



equitypartners
INFRASTRUCTURE COMPANY

INTERIM FINANCIAL REPORT

For the six months ended 30 September 2010



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CHAIRMAN'S LETTER

Dear Shareholders,

Firstly, following the recent catastrophic events in Christchurch, I would like to convey the sympathy of the EPIC Board to all our shareholders affected by the earthquake. In addition, a number of people associated with EPIC's management were located in PGC House which collapsed during the 22 February quake. Many of us have friends and family in Christchurch and our thoughts are with them at this time.

Attached is the half year report for 6 months ending 30 September 2010.

Half Year Report

The half year's results show a loss for the six months to 30 September 2010 of \$486,000. This is due, as previously advised, to the decision by Moto to suspend dividends to reinvest for growth. Our principal investments have continued to perform well, but the accounting adjustments required under International Financial Reporting standards mean that this performance is not reflected in the accounts, and has resulted in a total comprehensive loss for this period of \$11,211,000.

The 2010 total comprehensive loss is due to:

- Equity accounting adjustments in relation to EPIC's Moto investment which requires translating UK pound sterling (Moto's functional currency) into New Zealand dollars.
- The main adjustment relates to translating Moto's cash flow hedge (which Moto undertook to protect it against cash flow volatility) into NZ dollars.
- EPIC is also required to translate the goodwill it paid on the acquisition of Moto into NZ dollars, which also gave rise to a translation loss due to the strengthening of the NZ dollar against the UK pound.

These are specific foreign exchange adjustments under the equity accounting method – they do not reflect the fair value of EPIC's Moto investment. The Board recognises that the fair value of our investment is not reflected in these results.

Investee company performance

Moto – The company is performing ahead of forecast and improving on the previous year's results, despite the United Kingdom's severe winter weather impacting on Moto's revenues. December was the coldest on record in the UK with severe snow disruption affecting motorways. In addition, rising oil prices is affecting fuel margins. While December's results were affected, Moto's EBITDA year-to-date is up over 10 percent on the same period in 2009.

Thames Water – EBITDA year-to-date is over GBP30 million ahead of budget due primarily to operational expenditure efficiencies. The UK water regulator Ofwat has approved Thames' charging scheme for the year 2011/12 which includes an overall price rise to customers of 5.1 percent including inflation.

Strategic Review

There is frustration from many shareholders over the suspension of dividends which is well understood by the Board. The strategic review process will be completed very shortly. As indicated in previous communications there are a number of key factors to be considered as part of the strategic review. It is important that we take a proper, rigorous approach which works through the options before making the decision which the board believes to be in the best interests of shareholders, including decisions on EPIC's future dividend policy. As soon as these are finalised, the Board's decisions will be communicated to shareholders.

Yours sincerely,



Margaret Devlin
Chair, EPIC

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group as at 30 September 2010 and the financial performance and cash flows for the six months ended on that date.

The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with generally accepted accounting principles.

The Directors authorise the financial statements and accompanying notes to the financials statements set out on pages 5 to 23 for issue on 4 March 2011.

For and on behalf of the Directors of the Company.



Margaret Devlin
Director



John Duncan
Director

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

\$'000	Note	Group		Year ended 31/03/10
		Six months ended 30/09/10 (unaudited)	Six months ended 30/09/09	
Revenue				
Interest income		156	110	219
Dividends received		1,961	1,880	5,528
Share of gain of associate	7	504	2,658	1,617
Performance fee		86	61	61
Total operating revenue		2,707	4,709	7,425
Other gains and losses				
Net realised foreign exchange loss		(226)	(75)	(9,428)
Unrealised foreign exchange (loss)/gain		(6,177)	4,513	5,586
Changes in fair value of derivatives		6,885	(653)	7,199
Total other gains		482	3,785	3,357
Expenses				
Auditors' fees		28	71	145
Directors' fees		108	62	133
Management fee	14	794	711	1,503
Depreciation and amortisation		-	1	1
Finance costs		2,066	1,622	2,615
Other expenses		308	524	1,221
Moto performance fee	14	-	-	3,531
Total expenses		3,304	2,991	9,149
(Loss)/profit before tax		(115)	5,503	1,633
Income tax expense	5	371	1,062	767
(Loss)/profit for the period		(486)	4,441	866
Other comprehensive income or expenses				
Share of associate revaluation reserve	7	-	-	236
Associate cash flow hedge reserve	7	(9,353)	(544)	(5,221)
Loss arising on translation of foreign associate	7	(1,372)	(6,846)	(6,200)
Total comprehensive loss for the period		(11,211)	(2,949)	(10,319)

These condensed interim financial statements should be read in conjunction with the notes to the condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

