that help mitigate the potential impact of defects on equity

# 1.5
# The Investment Portfolio

116 assets as at 30 September 2019[1]

## Education 14%[2]

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

## Health 29%

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

## Fire, Law & Order 7%

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

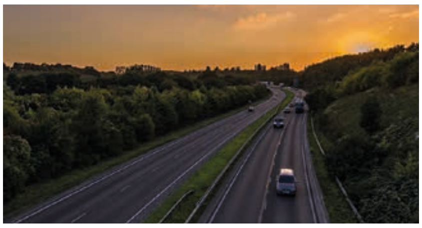
**Key**

- ▲ New investment since 31 March 2019
- ▲ New investment after the period end 30 September 2019
- ▲ Disposal agreed prior to the period end 30 September 2019

[1] Excludes Health & Safety Labs and Enniskillen Hospital PPP projects which exchanged on 27 September 2019 and are due to complete by the end of the year. Excludes Race Bank OFTO which exchanged post period end

[2] By value, at 30 September 2019, using the Directors' Valuation of £2,966.2m

## Transport 32%



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

## Accommodation 11%

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

## Electricity, Gas & Water 7%

- Affinity Water
- Burbo Bank OFTO
- Race Bank OFTO[2]

## Asset Spotlight

### Blankenburg Connection (Netherlands)

The project is to design, build, finance and maintain a new road connection near Rotterdam in the Netherlands. The availability PPP project mainly involves the construction of a 4.2km tunnel under the Nieuwe Maas river near Rotterdam, linking the A15 and A20 motorways. Construction is due to be completed in 2025.

### Race Bank OFTO

The transmission assets associated with the Race Bank Windfarm, located off the coast of Norfolk. The Race Bank OFTO facilitates the transmission of renewable energy to over 500,000 UK homes, contributing to the UK's transition to a low-carbon economy. Renewable Energy Systems will provide certain operations and maintenance services to the OFTO under a long-term subcontract.

### Allenby & Connaught

A variation at Allenby & Connaught to construct new buildings across the four army garrisons in the project has given the opportunity to incorporate new sustainable initiatives into the build. Photovoltaic panels now cover 5,920m2 of roofing at the PPP project, providing a potential 508,798kWhr of electricity annually.

*Photo courtesy of: Aspire Defence Capital Works*

[2] Race Bank OFTO completed after the period end and is not included in the Directors' Valuation or number of assets

# 1.6
# Operating & Financial Review

### A sustainable business model

The Company's Business Model is set out in Section 1.1 – the Investment Manager's Report, and it is delivered on a day-to-day basis by InfraRed. The Investment Manager's approach to the active management of the Company and its portfolio flows from InfraRed's culture, which is expressed through its corporate values: Partnership, Curiosity, Fulfilment, Passion and Trust. InfraRed brings these together with two internationally recognised frameworks: the Principles for Responsible Investment ("PRI") and the United Nations' Sustainable Development Goals ("SDGs"). The Investment Manager aims to create sustainable partnerships between HICL and its key stakeholders.

**Developing innovative infrastructure, and building resilient cities and communities**

Each of the assets in which the Company has invested contributes towards delivering these SDGs. For example, the 150+ schools in HICL's PPP portfolio, which have a pupil capacity of c. 120,000 contribute to:

- **SDG 17 – Partnerships for the goals:** the contractual structure for the delivery of the schools' infrastructure works due to the strong partnerships between the public sector, as project clients, and private sector, as asset managers and contractors;
- **SDG 9 – Industry, innovation and infrastructure:** the portfolio companies provide well-maintained learning and recreational environments for pupils and the communities where the schools are located, which supports economic development and human well-being with equitable access for all; and
- **SDG 11 – Sustainable cities and communities:** schools that incorporate safe, inclusive and accessible green and public spaces, including artificial sports pitches and halls, for both the pupils of the schools and the communities that often use the school facilities outside of core teaching hours.

In addition, the schools in HICL's PPP portfolio support the delivery of SDG4 – Quality education. The underlying project contracts result in the construction, upgrade and ongoing maintenance of inclusive learning environments, and these are supplemented by asset-level environmental, social and governance ("ESG") initiatives developed in partnership with public sector clients such as those set out in the Strengthening Partnerships section under Value Enhancement below.

InfraRed is continuing to advance its approach to incorporating sustainability into its business practices, taking an existing, successful model and further enhancing it. This will support HICL's strategic objective to deliver stable, long-term returns to shareholders founded on sustainable partnerships.

This evolution will include consideration of which SDGs the Company will actively promote through ESG initiatives. This is in addition to those SDGs that which the portfolio inherently supports as set out below:

**10 million**
Over 10 million people with direct access to the healthcare facilities in the portfolio

**120,000**
Over 120,000 student places across the school, college and university facilities in the portfolio

**3.6 million**
Population served with clean water by Affinity Water

**1.8 GW[1]**
Connecting offshore wind generation with enough capacity to power 1.7 million homes

**500**
Over 500km of road and high speed railway across the portfolio delivering regional interconnectivity

**50**
Over 50 police stations, custody centres, fire stations and training facilities

[1] Includes two OFTOs at preferred bidder stage
https://www.un.org/sustainabledevelopment/

## Business model in action

This report provides additional commentary on the Value Enhancement, Value Preservation and Accretive Investment pillars of the Business Model to give additional texture on activities at asset, portfolio and Group level. These initiatives, whilst not material individually, resulted in net outperformance of the Group's investments in PPP projects and demand-based assets.

Portfolio statistics and characteristics are set out in Section 1.4 – Portfolio Analysis.

## Value Enhancement

InfraRed's Asset Management and Portfolio Management teams seek opportunities to deliver outperformance from the portfolio through value enhancements, which enhance communities' experience of infrastructure and/or improve long-term financial performance.

Initiatives such as those set out in this section of the report create operational and/or financial benefits for asset owners, public sector stakeholders and end-users. In doing so, the positive effect on the communities and environment in which the infrastructure is embedded, demonstrating that fulfilment of the Company's social purpose can go hand-in-hand with sustainable economic performance.

Over the course of the six months, value enhancement initiatives added 0.6p per share to the Company's NAV. Examples of value enhancement in the period include:

### Variations

During the period, a number of contract variations were agreed with clients. These enhance asset outcomes for clients, improve the end-user experience and create value for HICL's shareholders. Some examples are included below:

- ▲ At the Royal Canadian Mounted Police 'E' Division Headquarters (Canada) a new forensics laboratory entered into service (see picture at the end of this section). The capital cost of c. CAD 52m was funded by the client, and construction and subsequent maintenance services are being delivered by the private sector through the partnership contract structure. The modern, expanded facilities will enhance the work of the Royal Canadian Mounted Police to combat crime.
- ▲ At the A63 Motorway (France), a variation to Junction 9 of the road was completed in June 2019. The upgrade improves the road for motorists and the investment profile for HICL's shareholders. In addition, this project continues to proactively promote environmental and social initiatives; the solar road surface installed in 2017 is being replaced to trial the latest generation of technology, thereby supporting the development of energy infrastructure and clean energy technologies.
- ▲ A number of variations were delivered at one of the portfolio's UK hospital projects. These included a remodelling of the Ambulatory Emergency Care department and the installation of new retail facilities. A new clinical waste processing system, introduced by this project's subcontractor, is set to reduce the clinical waste disposal costs for the project's NHS Trust client; an example of how the Group is supporting NHS Trusts' efforts to find cost efficiencies.

