



5 November 2009

## Results for the six months to 30 September 2009

## Delivering stability in a volatile market environment

	Investment basis <sup>(1)</sup>		Consolidated IFRS basis <sup>(2)</sup>	
	Sep 2009	Sep 2008	Sep 2009	Sep 2008
Total return <sup>(3)</sup>	£16.3m	£50.3m	£15.2m	£50.4m
Total return on shareholders' equity <sup>(4)</sup>	1.8%	6.1%	1.7%	6.1%
Proposed interim dividend per share	2.2p	2.1p	2.2p	2.1p
Diluted net asset value ("NAV") per share	110.8p	111.3p	111.2p	111.1p
Diluted NAV per share after deducting interim dividend	108.6p	109.2p	109.0p	109.0p
Portfolio value	£573.5m	£576.4m	£847.0m	£846.0m

(1) The investment basis accounts for majority investments and subsidiaries formed specifically for investment purposes in the same way as minority investments and does not consolidate these entities as required by International Financial Reporting Standards ("IFRS").

(2) For the consolidated IFRS basis, the total return in this measure is the total comprehensive income attributable to equity holders of the parent and does not include minority interests. The gross consolidated total return for the period was £16.8 million (September 2008: £57.2 million).

(3) Total comprehensive income.

(4) For 2008 the total return was measured on average shareholders' equity, defined as the weighted average of (i) opening shareholders' funds, less the final prior-year dividend paid and (ii) proceeds raised through the placing and open offer, less costs associated with the fundraising in July 2008.

## Commentary

- Net asset value preserved in difficult conditions, with total return of £16.3 million, or 1.8% on opening shareholders' equity
- Portfolio performance remains robust, with 11.8% growth in EBITDA of underlying equity investments over the prior corresponding six-month period
- Assets generating an attractive yield, underpinning interim distribution of 2.2 pence per share, or 2.0% of shareholders' equity
- Solid balance sheet position, with cash balances of £330 million at 30 September 2009

**Peter Sedgwick, Chairman of 3i Infrastructure plc**, said: "3i Infrastructure's portfolio continues to perform robustly and to deliver a strong yield. The Company has a pipeline of attractive investment opportunities, but will maintain investment and pricing discipline as it invests its cash resources."

**Cressida Hogg, Managing Partner, Infrastructure, 3i Investments plc**, added: "While the pipeline for the second half is encouraging, conditions for infrastructure investment remain challenging. Completion risk remains high, due to uncertainty in the macro outlook and ongoing volatility in asset pricing. Nonetheless, with financial resources to invest, a strong track record and premium market access through the Investment Adviser, 3i Infrastructure is well positioned to take advantage of market opportunities as they arise."

– ends –

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**For further information regarding the announcement of results for 3i Infrastructure plc please see [www.3i-infrastructure.com](http://www.3i-infrastructure.com). The analyst presentation will be made available on this website during the day.**

Notes to editors

3i Infrastructure plc (“3i Infrastructure” or the “Company”) is a Jersey-incorporated, closed-ended investment company that invests in infrastructure businesses and assets and is regulated by the Jersey Financial Services Commission. The Company listed on the London Stock Exchange in March 2007, raising £703 million in an Initial Public Offering and a further £115 million in a subsequent Placing and Open Offer in July 2008. The Company is a constituent of the FTSE 250 index.

3i Investments plc, a wholly-owned subsidiary of 3i Group plc, which is regulated in the UK by the Financial Services Authority, acts as Investment Adviser to 3i Infrastructure plc.

**This press release is not for distribution (directly or indirectly) in or to the United States, Canada, Australia or Japan and is not an offer of securities for sale in or into the United States, Canada, Australia or Japan. Securities may not be offered or sold in the United States absent registration under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or an exemption from registration under the Securities Act. Any public offering to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or selling security holder and will contain detailed information about 3i Group plc, 3i Infrastructure plc, 3i India Infrastructure Fund and management, as applicable, as well as financial statements. No public offering in the United States is currently contemplated.**

**The half-yearly results of 3i Infrastructure plc for the six months to 30 September 2009 have been drawn up and presented in accordance with and in reliance upon applicable English and Jersey law and the liabilities of the Company in connection with those results shall be subject to the limitations and restrictions provided by such law.**

**These half-yearly results may contain certain statements about the future outlook for 3i Infrastructure plc. Although the Company believes its expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.**

## About 3i Infrastructure plc

### **Our Company**

3i Infrastructure plc (“3i Infrastructure” or “the Company”) is a Jersey-incorporated closed-ended investment company regulated by the Jersey Financial Services Commission. The Company is a constituent of the FTSE 250 index. Its Investment Adviser is 3i Investments plc (“3i Investments”), a subsidiary of 3i Group plc (“3i Group”), which is regulated by the UK Financial Services Authority.