Group \$'000	Note	Share Capital	Other Reserves	Retained Earnings/ (Losses)	Total Equity
Balance at 1 April 2009		88,192	-	(12,873)	75,319
Comprehensive Income					
Profit for the period		-	-	4,441	4,441
Other comprehensive Income					
Associate cash flow hedge reserve	7	-	(544)	-	(544)
Loss arising on translation of foreign associate		-	-	-	-
	7	-	(6,846)	-	(6,846)
Total comprehensive income/(loss) for the period		-	(7,390)	4,441	(2,949)

Transactions with owners

Ordinary shares issued by					
Dividend Reinvestment Plan	11	411	-	-	411
Dividends	12	-	-	(5,068)	(5,068)
Total Transactions with owners		411	-	(5,068)	(4,657)
Balance at 30 September 2009		88,603	(7,390)	(13,500)	67,713

Group \$'000	Note	Share Capital	Other Reserves	Retained Earnings/ (Losses)	Total Equity
Balance at 1 April 2009		88,192	-	(12,873)	75,319
Comprehensive income					
Profit for the year		-	-	866	866
Other comprehensive income or loss					
Revaluation reserve in associate	7	-	236	-	236
Associate cash flow hedge reserve	7	-	(5,221)	-	(5,221)
Loss arising on translation of foreign associate		-	-	-	-
	7	-	(6,200)	-	(6,200)
Total comprehensive (loss)/income for the year		-	(11,185)	866	(10,319)

Transactions with owners

Ordinary shares issued by					
Dividend Reinvestment Plan	11	857	-	-	857
Ordinary shares issued by					
Rights Issue	11	28,766	-	-	28,766
Dividends	12	-	-	(10,884)	(10,884)
Total transactions with owners		29,623	-	(10,884)	18,739
Share issue costs	11	(3,456)	-	-	(3,456)
Total expense recognised directly in equity		(3,456)	-	-	(3,456)
Balance at 31 March 2010		114,359	(11,185)	(22,891)	80,283

Group		Share	Other	Retained	Total
\$'000	Note	Capital	Reserves	Earnings/ (Losses)	Equity
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance at 1 April 2010		114,359	(11,185)	(22,891)	80,283
Comprehensive Income					
Loss for the period		-	-	(486)	(486)
Other comprehensive Income					
Associate cash flow hedge reserve	7	-	(9,353)	-	(9,353)
Loss arising on translation of foreign associate	7	-	(1,372)	-	(1,372)
Total comprehensive (loss) /income for the period		-	(10,725)	(486)	(11,211)
Transactions with owners					
Ordinary shares issued by Dividend Reinvestment Plan	11	461	-	-	461
Share Options & Ordinary shares issued by Share Placement	11	6,500	-	-	6,500
Dividends	12	-	-	(2,917)	(2,917)
Total Transactions with owners		6,961	-	(2,917)	4,044
Share issue costs	11	(244)	-	-	(244)
Total expense recognised directly in equity		(244)	-	-	(244)
Balance at 30 September 2010		121,076	(21,910)	(26,294)	72,872

These condensed interim financial statements should be read in conjunction with the notes to the condensed interim financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

\$'000	Note	Group		
		Six months ended 30/09/10 (unaudited)	Six months ended 30/09/09	Year ended 31/03/10
Assets				
Current Assets				
Cash and cash equivalents		163	6,161	895
Prepayments and receivables		713	1,428	550
Related party receivables	14	-	9	11
		876	7,598	1,456
Non-Current Assets				
Investments	6	95,621	95,666	95,609
Investment in associate	7	26,766	44,734	39,981
Intangible assets		1	1	1
Deferred tax asset	5	535	600	906
Derivative financial assets	8, 15	1,432	3,060	1,249
		124,355	144,061	137,746
Total Assets		125,231	151,659	139,202
Liabilities				
Current Liabilities				
Payables and accruals		1,833	1,414	670
Dividend payable	12	-	2,900	2,911
Derivative financial liabilities	8, 15	-	13,663	6,668
Bank loan	9	4,000	33,976	13,439
Moto performance fee	14	3,531	-	3,531
		9,364	51,953	27,219
Non-Current Liabilities				
Bank loan	9	42,951	29,246	31,621
Derivative financial liabilities	8, 15	44	2,747	79
		42,995	31,993	31,700
Total Liabilities		52,359	83,946	58,919
Equity				
Issued capital	11	121,076	88,603	114,359
Retained losses		(26,294)	(13,500)	(22,891)
Revaluation reserve in associate		236	-	236
Associate cash flow hedge reserve		(14,574)	(544)	(5,221)
Loss arising on translation of foreign associate		(7,572)	(6,846)	(6,200)
Total Equity		72,872	67,713	80,283
Total Liabilities and Equity		125,231	151,659	139,202

These condensed interim financial statements should be read in conjunction with the notes to the condensed interim financial statements.

CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

\$'000	Note	Group		
		Six months ended 30/09/10 (unaudited)	Six months ended 30/09/09	Year ended 31/03/10
Cash flows from operating activities				
Gross inflows		5,245	8,731	12,325
Gross outflows		(8,512)	(3,057)	(15,461)
Net cash (used in)/generated from operating activities	13	(3,267)	5,674	(3,136)
Cash flows from investing activities				
Gross inflows		-	-	-
Gross outflows		-	(55,425)	(55,451)
Net cash used in investing activities		-	(55,425)	(55,451)
Cash flows from financing activities				
Gross inflows		45,781	61,778	104,720
Gross outflows		(43,246)	(7,251)	(46,623)
Net cash received from financing activities		2,535	54,527	58,097
Net (decrease) / increase in cash and cash equivalents		(732)	4,776	(490)
Cash and cash equivalents at beginning of the period		895	1,385	1,385
Cash and cash equivalents at end of the period		163	6,161	895

These condensed interim financial statements should be read in conjunction with the notes to the condensed interim financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. REPORTING ENTITY AND GENERAL INFORMATION

Equity Partners Infrastructure Company No. 1 Limited ("EPIC" or "the Company") was incorporated under the New Zealand Companies Act 1993 on 2 April 2007.

The address of the registered office is:
Level 1, Pyne Gould Corporation House
233 Cambridge Terrace
Christchurch
New Zealand

The Company wholly owns EPIC (Bermuda) Limited a company registered in Bermuda holding infrastructure assets. In addition the Company has two wholly owned non-trading subsidiaries that hold no assets or liabilities being EPIC No. 1 Limited and EPIC No. 2 Limited (together known as "the Group").

The Group's principal activities are to invest in infrastructure assets and entities that own or operate infrastructure assets.

The Company is a profit oriented entity, and is a reporting entity for the purposes of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

The interim financial statements and the operations of the Group are not materially impacted by seasonal trends.

The financial statements for the six month period ended 30 September 2010 are unaudited, the comparative financial statements for 30 September 2009 and 31 March 2010 have been audited, subject to the adjustment outlined in note 3.

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim financial statements have been prepared in accordance with New Zealand Equivalent to International Accounting Standard 34 - "Interim Financial Reporting". The interim financial statements do not include all of the information required for a full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2010. These financial statements also comply with IAS-34 - "Interim Financial Reporting".

The financial statements were authorised for issue by the directors on 4 March 2011.

(b) Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain assets and financial instruments.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The interim financial statements presented here are for the consolidated Group. Parent company financial statements are not required under NZ IAS-34.

(c) Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. The preparation of financial statements requires the use of management judgements, estimates and assumptions that affect the application of accounting policies and reported amounts.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reviewed on an ongoing basis. Actual results may differ from these judgements.

(d) Judgements and estimates

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The key judgements and estimates applied in these financial statements are:

- Valuation of the derivative financial assets and liabilities – Note 15
- Inability to reliably measure the investment (carried at cost) in the balance sheet – Note 6
- Assessment of potential impairment of investments – Note 6

3. STATEMENT OF ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2010, except as noted below.

CORRECTION OF PRIOR PERIOD ERROR, RESTATEMENT OF COMPARATIVES

As set out in note 7, EPIC acquired an investment in Moto International Holdings Limited (MIHL) in June 2009.

The investment in MIHL is accounted for using the equity method of accounting, and was initially recognised at cost. The Group's share of the associate's post-acquisition profits or losses are recognised in the Statement of Comprehensive Income, and its share of post-acquisition movements in reserves are recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

MIHL is a Great British Pound denominated investment and as such the value of the investment is required to be translated to New Zealand dollars for EPIC's reporting purposes. It has been identified that the foreign currency translation movement on the investment in MIHL had been incorrectly calculated for the period ended 30 September 2009 and the year ended 31 March 2010.

As a result of this restatement, a loss arising on translation of foreign associate has been recognised in 30 September 2009 and 31 March 2010 in other comprehensive income and the Investment in Associate value within the Statement of Financial Position has been reduced to reflect the translation loss. As the investment was acquired subsequent to 1 April 2009, an opening balance sheet has not been presented as the restatement does not affect those figures.