The disposal of clinical waste at the Group's healthcare facilities is often through incineration, and so the introduction of more efficient disposal practices not only delivers savings for clients but also reduces the adverse environmental impact of this necessary process. Such initiatives have been delivered at specific sites and are being developed elsewhere through Efficiency and Savings committees, jointly conducted between NHS clients and the private sector, across HICL's healthcare portfolio.

### Construction progress

The Group has two investments currently in construction: the Biology, Pharmacy and Chemistry Department of the Paris-Sud University (France), and the Blankenburg Connection (the Netherlands), which together represent 3% of the portfolio, by value at 30 September 2019. The delivery of both of these projects represents an opportunity for future value enhancement.

### Lifecycle

54% of the portfolio, by value at 30 September 2019, retain responsibility for the delivery of asset renewal and lifecycle maintenance, as opposed to having contracted this to the supply chain.

As projects mature, the portfolio companies carefully review expenditure forecasts in light of asset condition surveys. Works, and the associated costs, are then profiled and re-modelled, and lender approval secured. The result of this exercise can, in the context of responsible and appropriate asset maintenance, result in financial upside. New asset renewal expenditure forecasts were completed on six projects, which increased the valuation of the associated assets. A further 12 reviews are underway.

The Investment Manager uses its wealth of asset condition experience and data from across the portfolio to ensure lifecycle and asset renewal is well-managed for stakeholders while delivering value for shareholders.

### Demand-based assets

The Group's demand-based toll road assets continue to see traffic growth. Traffic in the period along the A63 Motorway, in France, and the Northwest Parkway, in the USA, exceeded assumptions made in the valuation of these investments at 31 March 2019 by 1% and 10%, respectively.

As mentioned in the Investment Manager's report, HS1 has performed in line with forecast.

# 1.6 Operating & Financial Review (continued)

### Strengthening partnerships

The Group recognises its position as stewards of essential public infrastructure. As such, actively supporting the objectives of, and enhancing value for, stakeholders strengthens relationships with the communities, and improves the environment, in which the infrastructure is embedded.

The Group actively supports and facilitates public sector client initiatives with meaningful ESG action designed to benefit their communities. Examples in relation to education include:

- The Edinburgh Schools PPP project, where the project company has paid for the provision of mental health counselling within its estate of schools;
- The Allenby & Connaught PPP project, where the project company hosted work experience students from local secondary schools; and
- The N17/18 Road PPP project, in Ireland, where the project company is supporting a local school to create biodiversity through planting wildflowers, flowering shrubs and fruit trees to attract pollinating insects and, in doing so, improve the pupils' awareness of the environment around them.

Many of these initiatives focus on making the lives of younger generations – the thinkers and influencers of the future – better. They demonstrate that responsible investors in the private sector can play a leading role in improving education outcomes and reinforce the benefits of the partnership model.

InfraRed raised over £20,000 through its annual corporate dodgeball tournament, to help fund the building of a CineGym at the Queen Alexandra Hospital, Portsmouth. This is a dual-purpose room, offering children with cystic fibrosis access to specialist facilities designed to provide a suitable environment for exercise during the day and cinema room by night.

In addition to building partnerships with public sector clients, InfraRed has a history of developing partnerships between infrastructure projects, inside and outside the Group, to share lessons learned and good practice. During the period, the project company chief executive of the 800-bed Royal Adelaide Hospital in Australia visited four of the Group's projects. They held discussions with both the infrastructure project management teams and the public sector clients to help inform operational strategies.

## 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 sustainably preserving the value of the Group's investments for stakeholders. The objective is to ensure portfolio companies provide well-maintained infrastructure to deliver key outcomes for end users, perform in line with the relevant contractual obligations and/or regulatory framework, and, at least, meet the forecast base case investment return.

### Counterparties

Counterparty risk is a focus of the Group. This would primarily manifest itself as either counterparty failure or underperformance of contractors. In each case, the priority is the continuation of service delivery to public sector clients and the users of the affected infrastructure.

HICL has contingency plans that proactively contemplate a scenario in which a key subcontractor enters administration or liquidation, and the Investment Manager's wide network provides a number of potential replacement service providers.

Bouygues, Engie, Integral and Skanska were brought in as replacement sub-contractors to projects previously operated and maintained by Carillion. They have engaged and integrated well with public sector clients and the Investment Manager and their performance has been solid.

Projects affected by the administration of Interserve PLC continue to be available for public sector clients with good service levels maintained. The Group's exposure has been reduced through the sale of two UK PPPs post period end.

### Regulatory review processes

Both Affinity Water and High Speed 1 ("HS1") have received regulator feedback in respect of their regulatory price reviews. To meet Ofwat's goals, Affinity Water will likely need to finance the forthcoming Asset Management Period solely from its own resources, which impacts returns from this investment over this period. By contrast, the contractual framework for HS1 sets out that changes to the programme of asset renewal and enhancement be borne by the train operating companies, which results in HS1's categorisation as a demand-based rather than regulated asset, and mitigates the impact of the final determination on investors.

#### Affinity Water

A description of the PR19 process, which sets the AMP7 business plan for 2020 to 2025, is included in Section 1.1 – The Investment Manager's Report. Ofwat's draft determination of Affinity Water's business plan for AMP7 continues the trend for the regulator to prioritise customers over investment, rather than balancing stakeholder interests.

HICL's valuation of its equity stake in Affinity Water does not make any allowances for future regulatory reviews that may seek to encourage faster investment to respond to the increasing pressure on water infrastructure in South East England, from continuing population growth and the potential for extreme weather linked to climate change. Such investment would be for the benefit of society through improving environmental and operational resilience, and for investors through growth of the company's regulated capital value and therefore long-term returns.

A description of the contribution of PR19, alongside the impact of the prevailing negative political environment on valuations of private sector investments in UK regulated assets, to the change in valuation of the Group's investment in Affinity Water is included in Section 1.2 – Valuation of the Portfolio.

### High Speed 1

Following the period end, HS1 received the Department for Transport's final determination in respect of the station charges, which does balance the cost to train operating companies with supporting long-term resilience of the associated infrastructure.

### 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. Ensuring the cost of remediation, which is the responsibility of the construction subcontractor, is borne by the portfolio company's supply chain is essential to value preservation. Contractual claim mechanisms, which may ultimately result in a court process, are available to portfolio companies, where disputes arise.

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 portfolio company itself, where the budgeted lifecycle spend would normally be the chief source of cost mitigation.

#### Fire safety systems

Defects may relate to fire safety systems. Throughout, safety remains our priority followed by service provision to public sector clients. Public sector clients are apprised of fire prevention and protection measures as well as updated on progress towards rectification. Where appropriate, the project management teams work 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. Remediation works are expected to be borne by their respective construction contractors wherever possible.

#### 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, in our assessment, be equal to the prevailing value of the asset in the portfolio.

As at 30 September 2019, the Investment Manager 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.

## Accretive Investment

HICL 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 Board, InfraRed is responsible for the selection and pricing of new investments and, where deemed appropriate, disposals. The Acquisition Strategy is periodically reviewed by the Board and agreed with InfraRed, most recently in September 2019.

During the half year, HICL completed one new investment in the Blankenburg Connection PPP project, in the Netherlands, with the Group committing to invest approximately £50m in the form of a deferred equity subscription. This in-construction investment comes off the back of the Company successfully having delivered Dutch High Speed Rail Link, Zaanstad Prison, Breda Court and the A9 Road, all of which are also in the Netherlands, through construction and, in doing so, creating value for our public sector clients, end users and HICL's shareholders.