### **Our investment strategy**

Our policy is to invest in infrastructure businesses globally, making equity and junior or mezzanine debt investments in infrastructure businesses. For most investments, we will seek to obtain, through our Investment Adviser, representation on the board of the portfolio company.

We are building a portfolio which is diversified by geography, maturity and sector, and focus on assets that deliver strong underlying performance: asset-intensive businesses, providing essential services over the long term, often on a regulated basis, or with a significant component of revenues that are subject to long-term contracts.

### **Our targets**

We make investments with an overall objective of providing shareholders with a total return of 12% per annum, to be achieved over the long term, when 3i Infrastructure is fully invested. Within this overall objective we will target an annual distribution yield of 5% of opening net asset value following full investment.

### **Our portfolio**

At 30 September 2009, we had a portfolio of 15 investments, including seven direct investments, as well as the 3i India Infrastructure Fund, which has three underlying investments, and a portfolio of junior debt instruments, which has five underlying investments. Of our total net assets of £906 million, the portfolio value was £574 million, with the remainder consisting almost entirely of cash balances of £330 million. Through our Investment Adviser, we take an active role in the management of our investments.

## Chairman's statement

Confidence improved during the first six months of the financial year, underpinned by some positive economic indicators. The recovery, however, remains fragile, particularly as a result of constrained access to credit and weak corporate earnings.

Against a volatile market backdrop, the Company continued to preserve value, proving the strength of the investment advisory team. 3i Infrastructure's portfolio has continued to perform well over the first six months of the year, confirming the resilience and defensive nature of the Company's infrastructure assets. Average earnings before interest, tax, depreciation and amortisation in the portfolio rose by 11.8% during the six-month period and the portfolio generated income from dividends and interest of £15.5 million.

The Board is pleased to propose an interim dividend of 2.2 pence per share, or 2.0% of opening shareholders' equity, which is covered by income and the profits from disposals, in line with the Company's stated objectives.

During the six months to 30 September 2009, 3i Infrastructure achieved a total return, on a consolidated IFRS basis, of £15.2 million, representing a return of 1.7% on shareholders' equity. On an investment basis, which the Board uses as the primary basis to monitor performance, the Company achieved a total return of £16.3 million (1.8%). While this was a satisfactory performance in prevailing market conditions, we are aware that it falls short of the long-term return objective. As usual, we have adopted a conservative approach to valuations. Furthermore, market headwinds, including foreign exchange volatility, the impact of lower interest rates on income from our cash balances, as well as deflation, have weighed on returns for the period.

The Company still has significant financial resources to invest, with cash on its balance sheet of £330 million as at 30 September 2009. I am confident, as is the rest of the Board, that when these financial resources are invested in assets with the appropriate return and yield characteristics, 3i Infrastructure's return objectives are achievable.

Investment activity over the six-month period has remained muted. No new investments were made during the six months to 30 September 2009. £32.1 million was invested in the current portfolio, to increase the Company's holdings in existing assets such as AWG, the junior debt portfolio and Alpha Schools, which continue to deliver attractive yields.

While investing the Company's financial resources in profitable assets is a key priority for the Board and the Investment Adviser, we remain aware that, with asset prices still adjusting in a volatile market, investment and pricing discipline are of crucial importance for 3i Infrastructure. As a consequence of this volatility, and despite the fact that credit remains available for investments in high quality infrastructure assets, few transactions are reaching the finish line, in particular in Europe and the US. Until this volatility subsides, investment levels across the market could remain low.

In the longer term, however, the opportunity for infrastructure investment remains attractive, driven, among other factors, by public sector budgetary constraints. The Board is encouraged by the quality and quantity of the opportunities presented by the Investment Adviser, and is pleased with the shape of the pipeline for the second half.

The appointment of Charlotte Valeur at the end of September as a non-executive Director and a member of the Audit Committee, replacing Martin Dryden who retired from the Board following

the AGM in July, has brought valuable expertise to the Board. Charlotte has extensive experience in the financial sector, and has latterly been working as an adviser on business and governance issues to a number of investment companies. We believe that a strong Board will prove to be a competitive advantage for the Company.

In summary, 3i Infrastructure's portfolio continues to perform robustly and to deliver a strong yield. The Company has a pipeline of attractive investment opportunities, but will maintain investment and pricing discipline as it invests its cash resources.

**Peter Sedgwick**

Chairman

4 November 2009

## Investment Adviser's review

### **About the Investment Adviser**

3i Investments, a wholly-owned subsidiary of 3i Group, acts as Investment Adviser to the Company through its infrastructure investment team (the "investment advisory team"). The investment advisory team provides advice to the Company on the origination and completion of new investments, on the realisation of investments and on funding requirements, as well as on the management of the investment portfolio.