\$'000	Six months ended 30/09/2009	Year ended 31/03/2010
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Impact on the Statement of Comprehensive Income

Previous gain arising on translation of foreign associate removed:

Gain arising on translation of foreign associate	-	605
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Revised loss arising on translation of foreign associate:

Loss arising on translation of foreign associate	(6,846)	(6,200)
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Net impact on total comprehensive loss for the period	(6,846)	(6,805)
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Impact on the Statement of Financial Position

Previous gain arising on translation of foreign associate removed:

Gain arising on translation of foreign associate	-	605
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Revised loss arising on translation of foreign associate:

Loss arising on translation of foreign associate	(6,846)	(6,200)
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Decrease in value of investment in associate	(6,846)	(6,805)
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Adjustment to loss arising on translation of foreign associate	(6,846)	(6,805)
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The Statement of Cash Flows remains unchanged.

As set out in note 15, EPIC holds forward foreign exchange contracts. The classification between current and non-current in the Consolidated Statement of Financial Position has been re-aligned with the disclosure in note 15 as at 30 September 2009.

4. SEGMENT REPORTING

The Company has one operating segment: investment in infrastructure assets and in entities that own infrastructure assets. The financial statements reflect the activities of this operating segment.

5. TAXATION

\$'000	Six months ended 30/09/2010 (unaudited)	Six months ended 30/09/2009	Year ended 31/03/2010
Income tax recognised in profit or loss			
(Loss)/Profit before taxation	(115)	5,503	1,633
Taxation at 30% (2009: 30%)	(35)	1,651	490
Plus/(less) taxation effect of:			
Non-assessable income	(850)	(3,064)	(2,162)
Non-deductible expenses	35	-	1,144
Impact of FDR tax on overseas investments	1,199	2,475	1,485
Adjusted for:			
Prior period adjustments	-	-	(201)
Other	-	-	11
Reduction in tax rate to 28% from 2011/12	22	-	-
Income tax expense recognised in the Statement of Comprehensive Income	371	1,062	767
Income tax expense is comprised of:			
Deferred tax expense	371	1,062	756
Other	-	-	11
	371	1,062	767
Deferred tax assets			
Opening Balance	906	1,662	1,662
Tax losses utilised	(349)	(1,062)	(957)
Prior period adjustments	-	-	201
Reduction in tax rate to 28% from 2011/12	(22)	-	-
	535	600	906

Tax Losses

Taxation losses of \$1,856,694 are available to be carried forward and offset against future assessable income subject to the requirements of tax legislation being met (31/09/2009: \$1,903,479; 31/03/2010 \$3,021,426). The Company expects to generate sufficient taxable income to utilise both the tax losses and the deferred tax asset.

6. INVESTMENTS

	Six months ended 30/09/2010 (unaudited)	Six months ended 30/09/2009	Year ended 31/03/2010
\$'000			
Investments			
Investment in unlisted equity at cost	94,270	94,270	94,270
Investment in loans and receivables	1,351	1,396	1,339
Total Investments	95,621	95,666	95,609

The unlisted equity investments are held as available for sale financial assets and measured at cost. These assets are measured at cost as the Directors are unable to reliably estimate the fair value of the investments given limitations on available information and disclosure. The Directors have sufficient information to be satisfied that the investments are not impaired as at 30 September 2010, 30 September 2009 and 31 March 2010.

Thames Water Holding Co

The Company holds a 2.61% interest in Kemble Water Holdings International Limited (Thames Water Holding Co). Through this holding the Company holds an indirect 1.24% interest in Kemble Water Holdings Limited, which is the ultimate UK holding company of Thames Water Utilities Limited, a UK based water utility. The cost price of \$90,027,166 includes total transaction costs of \$225,972.

Arqiva

The Company acquired a 0.071% indirect interest in Macquarie UK Broadcast Holdings Limited ("MUKBHL"), the ultimate holding company of Arqiva, a UK based broadcast and transmission service provider, for \$4,122,273. The cost price includes total transaction cost of \$395,805.

As a component of the indirect interest purchased in MUKBHL, the Company also received an indirect interest in loan notes issued by MUKBHL. The loan notes receive interest at a rate of 13% and, if not repaid earlier, are due for repayment on 31 December 2017. The Company holds an indirect interest in 460,504 loan notes with a face value of GBP 1 per note.

The loan notes were converted at an NZD/GBP exchange rate at 30 September 2010 of 0.4673 resulting in an unrealised foreign exchange gain of \$9,735 (30/09/2009: unrealised loss of \$28,710; 31/03/2010: unrealised loss of \$38,165) being recognised against the asset.

The MUKBHL loan notes are not able to be sold separately from the MUKBHL shares.

Wales & West

The Company purchased a 0.097% indirect interest in MGN Gas Networks (UK) Limited ("MGN") the ultimate holding company of Wales & West Utilities Limited, a UK based gas network provider for \$2,005,404. The cost price includes transaction costs of \$83,690.