Following period end, HICL completed its £24m investment in the transmission assets associated with the Race Bank Windfarm (the "Race Bank OFTO"), an operational regulated asset, located off the coast of Norfolk, UK. The Race Bank OFTO facilitates the transmission of renewable energy to over 500,000 homes, contributing to the UK's transition to a low-carbon economy.

The Company is Ofgem's preferred bidder in respect of the transmission assets associated with Galloper and Walney Extension offshore windfarms. These investments are expected to reach financial close in calendar year 2020, for a combined consideration of c. £38m.

Following the period end, HICL announced the disposal of its interests in two UK PPP projects: the Health & Safety Laboratory and Enniskillen Hospital, for which the contract of sale was signed in September 2019. The combined consideration of £52m will be used to reduce the balance on the Company's Revolving Credit Facility. These disposals are a continuation of HICL's portfolio optimisation strategy, by enhancing portfolio metrics and thereby improving the accretion delivered by the acquisitions detailed above.

# 1.6 Operating & Financial Review (continued)

## Financial review

HICL's entire investment business was transferred from HICL Infrastructure Company Limited ("HICL Guernsey") to HICL Infrastructure PLC ("the Company", also referred to in this section as "HICL UK") on 1 April 2019, by way of a scheme of arrangement as detailed in the Company's prospectus dated 4 March 2019. To enable an improved assessment of the Company's investment business, comparative data in the below section (for the six months to 30 September 2018, and as at 31 March 2019) relates to HICL Guernsey, being the owner of HICL's investment business prior to 1 April 2019. All financial information from 1 April 2019 relates to HICL UK.

This section summarises the financial results of the Company for the six month period ended 30 September 2019. The Company prepares IFRS financial statements which do not consolidate any subsidiaries, including those that are themselves investment entities.

Consistent with HICL Guernsey in prior periods, the Company and its Investment Manager 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

| | HICL UK Six months to 30 September 2019 | | | HICL Guernsey Six months to 30 September 2018 | | |
|---|---|---|---|---|---|---|
| £m | Investment Basis | Consolidation adjustments | IFRS Basis | Investment Basis | Consolidation adjustments | IFRS Basis |
| Total income[1] | 97.9 | (17.3) | 80.6 | 211.0 | (17.1) | 193.9 |
| Expenses & finance costs | (18.4) | 17.1 | (1.3) | (18.2) | 16.9 | (1.3) |
| **Profit before tax** | **79.5** | **(0.2)** | **79.3** | **192.8** | **(0.2)** | **192.6** |
| Tax | (0.2) | 0.2 | – | (0.2) | 0.2 | – |
| **Earnings** | **79.3** | **–** | **79.3** | **192.6** | **–** | **192.6** |
| **Earnings per share** | **4.4p** | **–** | **4.4p** | **10.8p** | **–** | **10.8p** |

On an Investment Basis, Total income of £97.9m (2018: £211.0m) represents the return from the portfolio recognised as income comprising dividends, sub-debt interest and valuation movements. The 54% (£113.1m) decrease in Total income reflects a £67.2m lower contribution from discount rate reductions and changes in economic assumptions in the period compared to the prior period, coupled with a £39.9m value reduction on Affinity Water, as previously announced in the Company's Interim Update statement in August 2019. Further detail on the valuation movements is given in Section 1.2 – Valuation of the Portfolio.

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 £80.6m (2018: £193.9m) comprises income received by the Company and valuation movements in its investments.

Foreign exchange movements comprise a £26.4m foreign exchange gain (2018: £21.1m gain) on revaluing the non-UK assets in the portfolio using September 2019 exchange rates, partly offset by a £10.6m foreign exchange hedging loss (2018: £5.0m loss).

Earnings on an Investment Basis and IFRS Basis were £79.3m, a decrease of £113.3m against the prior period due to the same factors stated above.

Earnings per share were 4.4p (2018: 10.8p), the decrease reflecting lower Earnings.

[1] Includes net foreign exchange gain of £15.8m (2018: £16.1m gain)

## Investment Basis Cost Analysis

| £m | HICL UK<br>Six months to<br>30 September 2019 | HICL Guernsey<br>Six months to<br>30 September 2018 |
|---|---|---|
| Finance costs | 2.1 | 2.2 |
| Investment Manager fees | 14.9 | 14.6 |
| Auditor – KPMG – for the Corporate Group | 0.1 | 0.1 |
| Non-audit fee – KPMG – Interim review | 0.1 | 0.1 |
| Directors' fees & expenses | 0.2 | 0.2 |
| Acquisition bid costs | 0.4 | – |
| Professional fees | 0.6 | 0.9 |
| Other expenses | – | 0.1 |
| **Expenses & finance costs** | **18.4** | **18.2** |

Total fees accruing to the Investment Manager were £14.9m (2018: £14.6m) 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, the £0.1m p.a. advisory fee, (and a 1.0% fee on acquisitions made from third parties until 1 April 2019).

The increase in the Investment Manager's fees is due to a higher portfolio valuation than in the comparative period.

During the period, the Corporate Group incurred £0.4m of acquisition bid costs (2018: £nil), mainly being legal, technical and tax due diligence, on unsuccessful bids and bids in progress.

Neither the Investment Manager 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 (2018: £1.3m) as they exclude costs incurred by the Corporate Subsidiaries where the main expenses are incurred.

## Ongoing Charges

| £m | HICL UK<br>Six months to<br>30 September 2019 | HICL Guernsey<br>Six months to<br>30 September 2018 |
|---|---|---|
| Investment Manager[1] | 14.2 | 13.8 |
| Audit and Interim review fee – KPMG – for the Corporate Group | 0.2 | 0.2 |
| Directors' fees and expenses | 0.2 | 0.2 |
| Other ongoing expenses | 0.6 | 0.6 |
| Total expenses | 15.2 | 14.8 |
| Average NAV | 2,787.8 | 2,720.2 |
| **Ongoing charges** | **1.09%** | **1.09%** |

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%, unchanged from the prior period.

[1] Excludes acquisition fees of £0.7m (2018: £0.8m), in line with AIC calculation methodology

# 1.6
# Operating & Financial Review (continued)

### Investment Basis Summary Balance Sheet

| £m | Investment Basis | Consolidation adjustments | HICL UK 30 September 2019 IFRS Basis | Investment Basis | Consolidation adjustments | HICL Guernsey 31 March 2019 IFRS Basis |
|---|---|---|---|---|---|---|
| **Investments at fair value** | **2,889.3** | **(63.1)** | **2,826.2** | **2,909.6** | **1,911.6** | **4,821.2** |
| Working capital | 39.0 | (39.6) | (0.6) | (3.6) | (1,998.4) | (2,002.0) |
| Net (debt)/cash | (101.2) | 102.7 | 1.5 | (84.3) | 86.8 | 2.5 |
| **Net assets attributable to Ordinary Shares** | **2,827.1** | **–** | **2,827.1** | **2,821.7** | **–** | **2,821.7** |
| NAV per share (before dividend) | 157.8p | – | 157.8p | 157.5p | – | 157.5p |
| NAV per share (post dividend) | 155.8p | – | 155.8p | 155.5p | – | 155.5p |

On an Investment Basis, Investments at fair value decreased marginally in the six months to £2,889.3m (March 2019: £2,909.6m), which is the Directors' Valuation of £2,966.2m (March 2019: £2,998.9m) net of £76.9m of future investment obligations (March 2019: £89.3m). Further detail on the movement in Investments at fair value is given in Section 1.2 – Valuation of the Portfolio.