The investment advisory team operates as a separate business line within 3i Group and at 30 September 2009 was staffed by 21 dedicated infrastructure investment professionals based in London, Mumbai, Delhi and New York. All investment professionals have significant experience of investing in, or advising on, infrastructure or private equity assets. The investment advisory team can also draw on 3i Group's network of investment professionals, based in 12 countries, to originate infrastructure investments.

3i Group was among the subscribers to 3i Infrastructure's Initial Public Offering and subsequent Placing and Open Offer and currently owns 33.2% of the equity in the Company.

### **The market**

Markets remain challenging, despite some evidence of recovery in economic conditions. The mix of major monetary and fiscal stimulus, improving financial conditions, the turn in the inventory cycle and marked improvements in recent surveys all point to economic recovery, in particular in emerging markets. As inflation remains relatively low in most countries, monetary tightening seems unlikely, at least in the short term. All these factors have contributed to a steep rally in equities since March.

The economic recovery, however, has yet to gain sustained momentum, in particular in developed economies, and some commentators are predicting that any recovery will be relatively lacklustre. Unemployment is still rising, corporate earnings are still under pressure, inflation remains close to historic lows, and access to credit remains constrained for many corporates and individuals, despite significant liquidity injections from monetary authorities.

This uncertainty is likely to result in ongoing market volatility and in a persisting disconnect between quoted market valuations and what private investors are prepared to pay for assets.

With uncertainties on the sustainability of the economic recovery and ongoing volatility in asset prices, conditions for new investment remain challenging. While financing is available for the right opportunities, albeit at less advantageous terms than pre-crisis, final-stage completion risk on individual deals remains high. Few transactions have completed during the last six months, and investment levels across the infrastructure asset class remain considerably lower than they were in 2007 and 2008.

We expect that the environment for new investment will remain difficult, at least while asset prices are still adjusting to reflect uncertainty in both the quoted and unquoted markets. The competitive environment for infrastructure investment, however, is more benign than before the crisis.

## **Strategy**

Portfolio management has been a key area of focus for the Investment Adviser, and over the period a significant amount of time has been devoted to ensuring that the resources of 3i Group's network are leveraged to drive value from the portfolio. Against a backdrop of deteriorating corporate earnings across the wider market, the performance of the Company's portfolio has remained robust and our initial investment theses are largely being confirmed.

During the first half of the year, the Investment Adviser has continued to recommend that the Company invest cautiously. The same investment discipline will be adopted in the second half of the financial year, despite a more encouraging pipeline of investment opportunities. With asset pricing still adjusting, the Company must remain selective and choose to invest only when assets clearly improve the overall return and yield characteristics of the portfolio.

3i Infrastructure is likely to benefit from the geographical diversification of its investment portfolio, as well as from the international focus of its Investment Adviser, as we expect that the global recovery will be led by emerging markets.

Exposure to a relatively dynamic market such as India, through the investment in the 3i India Infrastructure Fund, is likely to provide the Company with opportunities for investment in the short to medium term. This dynamism was evidenced by the completion, in July, of the Initial Public Offering of Adani Power, the largest Asian IPO in 18 months, which represented a significant milestone in the development and funding of that company's investment plan. While sterling returns from the 3i India Infrastructure Fund in the first six months of the financial year were impacted negatively by exchange rate volatility, we remain confident that the opportunity in India is significant, and that the investment in the 3i India Infrastructure Fund will provide sound returns for the Company's investors.

3i Infrastructure is in a strong position to take advantage of a market recovery, with significant cash resources, a strong track record and premium access to investment opportunities through the Investment Adviser. The investment advisory team continues to build relationships in the Company's chosen markets and sectors, leveraging its presence in its three main hubs of London, New York and Mumbai, as well as the broader resources of 3i Group's network. Significant resources are being invested in developing an in-depth understanding of those sectors where attractive investment opportunities exist.

Comprehensive market access is having a positive impact on the pipeline, and the pipeline of investment opportunities for the second half of the financial year looks encouraging. This, combined with a somewhat improved financing environment compared to the last financial year, should provide better conditions for investment in infrastructure. However, the investment advisory team will continue to maintain its investment discipline, and will not compromise the Company's return objectives as it seeks to invest the Company's financial resources.

## Financial results

The Company has two performance objectives:

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### Performance indicator – Total return

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**Objective** – to provide shareholders with a total return of 12% per annum on the aggregate of the net proceeds from the IPO and the Placing and Open Offer, to be achieved on full investment.

**Measurement** – total return for the period expressed as a percentage of opening shareholders' equity<sup>(1)</sup>.

**Status** – 1.8% total return for the six months to 30 September 2009.

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### Performance indicator - Dividend

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**Objective** – to target an annual distribution yield, on full investment, of 5% of the opening NAV.