As a component of the indirect interest purchased in MGN, the Company also received an indirect interest in loan notes issued by MGN. The loan notes receive interest at a floating rate of LIBOR plus a margin of 6%. If the notes are not repaid earlier they are due for repayment on 30 September 2024. The Company holds an indirect interest in 94,395 loan notes with a face value of GBP 1 per note.

The loan notes were converted at an NZD/GBP exchange rate at 30 September 2010 of 0.4673 resulting in an unrealised foreign exchange gain of \$1,969 (30/09/2009: unrealised loss of \$39,437; 31/03/10: unrealised loss of \$38,165) being recognised against the asset.

The MGN loan notes are not able to be sold separately from the MGN shares.

Assessment of Control

The Directors of the Company do not believe that the Company is able to exert significant influence over any of these investments, as a majority of shares are controlled by other shareholders.

7. INVESTMENT IN ASSOCIATE

	Six months ended 30/09/2010 (\$'000)	Six months ended 30/09/2009	Year ended 31/03/2010
At beginning of period	39,981	-	-
Acquisition of associate	-	55,883	55,964
Share of gain of associate	504	2,658	1,617
Other equity movements: Revaluation reserve	-	-	236
Cash flow hedge reserve	(9,353)	(544)	(5,221)
Dividend received	(2,994)	(6,417)	(6,415)
Loss arising on translation of foreign associate	(1,372)	(6,846)	(6,200)
At end of period	26,766	44,734	39,981

On 19 June 2009 EPIC Bermuda Limited acquired 17.49% of the issued share capital of Moto International Holdings Limited for \$55,963,902 including transaction costs of \$4,786,285 and a further \$81,325 of transaction costs were recognised in November 2009. Moto International Holdings Limited holds 73.86% of the shares in Moto Holdings Limited, the leading motorway and trunk-road service area operator in the UK. Moto International Holdings Limited is incorporated in Bermuda.

Although the Group owns less than 20% of the issued capital in Moto International Holdings Limited it has a significant influence through the ability to appoint one of up to five directors in that company.

The reporting date of Moto International Holdings Limited is 31 December. For the purpose of applying the equity method of accounting, results of Moto for the period 31 December to 30 June 2010 have been used. Appropriate adjustments have been made for the effects of significant transactions between that date and 30 September 2010.

For the comparative interim period the Group elected to record the results of Moto for the period 1 July 2009 to 30 September 2009. While this treatment is not consistent with the Company's accounting policy in relation to associates with non-conterminous balance dates, the Group determined that the performance of the investment would not be accurately reflected through the application of the accounting policy.

For the year ended 31 March 2010, the financial statements of Moto International Holdings Limited for the 53 weeks ended 30 December 2009 have been used. Appropriate adjustments have been made for the effects of significant transactions between that date and 31 March 2010, and to reflect only those transactions entered into since the date of acquisition of the associate (19 June 2009).

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to minimise its exposure to currency movements relating to the dividend income stream from its investment in shares and currency movements in the value of these shares. Change in fair value of derivatives (as disclosed in the Condensed Statement of Comprehensive Income) represent the unrealised gains/(losses) on foreign forward currency contracts during the period.

The Company also has exposure to derivative financial instruments (interest rate swaps) through its holding in MIHL which are accounted for through the cash flow hedge reserve and disclosed in note 7.

9. BANK LOAN

The Company completed an agreement for an increased secured financing facility with the National Australia Bank Limited on 24 April 2009. The facility is split into 2 parts ("Facility A" and "Facility B") with a total commitment available of up to NZ\$100 million.

Facility A is a facility of up to NZ\$60 million. The Company is able to utilise up to NZ\$10 million of this facility as a working capital facility for use in the daily operations of the business and funding permitted distributions. The remainder of the facility is available for use in purchase of additional investments. Facility A is a multi currency facility and is available for drawdown for a period of 12 months (currently scheduled to expire on 27 April 2011) with annual review.

At 30 September 2010 there are no unamortised loan establishment fees remaining (30/09/2009: \$249,200; 31/03/2010: \$34,500).

Facility B is a facility of up to NZ\$40 million. This facility is to be utilised for the purchase of additional investments. Facility B is a multi currency facility and is available for drawdown in NZD, AUD and GBP for a period of 3 years (currently scheduled to expire on 27 April 2012). The facility was amended on 17 June 2009 on the same terms and conditions to specifically allow for its use in the Moto International Holdings Limited acquisition.

On 26 April 2010 the two Facility B loans totalling GBP 13,286,601 were converted to NZD realising a foreign currency gain of \$6,111,262 on conversion.

EPIC is obliged under its facility agreement with NAB to clean down its NZ\$60 million facility (Facility A) to a zero balance for 3 consecutive business days, twice in each financial year.

Due to changes in the timing of expected receipt of dividends from EPIC's investments in Thames Water and Moto, EPIC did not comply with this obligation for the financial year ended 30 June 2010.