Working capital on an Investment Basis includes a £51.8m receivable for the sale proceeds of the Enniskillen Hospital (UK) and Health & Safety Laboratories (UK) PPP projects for which the conditional contract of sale had exchanged on 27 September 2019 and which is due to complete by the end of the year.

The Corporate Group had Net debt, on an Investment Basis, at 30 September 2019 of £101.2m (March 2019: Net debt of £84.3m); the movement in the six months reflecting cash used for investments. Cash drawings from the Group's RCF at the end of the period were £108.0m (March 2019: £90.0m).

An analysis of the movements in Net (debt)/cash is shown in the cash flow analysis below.

On an IFRS Basis, Investments at fair value is broadly unchanged in the period if HICL Guernsey's £2,000.1m investment in HICL UK at 31 March 2019 is excluded. On 1 April 2019, via a scheme of arrangement this asset was removed from HICL Guernsey alongside the £2,000.1m investment obligation to the Company which was included in Working capital at 31 March 2019. On an IFRS Basis, Net cash was broadly unchanged from 31 March 2019. The Group's cash and debt management is undertaken through the Corporate Subsidiaries.

NAV per share was 157.8p before the 2.06p second quarterly distribution (March 2019: 157.5p). NAV per share has increased 0.3p, reflecting 4.4p earnings per share net of 4.08p distributions in the six month period to 30 September 2019.

### Analysis of the Growth in NAV per Share

| Pence per share | | | |
|---|---|---|---|
| **HICL Guernsey NAV per share at 31 March 2019** | | | **157.5p** |
| **Valuation movements** | | | |
| Reduction in discount rates | 0.6p | | |
| Change in economic assumptions | (0.1p) | | |
| Forex gain | 0.9p | | |
| | | 1.4p | |
| **Portfolio performance** | | | |
| Value enhancement | 0.6p | | |
| Affinity Water | (2.2p) | | |
| Expected NAV growth[1] | 0.5p | | |
| | | (1.1p) | |
| **Total** | | **0.3p** | |
| **HICL UK NAV per share at 30 September 2019** | | | **157.8p** |

[1] Expected NAV growth is the Company's budgeted EPS less target dividend

## Investment Basis Summary Cash Flow

| | | | HICL UK | | | HICL Guernsey |
|---|---|---|---|---|---|---|
| | | | Six months to 30 September 2019 | | | Six months to 30 September 2018 |
| £m | Investment Basis | Consolidation adjustment | IFRS Basis | Investment Basis | Consolidation adjustment | IFRS Basis |
| Cash from investments[1] | 95.2 | (19.1) | 76.1 | 111.1 | (38.6) | 72.5 |
| Operating and finance costs outflow | (18.7) | 17.9 | (0.8) | (17.5) | 15.9 | (1.6) |
| **Net cash inflow before capital movements** | **76.5** | **(1.2)** | **75.3** | **93.6** | **(22.7)** | **70.9** |
| Cost of new investments, including acquisition costs | (18.0) | 18.0 | – | (99.1) | 98.2 | (0.9) |
| Disposal of investments[2] | – | – | – | 38.6 | (38.6) | – |
| Share capital raised net of costs | (0.7) | – | (0.7) | (0.2) | – | (0.2) |
| Forex movement on borrowings/hedging[3] | (1.6) | 1.6 | – | (1.6) | 1.6 | – |
| Distributions paid | (73.1) | – | (73.1) | (70.3) | – | (70.3) |
| Movement in the period | (16.9) | 18.4 | 1.5 | (39.0) | 38.5 | (0.5) |
| Net (debt)/cash at start of period | (84.3) | 84.3 | – | (115.2) | 115.9 | 0.7 |
| **Net (debt)/cash at end of period** | **(101.2)** | **102.7** | **1.5** | **(154.2)** | **154.4** | **0.2** |

Cash inflows from the portfolio on an Investment Basis were £95.2m (2018: £92.2m excluding the impact of disposals) or 3% higher. Underlying cash generation excluding profits on disposal marginally increased in the period which was in line with expectations in the March 2019 valuation.

Cost of new investments on an Investment Basis of £18.0m (2018: £99.1m) represents the cash cost of investments in the Blankenburg Connection PPP (the Netherlands), Helicopter Training Facility and the North West Anthony Henday (Canada) projects, and acquisition costs of £0.4m (2018: £1.3m).

On an IFRS Basis, the Company received £76.1m from its direct Corporate Subsidiary (2018: £72.5m). These payments are sized to pay shareholder dividends and the Company's operating costs. On an IFRS Basis, the comparative period includes net cost of new investments of £0.9m reflecting funds extended by HICL Guernsey to its direct Corporate Subsidiary in the period, being scrip dividend take up.

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 (2018: £1.6m cash outflow) comprised £1.2m from foreign exchange rate hedging settlements in the period and £0.4m 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 4.0%, or £2.8m, to £73.1m (2018: £70.3m) reflecting a higher dividend per share combined with increased shares in issue. Dividend cash cover, which compares operational cash flow excluding profits on disposal of £nil (2018: £74.7m) to dividends paid, was 1.05 times (2018: 1.06 times[4]). Dividend cash cover is forecast to improve in the second half of the year through a combination of active cash management initiatives and a number of projects recommencing distributions.

[1] Includes £nil profit on disposal (2018: £18.9m) based on historic cost
[2] In the six months to 30 September 2018, historic cost of £38.6m and profit on disposal of £18.9m equals the proceeds on disposal of £57.5m
[3] Includes movement in capitalised debt issue costs of £0.4m (2018: £0.3m)
[4] Including profits on disposal of £18.9m, dividend cash cover was 1.33 times

# 1.6
# Operating & Financial Review (continued)

### 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, which was last renewed on 31 January 2019 on improved terms, has an expiry date of 31 May 2022. The Company is therefore able to confirm that sufficient working capital is available for the financial year ending 31 March 2020, without needing to refinance. Periodically, the Investment Manager will, however, consider refinancing options aligned to the pipeline of potential transactions. As at 30 September 2019, the Group had cash drawings on its RCF of £108.0m and drawings of £78.0m by way of letters of credit. Sufficient capacity is retained on the RCF for the Group to fund additional investments as and when further attractive opportunities arise.

### Foreign Exchange Hedging

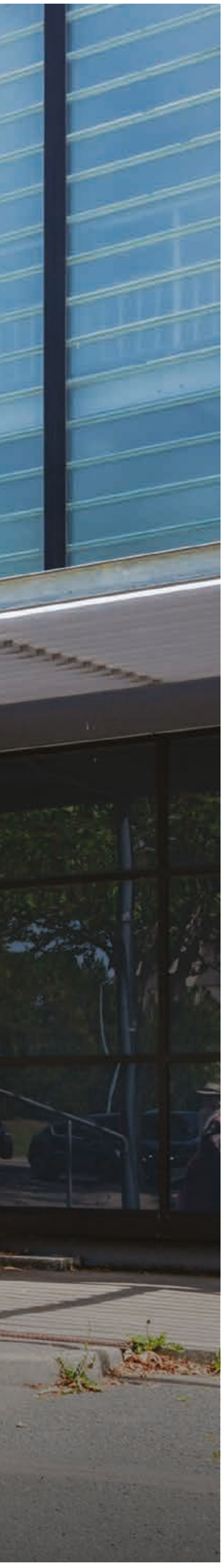
The Company's hedging policy targets NAV per share volatility of no more than 2% for a 10% movement in foreign exchange rates. The policy balances the cost/benefit of hedging activity whilst retaining the key objective of materially mitigating the impact of foreign exchange movements on HICL's financial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

Hedging as at 30 September 2019 compared to non-Sterling portfolio values were:

| | Non-UK assets £m | FX Hedge £m | FX Hedge as % of non-UK assets % |
|---|---|---|---|
| Euro | 414 | 241 | 58% |
| North America | 249 | 116 | 47% |
| **Total** | **663** | **357** | **54%** |

**Royal Canadian Mounted Police HQ (Canada)**
**E Division**

**University of Bourgogne (France)**



# 02 Financial Statements

# 2.1
# 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 Manager's Report and Financial Results, includes a fair review of the information required by:
  a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

**Ian Russell**
Chairman
19 November 2019

# 2.2 Independent Review Report

### Conclusion

We have been engaged by HICL Infrastructure PLC (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 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 2019 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.