**Measurement** – dividend paid or declared relating to the financial year, as a percentage of shareholders' equity.

**Status** – interim dividend of 2.2p per share equates to a 2.0% distribution on shareholders' equity.

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(1) Opening shareholders' equity is opening shareholders' funds less prior-year final dividend paid. In the prior period, this was calculated as an average to reflect the new funds raised during the year.

## Returns

The commentary below analyses the key drivers of the Company's investment activity and returns in more detail, according to the investment basis of preparation.

3i Infrastructure generated a total return for the six months to 30 September 2009 of £16.3 million, representing a 1.8% return on opening shareholders' equity (September 2008: £50.3 million, 6.1%).

The return for the period was driven principally by unrealised value gains on the portfolio, as well as strong portfolio income, which were partially offset by foreign exchange losses.

## Capital return

**Unrealised capital return** The portfolio generated an unrealised value gain of £18.1 million (September 2008: £19.5 million), underpinned by continued solid operational performance of the portfolio assets. This comprised a £19.8 million increase in the mark-to-market valuation of the junior debt portfolio, which was partially offset by small losses on the Company's holdings in the 3i India Infrastructure Fund and in T2C.

The mark-to-market valuation of the junior debt portfolio was up by 20% in the six-month period, from £91.9 million at 31 March 2009 to £116.4 million at 30 September 2009 (including a further investment of £5.2 million), benefiting from a market-wide recovery in the trading of junior debt instruments.

The Company plans to hold investments in the junior debt portfolio to the final maturity dates, or until the instruments are refinanced, but has followed its policy to mark these instruments to

market and not value them on a “hold to maturity” basis. The average remaining maturity of the debt investments in the portfolio at 30 September 2009 was just under five years.

The strong unrealised value gain on the junior debt portfolio was partially offset by a decline in the value of the 3i India Infrastructure Fund, which decreased by £2.0 million during the period, before exchange movements. As explained more fully in the Portfolio summary, all assets in the 3i India Infrastructure Fund are performing well operationally, and the Fund’s valuation was impacted by the dilution of its holding in Adani Power following its IPO earlier in the year.

Table 1

**Summary total return on an investment basis (£m)**

	<b>6 months to 30 September 2009</b>	6 months to 30 September 2008	Year to 31 March 2009	Consolidated IFRS basis 6 months to 30 September 2009
Realised profits over value on the disposal of investments	<b>0.9</b>	4.1	25.9	1.5
Unrealised profits/(losses) on the revaluation of investments	<b>18.1</b>	19.5	(13.7)	13.9
Foreign exchange (losses)/gains on investments	<b>(13.4)</b>	2.2	38.4	(0.4)
<b>Capital return</b>	<b>5.6</b>	25.8	50.6	15.0
Portfolio income				
Dividends	<b>5.9</b>	18.3	25.6	11.8
Income from loans and receivables	<b>6.0</b>	2.8	6.9	8.4
Income from quoted debt investments	<b>3.6</b>	3.5	8.7	3.6
Fees payable	<b>(1.6)</b>	(1.3)	(2.0)	(1.6)
Interest receivable	<b>1.5</b>	7.7	13.1	1.5
<b>Investment return</b>	<b>21.0</b>	56.8	102.9	38.7
Advisory, performance and management fees payable	<b>(4.3)</b>	(4.6)	(10.5)	(5.0)
Operating expenses	<b>(0.9)</b>	(0.9)	(2.3)	(0.9)
Finance costs	<b>(0.7)</b>	(0.5)	(1.4)	(7.0)
Movements in the fair value of derivative financial instruments	<b>1.5</b>	-	(13.4)	2.9
Other costs	<b>(0.3)</b>	(0.3)	(2.3)	(0.4)
<b>Profit for the period</b>	<b>16.3</b>	50.5	73.0	28.3
Exchange difference on translation of foreign operations	-	(0.2)	0.2	(11.5)
Profit attributable to minority interests for the period	-	-	-	(1.6)
<b>Total return</b>	<b>16.3</b>	50.3	73.2	15.2

The value of the Company’s investment in T2C declined by £3.3 million (before exchange movements) due to a delay in the completion of the construction phase of the plant.

AWG also recorded a small value loss during the period, reflecting the current status of the regulatory review of the water sector. In determining the valuation as at 30 September 2009, the outcome of Anglian Water's Draft Determination, published in July 2009, as well as expectations of the outcome of the Final Determination, were taken into account.

All quoted assets in the Company's portfolio were valued on a mark-to-market basis, while all unquoted assets were predominantly valued on a DCF basis, using a weighted average discount rate of 12.8% (September 2008: 12.0%).

Valuation models were updated to incorporate macroeconomic factors such as trends in interest and inflation rates, as well as asset specific developments.