EPIC complied with its requirement to clean down Facility A to a zero balance on 30 September 2010 as per the conditions of the waiver received from NAB on 7 July 2010 in relation to the non compliance of this facility as at 30 June 2010.

10. ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements in relation to liabilities disclosed in note 9 to the financial statements all investments of the Company have been pledged as security.

11. ISSUED CAPITAL

Share Capital	Six months ended 30/09/2010 (unaudited)	Six months ended 30/09/2009	Year ended 31/03/2010
\$'000			
Opening balance	114,359	88,192	88,192
Ordinary shares issued by Dividend Reinvestment Plan	461	411	857
Ordinary shares issued by Rights Issue	-	-	28,766
Share Options & Ordinary shares issued by Share Placement	6,500	-	-
Share issue costs	(244)	-	(3,456)
Closing balance	121,076	88,603	114,359

Shares in Issue	Six months ended 30/09/2010 (unaudited)	Six months ended 30/09/2009	Year ended 31/03/2010
Number			
Opening balance	127,950,435	95,081,605	95,081,605
Ordinary shares issued by Dividend Reinvestment Plan	512,152	410,797	906,727
Ordinary shares issued by Rights Issue	-	-	31,962,103
Ordinary shares issued by Share Placement	7,222,222	-	-
Closing balance	135,684,809	95,492,402	127,950,435

Issued capital as at 30 September 2010 amounted to \$121,075,611 net of transaction costs incurred (30/09/2009: \$88,602,791; 31/03/2010 \$114,358,517).

As at 30 September 2010 there were 135,684,809 (30/09/2009: 95,492,402; 31/03/2010: 127,950,435) ordinary shares issued including ordinary shares of 512,152 issued under the Dividend Reinvestment Plan (30/09/2009: 410,797; 31/03/2010: 906,727). On 2 October 2009 31,962,103 shares were issued following an underwritten share offering. All issued shares have no par value but have been allotted at \$0.90 per share which is fully paid.

On 29 September 2010 7,222,222 new ordinary shares were issued to Torchlight Fund No.1 LP ("Torchlight LP") for consideration of \$0.90 per new share, being a total of \$6,500,00. In consideration for Torchlight LP agreeing to subscribe for new shares the Company agreed to pay an equity placement fee of 3% being \$195,000. The Company also granted Torchlight LP the option to subscribe for a further 24,873,355 shares. The issue price of the Option Shares shall be \$0.90 per share. The Option may be exercised at any time upon notice to the Company by Torchlight LP up to five working days prior to 30 June 2011, unless extended by agreement between the parties to 31 December 2011. If Torchlight LP decide to take up the maximum number of Option Shares this will see their shareholding increase to 19.99% of the Company. Torchlight (GP) 1 Limited (the General Partner of Torchlight LP) is a related party (by virtue of common control) with Equity Partners Infrastructure Management Limited (EPIM) who is the management company of the Company.

This Option has been valued at a cost to the Company of \$575,957.

The holders of the 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. All ordinary shares rank equally with regard to the Company's residual assets.

A Dividend Reinvestment Plan ("DRP") was established by the Company on 3 July 2008. The DRP enables holders of ordinary shares to elect to receive additional shares in the Company in lieu of receiving the cash dividend payment.

Participation in the DRP is optional and subject to shareholders electing to participate. Participation commences from the first record date after the shareholder has elected to do so. A shareholder may elect full or partial participation.

The number of shares issued to a participating shareholder is calculated based on the number of shares held by the shareholder, the cash dividend paid and the value allocated to the shares, currently \$0.90 per share.

A shareholder may terminate their participation in the DRP at any time.

12. DIVIDENDS

\$'000	Cents per share	Six months	Six months	Year
		ended	ended	ended
		30/09/2010	30/09/2009	31/03/2010
		(unaudited)		
Interim dividend – June	2.275	2,917	2,168	2,168
Interim dividend – September*	2.275	-	2,900	2,900
Interim dividend – December	2.275	-	-	2,905
Final dividend – March	2.275	-	-	2,911
		2,917	5,068	10,884

* The dividend in September 2009 included payment made on shares allotted on 2 October 2009 under the share offering described in note 11.

In September 2010 the Board determined that the Company needs to consider a significant shift in strategic direction from income generation in favour of maximising the value of assets. This follows a recent decision by the board of Moto to adopt a new growth-focused five year business plan which requires foregoing dividends to shareholders for up to 18 months to reinvest in growth.

As this decision has short-term consequences for the Company, in that around \$12 million over the next 12 months will be reinvested within Moto, the Company is suspending the September and December 2010 dividend payments.