**Ian Griffiths**
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
19 November 2019

# 2.3
# Condensed Unaudited Income Statement

For the six months ended 30 September 2019

| | Note | For the six months ended 30 September 2019 Total £m |
|---|---|---|
| Investment income | 5 | 80.6 |
| **Total income** | | **80.6** |
| Fund expenses | 6 | (1.3) |
| **Profit before tax** | | **79.3** |
| **Profit for the period** | 9 | **79.3** |
| **Earnings per share – basic and diluted (pence)** | 9 | **4.4** |

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 these condensed financial statements.

# 2.4
# Condensed Unaudited Balance Sheet

As at 30 September 2019

| | Note | 30 September 2019<br>Unaudited<br>£m | 31 March 2019<br>Audited<br>£m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments at fair value through profit or loss | 11 | 2,826.2 | – |
| **Total non-current assets** | | **2,826.2** | **–** |
| **Current assets** | | | |
| Trade and other receivables | 12 | 0.1 | 2,000.1 |
| Cash and cash equivalents | | 1.5 | – |
| **Total current assets** | | **1.6** | **2,000.1** |
| **Total assets** | | **2,827.8** | **2,000.1** |
| **Current liabilities** | | | |
| Trade and other payables | | (0.7) | – |
| **Total current liabilities** | | **(0.7)** | **–** |
| **Total liabilities** | | **(0.7)** | **–** |
| **Net assets** | | **2,827.1** | **2,000.1** |
| **Equity** | | | |
| Share capital | 13 | 0.2 | 0.1 |
| Share premium | 13 | 820.7 | – |
| Distributable reserves | 13 | 1,979.3 | 2,000.0 |
| Other reserves | 13 | 26.9 | – |
| **Total equity** | | **2,827.1** | **2,000.1** |
| **Net assets per Ordinary Share (pence)** | | **157.8** | * |

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

The condensed financial statements were approved and authorised for issue by the Board of Directors on 19 November 2019, and signed on its behalf by:

**I Russell**
Director

**S Farnon**
Director

*100,000,000,000 pence per share based on 2 Ordinary Shares in issue at 31 March 2019

# 2.5
# Condensed Unaudited Statement of Changes in Shareholders' Equity

For the six months ended 30 September 2019

| | | | | | Six months ended 30 September 2019 Attributable to equity holders of the parent |
|---|---|---|---|---|---|
| | **Note** | **Share capital and share premium** £m | **Distributable reserves** £m | **Other reserves** £m | **Total shareholders' equity** £m |
| Shareholders' equity as at 31 March 2019 | | 0.1 | 2,000.0 | – | 2,000.1 |
| **Profit for the period** | | **–** | **52.4** | **26.9** | **79.3** |
| Redemption of preference shares | 13 | (0.1) | – | – | (0.1) |
| Shares issued | 13 | 0.2 | – | – | 0.2 |
| Premium arising on share issue | 13 | 821.4 | – | – | 821.4 |
| Distributions paid to Company shareholders in cash | 10 | – | (73.1) | – | (73.1) |
| Costs of share issue | | (0.7) | – | – | (0.7) |
| **Shareholders' equity at 30 September 2019** | | **820.9** | **1,979.3** | **26.9** | **2,827.1** |

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

# 2.6
# Condensed Unaudited Cash Flow Statement

For the six months ended 30 September 2019

| | Six months ended 30 September 2019 £m |
|---|---|
| **Cash flows from operating activities** | |
| Profit before tax | 79.3 |
| Adjustments for: | |
| Investment income | (80.6) |
| Operating cash flows before movements in working capital | (1.3) |
| Changes in working capital: | |
| (Increase) in receivables | (0.1) |
| Increase in payables | 0.6 |
| **Cash flow from operations** | **(0.8)** |
| Investment income received | 76.1 |
| **Net cash from operating activities** | **75.3** |
| **Cash flows from financing activities** | |
| Net costs from issue of share capital | (0.7) |
| Distributions paid to Company shareholders | (73.1) |
| **Net cash used in financing activities** | **(73.8)** |
| **Net increase in cash and cash equivalents** | **1.5** |
| Cash and cash equivalents at beginning of period | – |
| **Cash and cash equivalents at end of period** | **1.5** |

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

# 2.7
# Notes to the Condensed Unaudited Financial Statements

For the six months ended 30 September 2019

## 1. REPORTING ENTITY

HICL Infrastructure PLC (the “Company” or “HICL UK”) is a public limited company incorporated, domiciled and registered in England in the UK. The interim condensed unaudited financial statements (the “interim financial statements”) as at and for the six months ended 30 September 2019 comprise the financial statements for the Company only as explained in Note 2.

At 31 March 2019, the Company was a 100% directly owned subsidiary of HICL Infrastructure Company Limited (“HICL Guernsey”), a Guernsey based investment company that was publicly traded on the London Stock Exchange until 1 April 2019.

On 1 April 2019 via a scheme of reconstruction (the “Scheme”), as detailed in HICL UK’s Prospectus dated 4 March 2019, HICL Guernsey transferred its investment business to HICL UK, HICL Guernsey was placed into voluntary liquidation and HICL UK’s shares were listed on the London Stock Exchange. Further detail regarding the Scheme is included in HICL UK’s Annual Report and Financial Statements for the period ended 31 March 2019, which were approved by the Directors on 22 May 2019.

The Company has three corporate level subsidiaries being HICL Infrastructure S.a.r.l. 1 (“Luxco 1”), HICL Infrastructure S.a.r.l. 2 (“Luxco 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.

These interim financial statements do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006 and should be read in conjunction with the Annual Report and Financial Statements of 2019. Those accounts were reported upon by the auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006. The Annual Report and Financial Statements of 2019 are available upon request from the Company’s registered office at 12 Charles II Street, London, SW1Y 4QU or at HICL.com.

## 2. KEY ACCOUNTING POLICIES

### (a) Basis of preparation

The condensed 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 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 and has no single major customer. The Company’s financial performance does not follow any material seasonal fluctuations.

The comparative period ended 31 March 2019 had a start date of 21 December 2018, being the date of incorporation of the Company.

### Going concern

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

## 2. KEY ACCOUNTING POLICIES (CONTINUED)

**Judgements**
By virtue of the Company's status as an investment entity and the exemption provided by IAS 28 and IFRS 11 as well as the adoption of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), investments are designated upon initial recognition to be accounted for at fair value through profit or loss.