**Realised capital return** Over the period, there was a realised value gain of £0.9 million (September 2008: £4.1 million) as a result of a reorganisation of shareholdings within 3i Osprey LP, through which the Company owns AWG.

**Foreign exchange impact** Movements in foreign exchange rates generated losses on non-sterling assets of £13.4 million (September 2008: £2.2 million gain), of which £10.0 million was on the 3i India Infrastructure Fund and £3.4 million was on the euro assets, as sterling appreciated against both the euro and the US dollar since the end of March 2009.

Between 1 April 2009 and 30 September 2009, the US dollar depreciated by 13% against sterling, creating a loss of £10.0 million, which was partially offset by a £4.4 million gain caused by the appreciation of the Indian rupee against the US dollar. As a result of these movements the exchange losses on the US dollar denominated 3i India Infrastructure Fund totalled £5.6 million.

The euro depreciated by 2% against sterling during the period. The Company has already established a programme to hedge 85% of the euro asset exposure in the portfolio using forwards and forward extras. The net exchange losses on the euro denominated assets totalled £1.9 million in the period.

The impact of exchange movements and of the euro hedging programme on portfolio value are shown in Table 2.

Table 2

**Impact of foreign exchange movements on portfolio value, net of hedging**

– six months to 30 September 2009

	£m
Euro/sterling translation	(3.4)
US dollar/sterling translation	(10.0)
Foreign exchange losses on investments	<b>(13.4)</b>
Hedging impact (euro/sterling)	1.5
Indian rupee/US dollar translation	4.4
	<b>5.9</b>
Net foreign exchange loss	<b>(7.5)</b>

## Investment return

**Portfolio income** Despite the continued pressure on corporate earnings, income generation from the portfolio remained robust, totalling £15.5 million in the six-month period (September 2008: £24.6 million). The September 2008 figure included a special dividend of £10.3 million, which was received from AWG in relation to proceeds from the sale of Morrison Utilities Services.

The junior debt portfolio also continued to generate interest income, totalling £3.6 million in the period compared to £3.5 million in the six months to September last year. However, on a like-for-like basis, the yield during the six months to 30 September 2009 was lower, due to reduced interest rates and the timing of the initial investments.

Fees payable totalled £1.6 million (September 2008: £1.3 million) during the period, and were attributable to transaction costs in relation to deals which did not reach, or are yet to reach final completion.

**Interest income** Interest income from financial assets totalled £1.5 million during the period (September 2008: £7.7 million). The significant decline in relation to the comparable six-month period in 2008 is due to the decline in interest rates paid by banks on cash balances. The Company's cash balances during the six months to 30 September 2009 generated interest at an average rate of 0.8% (September 2008: 5.5%).

## Advisory fee, performance fees and other operating costs

During the first six months of the financial year, the Company incurred advisory and performance fees totalling £4.3 million (September 2008: £4.6 million). The advisory fee, payable to 3i plc, is calculated as 1.5% of the Gross Investment Value, which is based on the opening portfolio value and the cost of new investment made during the period. No performance fee was accrued or charged during the period.

Operating expenses, comprising Board fees, service provider costs and other professional fees, totalled £0.9 million (September 2008: £0.9 million).

Finance costs of £0.7 million (September 2008: £0.5 million) comprise the commitment fees for the Company's £225 million multicurrency revolving credit facility.

Movements in the fair value of derivatives of £1.5 million represent the fair value movements of the hedging programme that was put in place in 2008 to partially hedge the exchange rate exposure from the euro denominated portfolio.

## Investment

3i Infrastructure invested £32.1 million in the six months to 30 September 2009 in existing portfolio companies. No new investments were made during the period.

Of this total, £23.4 million was invested in the purchase from 3i Group of an additional holding in 3i Osprey LP, the vehicle through which 3i Infrastructure and 3i Group hold their stakes in AWG.

As a result of this transaction, the Company's indirect stake in AWG increased by 1.3% to 10.3%. AWG continues to be a successful investment for the Company, providing a strong yield.

A further £5.2 million was invested in a junior facility issued by Viridian (Electricinvest Holding Company Limited £500 million Junior Facility), in which the Company had already invested as part of the junior debt portfolio.

Of the remaining balance of £3.5 million, a further £2.0 million was invested in the 3i India Infrastructure Fund, to fund a small additional investment in Adani Power before its Initial Public Offering, and £1.5 million was invested in Alpha Schools.

### Summary of movements in NAV

The undiluted net asset value on an investment basis at 30 September 2009 (after the deduction of the interim dividend) was £888.6 million, or 109.6 pence per share. Table 3, sets out in detail the key components of the £1.5 million fall in NAV for the six months to 30 September 2009 and the interim dividend proposed for this six-month period.