The review's outcome, and the consequent decision on whether or not to resume dividend payments, will be reported to shareholders upon completion.

13. RECONCILIATION OF OPERATING CASH FLOWS TO PROFIT FOR THE YEAR

\$'000	Six months ended 30/09/2010 (unaudited)	Six months ended 30/09/2009	Year ended 31/03/2010
(Loss)/profit for the period	(486)	4,441	866
Non-cash items in Statement of Comprehensive Income			
Depreciation and amortisation	-	1	1
Unrealised foreign exchange (gain)/loss including changes in fair value of derivatives	(6,652)	(3,860)	(13,555)
Amortisation of loan establishment fee	-	160	34
Deferred tax movement	371	1,062	753
Loss attributable from associate	(504)	(2,658)	(1,617)
Cash item not in Statement of Comprehensive Income			
Dividend received from associate	2,994	6,417	6,415
Movements in Working Capital items			
Prepayments and receivables	(163)	(621)	249
Related party receivables	11	103	101
Trade and other payables	1,162	629	86
Related party payables	-	-	3,531
Cash flow from operating activities	(3,267)	5,674	(3,136)

Non-Cash Transactions

The Group had non-cash transactions relating to the Dividend Reinvestment Plan as described in Note 11.

14. RELATED PARTY TRANSACTIONS

Equity Partners Asset Management Limited ("EPAM"), the parent company of Equity Partners Infrastructure Management Limited "EPIM" who is the management company of Equity Partners Infrastructure Company No. 1 Limited, owns 11.1% (30/09/2009: 10.5%; 31/03/2010: 11.7%) of shares in Equity Partners Infrastructure Company No. 1 Limited.

Transactions between Equity Partners Infrastructure Company No. 1 Limited and its related parties

For the period ended 30 September 2010 the management fee expense for Equity Partners Infrastructure Company No.1 Limited totals \$793,946 (inclusive of a GST component that is not claimable by the Company) (30/09/2009: \$710,971; 31/03/2010: \$1,503,254) to EPIM for management services provided during the period in accordance with the management agreement. Management fees of \$793,946 (30/09/2009: \$133,713; 31/03/2010: \$132,170) to EPIM is included in accruals as at 30 September 2010.

Under the terms of the Management Agreement EPIM is entitled to a performance fee if EPIC makes any additional investments. On 19 June 2009 EPIC (Bermuda) Holdings limited, a wholly owned subsidiary of EPIC, acquired 17.49% of the issued share capital of Moto. The Moto purchase constitutes an Additional Investment for the purposes of the Management Agreement.

The agreement prescribes that a performance fee will be paid to EPIM based on the internal rate of return (IRR) accomplished by the Moto investment on the occurrence of a Realisation Date. The Realisation Date is the earlier of 20 June 2019, or the date on which the Company sells its investment in Moto, Moto is sold or listed on a stock exchange, a change of control occurs in the Company, or the Company manager changes.

EPIM shall be entitled to be paid a performance fee subject to the Moto IRR on the realisation date exceeding 9% per annum, at a rate of 20% of the calculated IRR above the required 9% threshold. As at 31 March 2010 a provision has been included in the accounts for \$3,530,998.

There are no related party receivables (30/09/2009: \$9,110; 31/03/2010: \$10,583) or payables at 30 September 2010.

Related Party Investments

Key management personnel, being directors of the Company and their immediate relatives, including Trusts, hold 165,000 shares in the Company as at 30 September 2010 (30/09/2009: 210,000; 31/03/2010: 315,000). Richard Hanson resigned as a director of EPIC on 22 June 2010. Richard held 150,000 shares at 31 March 2010 (31/09/2009: 100,000).

Director's Interests

John Duncan is a director of Torchlight (GP) 1 Limited (the general partner of Torchlight Fund No. 1 LP).

15. FINANCIAL INSTRUMENTS

The policies for financial instrument measurement used in the preparation of the financial statements are consistent with the annual financials statements to 31 March 2010.

Currency Risk

The policies in relation to currency risk are particularly relevant to the Company's investments.

The Company has entered into foreign exchange forward contracts to mitigate changes due to foreign currency movements in the value of cash flows derived from the expected dividends from the investment in shares.