**Estimates**
The Company recognises its investment in Luxco 1, a Corporate Subsidiary 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. Fair values for those investments for which a market quote is not available are determined using the income approach which discounts the expected cash flows at the appropriate rate except for those investments that have an observable market price in an active market. In determining the discount rate, regard is had to relevant long-term government bond yields, specific risks and the evidence of recent transactions. The Directors have satisfied themselves that PPP or similar investments share the same investment characteristics and as such constitute a single asset class for IFRS 7 disclosure purposes. The weighted average discount rate applied in the September 2019 valuation was 7.1%. The discount rate is considered to be the most significant unobservable inputs through which an increase or decrease would have a material impact on the fair value of the Investments at fair value through profit or loss. The other material impacts on the measurement of fair value are inflation rates, deposit rates, gross domestic products and tax rates. These are further discussed in Note 4, which includes sensitivities to these key estimates.

**(b) Financial instruments**
Financial assets and liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are de-recognised when the contractual rights to the cash flows from the instrument expire or the asset or liability is transferred and the transfer qualifies for de-recognition in accordance with IFRS 9 'Financial Instruments: Recognition and measurement'.

(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value including directly attributable transaction costs, except for financial instruments measured at fair value through profit or loss. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Investments in equity and debt securities
Investments in the equity and loanstock of entities engaged in infrastructure activities, which are not classified as subsidiaries of Company or which are subsidiaries not consolidated in the Company's results, are designated at fair value through profit or loss since the Company manages these investments and makes purchase and sale decisions based on their fair value.

The initial difference between the transaction price and the fair value, derived from using the discounted cash flows methodology at the date of acquisition, is recognised only when observable market data indicates there is a change in a factor that market participants would consider in setting the price of that investment. After initial recognition, Investments at fair value through profit or loss are measured at fair value with changes recognised in the Income Statement.

Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses for financial assets.

(ii) Fair values
Fair values are determined using the income approach, which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values. In determining the appropriate discount rate, regard is had to relevant long-term government bond yields, the specific risks of each investment and the evidence of recent transactions.

**(c) Investment income**
Income from investments is recognised in the Income Statement as accrued from the Company's direct subsidiary. Gains on investments relate solely to the investment held at fair value.

# 2.7
# Notes to the Condensed Unaudited Financial Statements (continued)

For the six months ended 30 September 2019

## 2. KEY ACCOUNTING POLICIES (CONTINUED)

### (d) Cash and cash equivalents
Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Cash equivalents, including demand deposits, are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### (e) Income tax
The tax expense represents the sum of the tax currently payable and deferred tax. Current tax is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### (f) Foreign exchange gains and losses
Transactions entered into by the Company in a currency other than its functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the re-translation of unsettled monetary assets and liabilities are recognised immediately in the Income Statement.

### (g) Expenses
All expenses are accounted for on an accruals basis. The Company's investment management and administration fees, finance costs and all other expenses are charged through the Income Statement.

### (h) Dividends payable
Dividends payable to the Company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders at the Annual General Meeting.

### (i) Share capital and share premium
Ordinary Shares are classified as equity. Costs associated with the establishment of the Company or directly attributable to the issue of new shares that would otherwise have been avoided are written-off against the balance of the share premium account.

## 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 2019 |
|---|---|---|---|---|
| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
| Investments at fair value through profit or loss (Note 11) | – | – | 2,826.2 | 2,826.2 |

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 cash flow methodology. The A13 investment in listed senior bonds is valued based on the quoted market price at the Balance Sheet date. The valuation techniques and methodologies have been applied consistently with those used in the prior 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)

For the six months ended 30 September 2019

## 3. FINANCIAL INSTRUMENTS (CONTINUED)

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

| | | 30 September 2019 |
|---|---|---|
| Inflation Rates | UK (RPI and RPIx)[1]<br>CPIH[2] | 2.75% p.a.<br>2.0% p.a. |
| | Eurozone (CPI) | 1.0% p.a. to 2019, 2.0% thereafter |
| | Canada (CPI) | 2.0% p.a. |
| | USA (CPI) | 2.0% p.a. |
| Deposit Rates | UK | 1.0% to 2022, 2.0% thereafter |
| | Eurozone | 0.5% to 2022, 1.0% thereafter |
| | Canada | 2.0% to 2021, 2.5% thereafter |
| | USA | 2.0% increasing to 2.5% p.a. long term |
| Foreign Exchange Rates | CAD/GBP | 0.61 |
| | EUR/GBP | 0.89 |
| | USD/GBP | 0.81 |
| Tax Rates | UK | 19% to March 2020, 17% thereafter |
| | Eurozone | Ireland – 12.5%<br>France 25% – 33.3%<br>Netherlands 21.7% – 25% |
| | USA | 21% Federal & 4.6% Colorado State |
| | Canada | 26% and 27% |
| GDP Growth Rates | UK | 2.0% |
| | Eurozone | 1.8% |
| | USA | 2.5% |

### Discount rates

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

The discount rates used for valuing each infrastructure investment vary on a project-by-project basis and take into account risks and opportunities associated with the project earnings (e.g. predictability and covenant of the concession income), all of which may be differentiated by project phase, jurisdiction and market participants' appetite for these risks.

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

| Period ending | Range | Weighted average |
|---|---|---|
| **30 September 2019** | **2.1%[3] to 9.3%** | **7.1%** |

A change to the weighted average rate of 7.1% 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 2019 | +£162.5m | £2,826.2m | -£147.5m |
| **Implied change in NAV per Ordinary Share[4]** | **+9.1 pence** | **157.8 pence** | **-8.2 pence** |

[1] Retail Price Index and Retail Price Index excluding mortgage interest payments
[2] Consumer Prices Index including owner occupiers' housing costs
[3] The 2.1% 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 2019; excluding this, the discount range is from 6.2% to 9.3%
[4] Net Asset Value per Ordinary Share based on 1,791 million Ordinary Shares as at 30 September 2019

## 3. FINANCIAL INSTRUMENTS (CONTINUED)

### 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 2019 | -£134.9m | £2,826.2m | +£148.5m |
| **Implied change in NAV per Ordinary Share[1,2]** | **-7.5 pence** | **157.8 pence** | **+8.3 pence** |

### 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 refinancing is 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 2019 cash deposits for the portfolio were earning interest at a rate of 0.8% 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 2019 | -£18.2m | £2,826.2m | +£21.5m |
| **Implied change in NAV per Ordinary Share[1,2]** | **-1.0 pence** | **157.8 pence** | **+1.2 pence** |

### Gross Domestic Product ("GDP") growth rates

The portfolio has four 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 21% 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 2019 | -£90.0m | £2,826.2m | +£91.7m |
| **Implied change in NAV per Ordinary Share[2]** | **-5.0 pence** | **157.8 pence** | **+5.1 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 1,791 million Ordinary Shares as at 30 September 2019

# 2.7
# Notes to the Condensed Unaudited Financial Statements (continued)

For the six months ended 30 September 2019

## 3. FINANCIAL INSTRUMENTS (CONTINUED)

### 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 2019 | +£109.7m | £2,826.2m | -£110.6m |
| **Implied change in NAV per Ordinary Share[1,2]** | **+6.1 pence** | **157.8 pence** | **-6.2 pence** |

### 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 1.6 – 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% p.a. change | Net asset value | +5.0% p.a. change |
|---|---|---|---|
| September 2019 | -£15.3m | £2,827.1m | +£15.3m |
| **Implied change in NAV per Ordinary Share[2]** | **-0.9 pence** | **157.8 pence** | **+0.9 pence** |

## 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 | Total |
|---|---|---|---|---|
| September 2019 | £38.8m | £25.8m | £16.0m | £80.6m |
| **% of Total investment income** | **48%** | **32%** | **20%** | **100%** |

| Investments at fair value through profit or loss | UK | Eurozone | North America | Total |
|---|---|---|---|---|
| September 2019 | £2,119.7m | £480.4m | £226.1m | £2,826.2m |
| **% of Total investments** | **75%** | **17%** | **8%** | **100%** |

[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 1,791 million Ordinary Shares as at 30 September 2019

## 5. INVESTMENT INCOME

| | Six months ended 30 September 2019<br>Total<br>£m |
|---|---|
| Investment income | 53.7 |
| Gains on revaluation of investment | 26.9 |
| **Total** | **80.6** |

## 6. FUND EXPENSES

| | Six months ended 30 September 2019<br>Total<br>£m |
|---|---|
| Fees to auditor | 0.1 |
| Non-audit fee – Interim review | 0.1 |
| Investment Manager fees (Note 14) | 0.1 |
| Directors' fees (Note 14) | 0.2 |
| Professional fees | 0.8 |
| **Total** | **1.3** |

The Company had no employees during the period (31 March 2019: Nil).