### Balance sheet and net asset value

At 30 September 2009, the Company's net assets totalled £906.4 million, or £888.6 million after deducting the proposed Interim dividend (September 2008: £910.2 million), comprising the investment portfolio, valued at £573.5 million (September 2008: £576.4 million), cash and cash equivalents of £330.0 million (September 2008: £328.7 million) and other current assets, primarily relating to accrued income from portfolio investments and prepayments. There were no external borrowings on a recourse basis to the Company.

At 30 September 2009, and at the time of reporting, the £225 million revolving multicurrency credit facility had not been drawn.

Cash on deposit was managed actively by the Investment Adviser, including regular reviews of counterparty selection and counterparty limits as the financial landscape evolved, and is principally held in AAA-rated money market funds, as well as in short-term deposits.

Table 3

#### Reconciliation of movements in net asset value on an investment basis (£m)

Opening NAV at 31 March 2009	890.1
Investment income	
Realised profits	0.9
Income	17.0
Unrealised gains	13.7
Foreign exchange movement – net of hedging	(7.5)
Costs	(7.8)
Proposed distribution to shareholders	(17.8)
<b>Closing NAV at 30 September 2009</b>	<b>888.6</b>

Table 4

**Summary balance sheet on an investment basis (£m)**

	As at 30 September 2009	As at 30 September 2008	As at 31 March 2009	Consolidated basis As at 30 September 2009
<b>Assets</b>				
<b>Non-current assets</b>				
Investment portfolio	573.5	576.4	536.7	847.0
<b>Current assets</b>				
Other current assets and derivative financial instruments	14.7	10.3	10.7	15.7
Cash and cash equivalents	330.0	328.7	386.8	336.4
<b>Total current assets</b>	<b>344.7</b>	<b>339.0</b>	<b>397.5</b>	<b>352.1</b>
<b>Total assets</b>	<b>918.2</b>	<b>915.4</b>	<b>934.2</b>	<b>1,199.1</b>
Borrowings and derivative financial instruments	(8.5)	-	(9.4)	(197.7)
<b>Total non-current liabilities</b>	<b>(8.5)</b>	<b>-</b>	<b>(9.4)</b>	<b>(197.7)</b>
<b>Current liabilities</b>				
Trade and other payables	(2.7)	(5.2)	(4.7)	(2.9)
Derivative financial instruments	(0.6)	-	(4.0)	(0.6)
<b>Total current liabilities</b>	<b>(3.3)</b>	<b>(5.2)</b>	<b>(8.7)</b>	<b>(3.5)</b>
<b>Total liabilities</b>	<b>(11.8)</b>	<b>(5.2)</b>	<b>(18.1)</b>	<b>(201.2)</b>
<b>Net assets</b>	<b>906.4</b>	<b>910.2</b>	<b>916.1</b>	<b>997.9</b>
<b>Equity</b>				
Stated capital account	111.4	111.4	111.4	111.4
Retained reserves	794.6	798.3	804.3	756.0
Translation reserve	0.4	0.5	0.4	42.5
<b>Total shareholders' equity</b>	<b>906.4</b>	<b>910.2</b>	<b>916.1</b>	<b>909.9</b>
Minority interests	-	-	-	88.0
<b>Total equity</b>	<b>906.4</b>	<b>910.2</b>	<b>916.1</b>	<b>997.9</b>

## Basis of preparation

Throughout the Investment Adviser's review and Portfolio section, the Investment Adviser has presented the Company's net asset value and key financial statements to show the return on a pro forma investment basis, in addition to the consolidated financial statements, as required under International Financial Reporting Standards ("IFRS"). This pro forma investment basis presentation provides a more meaningful representation of the Company's net asset value, shows the Company's cash utilisation for investment and differentiates between non-recourse borrowings held within asset specific acquisition companies and borrowings which may be made at the Company level. The investment basis accounts for majority investments and subsidiaries formed specifically for investment purposes in the same way as minority investments, by determining a fair value for the investment, and therefore does not consolidate these entities line-by-line as is required under IFRS.

Several adjustments were made in order to show returns on an investment basis, the main adjustments being:

3i Infrastructure holds 68.5% of 3i Osprey LP, the vehicle through which 3i Group also holds its investment in AWG. 3i Infrastructure is required under IFRS to consolidate the results and balance sheet of this Limited Partnership into its financial statements on a line-by-line basis. The remaining 31.5% of this entity is held by 3i Group and third parties. In the investment basis presentation, 3i Infrastructure has recognised only its share of the income and balance sheet of 3i Osprey LP. This adjustment has the effect of eliminating the minority interest entitlement shown on the Income statement and the Balance sheet on an IFRS basis.

One subsidiary of the Company, 3i Primary Infrastructure 2005-06 LP, which holds the investment in Alpha Schools, has investing partners which are entitled to 3.75% of share of profits, once certain cash hurdle criteria are met. Amounts due to this partnership are treated as a minority interest on a consolidated basis but are accrued as an expense in the investment basis.