The details of these contracts are as follows:

Foreign Exchange Forward Contracts – 30 September 2010 (unaudited)

Delivery date	EPIC Buy/Sell Amount (GBP'000)	EPIC Buy/Sell Amount (NZD \$'000)	Average contract NZD/GBP forward rate	Fair Value (\$'000)
Assets				
Less than 1 year	-	-	-	-
1 to 2 years	2,193	4,924	0.4453	56
3 to 5 years	4,987	13,407	0.3715	1,376
More than 5 years	-	-	-	-
Liabilities				
Less than 1 year	-	-	-	-
1 to 2 years	3,289	7,386	0.4458	(44)
3 to 5 years	-	-	-	-
More than 5 years	-	-	-	-

Foreign Exchange Forward Contracts – 30 September 2009

Delivery date	EPIC Buy/Sell Amount (GBP'000)	EPIC Buy/Sell Amount (NZD \$'000)	Average contract NZD/GBP forward rate	Fair Value (\$'000)
Assets				
Less than 1 year	-	-	-	-
1 to 2 years	5,878	11,950	0.4919	1,547
3 to 5 years	9,726	26,510	0.3671	1,513
More than 5 years	-	-	-	-
Liabilities				
Less than 1 year	20,000	58,123	0.3441	(13,663)
1 to 2 years	5,878	11,950	0.4919	(1,547)
3 to 5 years	5,481	12,310	0.4453	(641)
More than 5 years	5,688	14,260	0.3989	(559)

Foreign Exchange Forward Contracts – 31 March 2010

Delivery date	EPIC Buy/Sell Amount (GBP'000)	EPIC Buy/Sell Amount (NZD \$'000)	Average contract NZD/GBP forward rate	Fair Value (\$'000)
Assets				
Less than 1 year	-	-	-	-
1 to 2 years	2,193	4,924	0.4453	35
3 to 5 years	4,987	13,407	0.3715	1,214
More than 5 years	-	-	-	-
Liabilities				
Less than 1 year	20,924	51,165	0.4240	(6,668)
1 to 2 years	-	-	-	-
3 to 5 years	3,289	7,386	0.4458	(79)
More than 5 years	-	-	-	-

16. CONTINGENCIES AND COMMITMENTS

Under the terms of the purchase of the Thames Water Holding Co shares, the Company entered into an Investor Services Agreement with Macquarie Infrastructure Management (UK) Limited "MIMUK" (now Macquarie Capital Funds (Europe) Limited "MCFEL", a member of the Macquarie Group), to appoint MIMUK as the Company's investment advisor in relation to its investment in Thames Water Holding Co.

The agreement prescribes a fee that the Company will pay to MCFEL based on the internal rate of return accomplished by the Thames Water Holding Co investment on the occurrence of a Realisation Date. The Realisation Date is the earlier of 16 December 2016, or the date on which the Company sells its investment in Thames Water Holding Co, Thames Water PLC is sold or listed on a stock exchange, a change of control occurs in the Company, or the Company manager changes.

The fee is based on a sliding scale, however no fee is payable if the internal rate of return on the Thames Water Holding Co investment is lower than 8%. As at 30 September 2010 the internal rate of return for the investment had not exceeded 8% and therefore no fee has been provided.

However, it is possible that by the occurrence of the Realisation Date a fee may be payable to MCFEL based on performance since the initial investment. It is not possible to quantify the potential cost of this fee.

Apart from this performance fee there are no contingent liabilities, assets or capital commitments as at reporting date (30/09/2009: nil; 31/03/2010: nil).

17. WORKING CAPITAL

As outlined in note 9 the Company has bank loans with National Australia Bank. As per the conditions of the waiver received on 7 July 2010 a prepayment schedule has been agreed with NAB. Included within current liabilities are two prepayment payables; \$2,000,000 due 31 December 2010 and \$2,000,000 due 30 June 2011.

The Moto Performance Fee provision will become payable when a realisation date, as explained in note 11, occurs and relates to future capital transactions.

Since the reporting date a dividend was received from Thames Water and cash proceeds have been received in respect of the closure of all of the Company's foreign exchange forward contracts, please refer to note 18 for further details.

Consequently although current liabilities exceeded current assets as at 30 September 2010 the Company is able to meet all its current liabilities.

18. EVENTS AFTER THE REPORTING DATE

Strategic review

The company is undertaking a strategic review as outlined in a letter to shareholders on 4 October 2010 with an update provided to shareholders on 14 December 2010.

The Board and Management are in the process of finalising EPIC's capital structure and banking facilities.

Kemble Water International Holdings Limited Dividend

On 9 December 2010 the Company received a dividend from Kemble Water International Holdings Limited of GBP 930,610.

Bank Loans

As per the conditions of the waiver received from NAB on 7 July 2010, a prepayment of \$2,000,000 was paid on 24 December 2010 in respect of the Principal Outstanding on Facility A.

Foreign Exchange Forward Contracts

On 19 January 2011 the Company terminated all the foreign exchange forward contracts entered into between itself and National Australia Bank. On 21 January 2011 a termination payment of \$2,000,000 was received from NAB.

There were no other significant events between the reporting date and the date the Directors authorised the signing of the financial statement for the six month period ended 30 September 2010.