## 7. NET FINANCE INCOME

In the six months ended 30 September 2019, the Company had de minimus net finance income consisting of interest earned on bank deposits offset by some bank charges.

# 2.7
# Notes to the Condensed Unaudited Financial Statements (continued)

For the six months ended 30 September 2019

## 8. INCOME TAX

| | Six months ended 30 September 2019 £m |
|---|---|
| **Current taxes** | |
| Current period | – |
| | **–** |

The effective pro-rata rate of corporation tax in the UK for a large company is 19%. The tax charge in the current period was lower than the standard and effective pro-rata tax rate due to differences explained below.

| | Six months ended 30 September 2019 £m |
|---|---|
| Profit before tax | 79.3 |
| Profit before tax multiplied by the UK corporation tax rate of 19% | 15.1 |
| Effect of: | |
| Non-taxable capital profits | (5.1) |
| Non-taxable dividend income | (4.3) |
| Dividends designated as interest distributions | (5.9) |
| Other | 0.2 |
| | **–** |

The Directors are of the opinion that the Company has complied with the requirements for maintaining investment trust status for the purposes of section 1158 of the Corporation Tax Act 2010. This allows certain capital profits of the Company to be exempt from UK tax. Additionally, the Company may designate dividends wholly or partly as interest distributions for UK tax purposes (see Note 10). Interest distributions are treated as tax deductions against taxable income of the Company so that investors do not suffer double taxation on their returns.

### Tax payable by investments

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

## 9. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of Ordinary Shares in issue during the period.

| | Six months ended 30 September 2019 Total |
|---|---|
| Profit attributable to equity holders of the Company | £79.3m |
| Weighted average number of Ordinary Shares in issue | 1,791.1m |
| **Total basic and diluted earnings per Ordinary Share** | **4.4 pence** |

## 10. DIVIDENDS

| | Six months ended 30 September 2019 Total £m |
|---|---|
| **Total distributions paid to Company shareholders in the period:** | |
| Fourth quarterly interim dividend for the year ended 31 March 2019 of 2.02p | 36.2 |
| First quarterly interim dividend for the year ending 31 March 2020 of 2.06p | 36.9 |
| | **73.1** |

The fourth quarterly interim dividend for HICL Guernsey for the year ended 31 March 2019 of £36.2m, representing 2.02 pence per share, was paid on 28 June 2019 by HICL UK. The first quarterly interim dividend for HICL UK for the year ending 31 March 2020 of £36.9m, representing 2.06 pence per share, was paid on 30 September 2019. The Company has elected to distribute a percentage of the dividends paid to shareholders as interest distributions for tax purposes. The first quarterly dividend had an interest streaming percentage of 58%.

On 14 November 2019, the Board approved a second quarterly interim dividend for the year ending 31 March 2020 of 2.06 pence per share which will result in a total expected distribution of £36.9m, payable on 31 December 2019. The second quarterly dividend had an interest streaming percentage of 55%. The second quarterly interim dividend has not been included as a liability as at 30 September 2019.

The distributable reserves of the Company are £1,979.3m (see Note 13) at 30 September 2019 (31 March 2019: £2,000.0m).

| Interim dividends for the period | Six months ended 30 September 2019 |
|---|---|
| 3 months ended 31 March 2019 | 2.02p |
| 3 months ended 30 June 2019 | 2.06p |
| **Total** | **4.08p** |
| **Proposed dividend** | |
| 3 months ended 30 September 2019 | 2.06p |

# 2.7
# Notes to the Condensed Unaudited Financial Statements (continued)

For the six months ended 30 September 2019

## 11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 September 2019 £m |
|---|---|
| **Opening balance** | – |
| Transfer of investments from HICL Guernsey | 2,821.7 |
| Cash received from investments | (76.1) |
| Gains on revaluation of investment | 26.9 |
| Investment income | 53.7 |
| **Carrying amount at period end** | **2,826.2** |
| This is represented by: Greater than one year | 2,826.2 |
| **Carrying amount at period end** | **2,826.2** |

The Company recognises the investment in Luxco 1, 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.

The valuation of the Company's underlying portfolio at 30 September 2019 reconciles to the Condensed Unaudited Balance Sheet as follows:

| | 30 September 2019 £m |
|---|---|
| Directors' Valuation | 2,966.2 |
| Less: future commitments (Note 15) | (76.9) |
| Investments at fair value per Investment Basis | **2,889.3** |
| Net debt in Corporate Subsidiaries | (102.7) |
| Working capital in Corporate Subsidiaries | 39.6 |
| **Investments at fair value per Condensed Unaudited Balance Sheet** | **2,826.2** |

### Acquisition, by the Company

On 1 April 2019, via the Scheme (see Note 1), the Company acquired HICL Guernsey's interests (being Ordinary shares and a financing loan) in Luxco 1. Consideration received in respect of the Scheme was £2,821.1m, being HICL Guernsey's Net Asset Value at 31 March 2019 minus £0.6m net working capital. This was applied to settle the £2.0bn receivable from HICL Guernsey (see Note 12), with the remainder as consideration for the issue of shares issued in the period (see Note 13).

### Acquisitions, via the Corporate Subsidiaries

The Company, via its Corporate Subsidiaries, made the following acquisitions during the six months ended 30 September 2019:

- In July 2019, the Company, via its Corporate Subsidiaries, completed its previously announced investment to acquire 70% of the Blankenburg Connection PPP project, committing to invest approximately £50m in the form of a deferred equity subscription.
- In September 2019, the Company, via its Corporate Subsidiaries, completed an additional loan stock injection in the Helicopter Training Facility project for approximately £1.7m.
- In September 2019, the Company, via its Corporate Subsidiaries, completed an additional equity injection into the North West Anthony Henday Ring Road project for approximately £0.4m.

Note 16 details the acquisitions and disposals made by the Company, via its Corporate Subsidiaries, since the period end.

### Disposals, via the Corporate Subsidiaries

The Company, via its Corporate Subsidiaries, made the following disposals during the six months ended 30 September 2019:

- In September 2019, the Company, via its Corporate Subsidiaries, exchanged on a conditional contract of sale for the Enniskillen Hospital (UK) and Health & Safety Laboratories (UK) PPP projects for £52m.

## 12. TRADE AND OTHER RECEIVABLES

| | 30 September 2019 £m | 31 March 2019 £m |
|---|---|---|
| Other receivables | 0.1 | – |
| Amounts owed from parent undertakings | – | 2,000.1 |
| **Trade and other receivables** | **0.1** | **2,000.1** |

The amounts owed from parent undertakings at 31 March 2019 represented unpaid share capital and premium from the Company's then parent. This was settled on 1 April 2019 as part of the Scheme – see Notes 1 and 11 for details.