3i Infrastructure holds two wholly-owned subsidiaries, Oystercatcher Luxco 1 S.à.r.l. and Luxco 2 S.à.r.l., (“Oystercatcher Luxco 1” and “Oystercatcher Luxco 2”) to fund the minority investment into three subsidiaries of Oiltanking GmbH. External borrowings were made by Oystercatcher Luxco 2 to partly fund the investments. These borrowings are nonrecourse to 3i Infrastructure. Under IFRS, the results and balance sheets of Oystercatcher Luxco 1 and Oystercatcher Luxco 2 subsidiaries are required to be consolidated into 3i Infrastructure’s financial statements on a line-by-line basis. In the investment basis presentation Oystercatcher Luxco 2 is not consolidated but is accounted for as a portfolio asset held for investment purposes and is fair valued accordingly.

The Company invests in 3i India Infrastructure Holdings Limited through 3i India Infrastructure Fund A LP, a limited partnership in which the Company is the sole investor. This partnership has not been consolidated under the investment basis and is treated as an investment, and is fair valued accordingly.

## Portfolio

### Portfolio summary

3i Infrastructure's objective is to build a portfolio of assets which is diversified by sector, maturity and geography, and which balances the different yield and capital growth characteristics of its underlying assets. Table 5 summarises the valuation and changes in the portfolio for the six month period, as well as the total return per asset. Tables 6, 7 and 8 illustrate the breakdown of the portfolio by sector, maturity and geography as at 30 September 2009.

**Table 5**  
**Portfolio summary on an investment basis (£m)**

Portfolio assets	Directors'	Investment	Value	Foreign	Directors'	Income <sup>(4)</sup>	Asset total
	valuation	in the 6			valuation		
	March	months to	movement	translation	September	in the 6	the 6
	2009	September			2009	months	months
AWG	162.9	23.4	(0.8)	-	185.5	4.5	3.7
Junior debt portfolio	91.9	5.2	19.8	(0.5)	116.4	3.6	22.9
Oystercatcher <sup>(1)</sup>	114.3	-	(0.8)	(2.7)	110.8	5.9	2.4
3i India Infrastructure Fund <sup>(2)</sup>	90.3	2.0	(2.0)	(10.0)	80.3	-	(12.0)
I <sup>2</sup> <sup>(3)</sup>	28.2	-	-	-	28.2	1.1	1.1
Octagon	26.0	-	0.5	-	26.5	0.8	1.3
Alpha Schools	12.0	1.5	2.9	-	16.4	0.5	3.4
Novera	3.8	-	1.8	-	5.6	-	1.8
T2C	7.3	-	(3.3)	(0.2)	3.8	-	(3.5)
	536.7	32.1	18.1	(13.4)	573.5	16.4	21.1

(1) 3i Infrastructure has a 45% interest in three of Oiltanking GmbH's subsidiaries through Oystercatcher Luxco 2 S.à.r.l.

(2) As at 30 September 2009, 3i Infrastructure still had £89.3 million of outstanding commitments to the 3i India Infrastructure Fund.

(3) I<sup>2</sup> was sold in January 2009. Part of the consideration was in the form of loan notes of £28.2 million charged on the assets in the I<sup>2</sup> fund.

(4) Income in this table includes portfolio income and realised profits.

**Table 6**  
**Asset portfolio by sector**  
as at 30 September 2009

Social infrastructure	12%
Transportation	26%
Utilities	62%

**Table 7**  
**Asset portfolio by maturity**  
as at 30 September 2009

Early stage	8%
Operational growth	7%
Mature	85%

**Table 8**  
**Asset portfolio by geography**  
as at 30 September 2009

UK	60%
Continental Europe	17%
Asia	23%

## Portfolio value

As set out in Table 9 portfolio value increased from £536.7 million to £573.5 million over the first six months of the financial year. The increase in portfolio value is attributable almost entirely to further investment of £32.1 million, with the unrealised value gains of £18.1 million partially offset by foreign exchange losses of £13.4 million.

## Asset management strategy

Portfolio management is a priority for the Investment Adviser, which works with the boards, management and shareholders of each of the portfolio companies to deliver improvements in their operational performance. Typically, at least one member of the investment advisory team regularly attends the board meetings of portfolio assets where equity stakes are held. The full resources of 3i Group's network are leveraged to drive value from each of the portfolio assets.

The performance of portfolio companies is monitored closely by the Investment Adviser and the Board. The Investment Adviser receives and analyses management accounts for most portfolio assets on a monthly basis, and prepares reports for the 3i Infrastructure Board. The Investment Adviser prepares formal annual reviews for each asset, which are submitted to the Board of Directors.