## 13. SHARE CAPITAL AND RESERVES

| Ordinary Shares | 30 September 2019 m | 31 March 2019 m |
|---|---|---|
| Authorised and issued at the beginning of the period | – | – |
| Issued during the period | 1,791.1 | – |
| **Authorised and issued at end of period – fully paid** | **1,791.1** | **–** |

On 1 April 2019 the Company issued 1,791,142,767 £0.0001 Ordinary shares which were distributed by the liquidator to HICL Guernsey shareholders on a one for one basis.

The holders of the 1,791,142,769 Ordinary Shares (31 March 2019: 2 Ordinary shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

| Redeemable preference shares | 30 September 2019 m | 31 March 2019 m |
|---|---|---|
| Authorised and issued at the beginning of the period | 0.1 | – |
| (Redemption)/issue of redeemable preference shares | (0.1) | 0.1 |
| **Authorised and issued at end of period – fully paid** | **–** | **0.1** |

On 1 April 2019, the Company redeemed the 50,000 £1 Redeemable shares at par.

| Ordinary Share capital and share premium | 30 September 2019 £m | 31 March 2019 £m |
|---|---|---|
| Opening balance | 0.1 | – |
| Ordinary shares issued | 0.2 | – |
| Premium arising on issue of Ordinary Shares | 821.4 | 2,000.0 |
| Share premium reduction | – | (2,000.0) |
| (Redemption)/issue of redeemable preference shares | (0.1) | 0.1 |
| Costs of issue of Ordinary Shares | (0.7) | – |
| **Balance at end of period** | **820.9** | **0.1** |

Share capital is £0.2m at 30 September 2019 (31 March 2019: £0.1m).

### Distributable reserves and Other reserves

Distributable reserves and Other reserves are detailed in the Statement of Changes in Equity. Other reserves comprise movements in fair value of the Company's investments.

# 2.7
# Notes to the Condensed Unaudited Financial Statements (continued)

For the six months ended 30 September 2019

## 14. RELATED PARTY TRANSACTIONS

On 4 March 2019, InfraRed Capital Partners Limited ("IRCP") was appointed under an Investment Management Agreement as Investment Manager to and Alternative Investment Fund Manager ("AIFM") of HICL. Following shareholder approval at an Extraordinary General Meeting of HICL Guernsey on 26 March 2019, the Investment Management Agreement may be terminated by either party to the agreement, being HICL or IRCP, giving three years' written notice. The appointment may also be terminated if IRCP's appointment as Operator (see below) is terminated. Under the Investment Management Agreement, IRCP is entitled to a fee of £0.1m per annum, payable half-yearly in arrears and which is subject to review, from time to time, by the Company.

The Investment Manager fees charged to the Company were £0.1m (disclosed as Investment Manager fees in Note 6), of which the full balance remained payable at 30 September 2019.

IRCP is also the Operator of IILP, the Corporate Subsidiary through which HICL holds its investments. IRCP has been appointed as the Operator by the General Partner of IILP, Infrastructure Investments General Partner Limited, a fellow subsidiary of IRCP. Following shareholder approval at an Extraordinary General Meeting of HICL Guernsey on 26 March 2019, the Operator and the General Partner may each terminate the appointment of the Operator by either party giving three years' written notice. The notice period prior to this was one year. Either the Operator or the General Partner may terminate the appointment of the Operator by written notice if the Investment Management Agreement is terminated in accordance with its terms. The General Partner's appointment does not have a fixed term, however if IRCP ceases to be the Operator, HICL has the option to buy the entire share capital of the General Partner and the IRCP Group has the option to sell the entire share capital of the General Partner to HICL, in both cases for nominal consideration. The Directors consider the value of the option to be insignificant.

In the period to 30 September 2019, in aggregate IRCP and the General Partner were entitled in aggregate to fees and/or profit share equal to: 1.1 per cent per annum of the adjusted gross asset value of all investments of HICL up to £750 million, 1.0 per cent per annum for the incremental value in excess of £750 million up to £1,500 million, 0.9 per cent for the incremental value in excess of £1,500 million, 0.8 per cent for the incremental value in excess of £2,250 million and 0.65 per cent for the incremental value in excess of £3,000 million, (and a 1.0% fee on acquisitions made from third parties until 1 April 2019).

The total Operator fees were £14.1m of which £7.1m remained payable at 30 September 2019. The total charge for new portfolio investments was £0.7m of which £0.7m remained payable at 30 September 2019.

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £0.2m for the period ended 30 September 2019 (see Note 6). One Director also receives fees for serving as Director of the two Luxembourg subsidiaries – the annual fees are £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 from those included in the last Annual Report and Financial Statements of HICL Guernsey.

## 15. GUARANTEES AND OTHER COMMITMENTS

As at 30 September 2019, the Company, via a Corporate Subsidiary, had £76.9m commitments for future project investments.

## 16. EVENTS AFTER BALANCE SHEET DATE

In October 2019, the Company, via its Corporate Subsidiaries, acquired 49% of the Race Bank Windfarm project for £24.3m.

In November 2019, following the exchange of the contract of sale in September 2019, the Company announced the disposal of its interests in two UK PPP projects: the Health & Safety Laboratory and Enniskillen Hospital for combined consideration of £52m.

The second quarterly interim dividend for the year ending 31 March 2020 of 2.06 pence per share was approved by the Board on 14 November 2019 and is payable on 31 December 2019 to shareholders on the register as at 29 November 2019.


Southmead Hospital (UK)

# Directors & Advisers

**Directors**
Ian Russell, CBE (Chairman)
Mike Bane
Frances Davies
Susie Farnon
Simon Holden
Frank Nelson
Kenneth D. Reid

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**Registrar**
Link Asset Services
The Registry
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Helpline: 0871 664 0300

**Administrator to Company, Company Secretary**
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**Investment Manager and Operator**
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**Financial PR**
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**Auditor**
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15 Canada Square
London E14 5GL

**Joint Corporate Brokers**
Investec Bank plc
30 Gresham Street
London EC2V 7QP

RBC Capital Markets
2 Swan Lane
London
EC4R 3BF

**Company**
HICL Infrastructure PLC incorporated in England and Wales under the Companies Act 2006 with registered no. 11738373 and registered as an investment company under Section 833 of the Companies Act 2006.

**Investment Manager 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 (UK) Limited

**Shareholders' Funds**
£2.8bn as at 30 September 2019

**Market Capitalisation**
£3.0bn as at 30 September 2019

**Investment Manager 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% from £2.25bn to £3.0bn

0.65% above £3.0bn

plus £0.1m per annum investment management fee

No fee on new acquisitions

No performance fee

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

**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**
HICL conducts its affairs as an investment trust. On this basis, the Ordinary Shares should qualify as an "excluded security" and therefore be excluded from the FCA's restrictions in COBS 4.12 of the FCA Handbook that apply to non-mainstream pooled investment products.

**AIFMD status**
HICL is a UK domiciled and tax-resident public limited company, which will operate its affairs as a UK Investment Trust Company, and an Alternative Investment Fund under the AIFM Directive. HICL has appointed InfraRed Capital Partners Limited as its investment manager and AIFM under the Investment Management Agreement.

**FATCA**
HICL has registered for FATCA and has GIIN number E6TB47.99999.SL.826

**Investment Policy**
HICL's Investment Policy is summarised in the Strategic Report and can be found in full on the website at www.hicl.com.

**ISIN and SEDOL**
ISIN: GB00BJLP1Y77

SEDOL: BJLP1Y7

**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

HICL Infrastructure

Delivering Real Value.

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