## Underlying asset performance

The fully operational assets in which the Company holds an equity stake continued to perform strongly during the first six months of the current financial year, despite the ongoing deterioration in macroeconomic conditions globally. Earnings before interest, tax, depreciation and amortisation ("EBITDA") for these assets increased by 11.8% on a like-for-like basis since the prior corresponding period. This increase is evidence of continued improvements in the operational performance of 3i Infrastructure's portfolio companies and of the robustness of the infrastructure asset class.

Assets excluded from this analysis are those substantially still in construction and not in operation, or generating EBITDA, such as T2C and those within the 3i India Infrastructure Fund.

Table 9

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### Reconciliation of movements in portfolio value on an investment basis (£m)

Opening portfolio value at 31 March 2009	536.7
Further investments	32.1
Value movement	18.1
Foreign exchange movement	(13.4)
Closing portfolio value at 30 September 2009	573.5

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## Portfolio valuation methodology

### Summary of valuation methodology

Investment valuations are calculated at the half year and at the financial year end by the Investment Adviser and then reviewed and approved by the Board. Investments are reported at the Directors' estimate of fair value at the reporting date. The valuation principles used are based on International Private Equity and Venture Capital ("IPEV") valuation guidelines, generally using a discounted cash flow ("DCF") methodology, which the Board considers to be the most appropriate valuation methodology for unquoted infrastructure investments.

### Discounted cash flow and discount rates

The majority of the portfolio was valued on a DCF basis. The weighted average discount rate applied at 30 September 2009 was 12.8% (30 September 2008: 12.0%), deriving from a range of 8.2 to 18.0%. This compares to a weighted average discount rate of 13.8% as at 31 March 2009. The decline in the discount rate compared to March 2009 was attributable principally to the change in valuation methodology used for Adani Power (held within the 3i India Infrastructure Fund), which, having achieved a successful IPO in August, is now valued on a mark-to-market basis. The discount rates used for valuing the other assets within the portfolio were not changed, with the exception of a slight reduction for Soma Enterprise (held within the 3i India Infrastructure Fund), as a result of the completion of the construction phase of some of the projects in its portfolio.

Table 10 shows the movement in the weighted average discount rate applied to the portfolio in each six-month period since inception.

### Other unquoted valuations

The Company's investment in the 3i India Infrastructure Fund was valued as the Company's share of net assets held by the Fund. Of the underlying investments of the Fund, Adani Power is valued on a mark-to-market basis and the other two on a DCF basis, with the exception of one element valued using sector earnings multiples derived from direct comparables.

### Quoted assets

The Company's investment in the junior debt portfolio was valued using bid prices at 30 September 2009 provided by third-party brokers. The holdings in Novera Energy plc and in Adani Power, which is held via the 3i India Infrastructure Fund, were valued using the closing bid price on the balance sheet date. No liquidity or marketability discounts are applied to quoted valuations.

## Portfolio risk

The key risks for the Company, including underlying portfolio company risks, are set out in the Risks and uncertainties section on page 22 of the Company's Annual Report. The likelihood of certain risks varies with macroeconomic volatility.

As a consequence of the tightening of debt markets, one of the key risks faced by the Company is refinancing risk in the underlying portfolio companies. As at 30 September 2009, there was minimal refinancing and new debt requirement in the portfolio for the next year. Across the whole portfolio, £447 million needs to be refinanced or raised by the end of March 2010, of which £352 million has already been raised. 77% of portfolio refinancing falls due after 2019.

During the period, the continued deceleration in inflation in the UK has impacted infrastructure companies with index-linked revenues and costs. Several of the portfolio companies have index-linked revenues, as described in the individual asset summaries that follow.

Table 10

**Portfolio weighted average discount rates**

September 2007	13.1%
March 2008	12.4%
September 2008	12.0%
March 2009	13.8%
September 2009	12.8%

## Anglian Water Group

Cost	£173.7m
Value	£185.5m
Equity interest	10.3%
Further investment in the period	£23.4m
Income in the period <sup>(1)</sup>	£4.5m
Asset total return in the period	£3.7m
Valuation basis	DCF

(1) Includes a £0.9 million realised value gain.

The value on a consolidated IFRS basis is £270.3 million.

### Description

Anglian Water Group Limited (“AWG”) is the parent company of Anglian Water, the fourth largest water supply and waste water company in England and Wales as measured by regulatory capital value. The majority of the group’s revenue is earned through tariffs regulated by Ofwat and linked to RPI. The group also includes Morrison Facilities Services, a support services business focused on local authority and social housing sectors, and a small property development business. The investment is held through a limited partnership that is managed separately by 3i Investments and in which 3i Group also has an interest.

### Strategy

Anglian Water aims to deliver a reliable supply of clean, safe drinking water and effective waste water services at an affordable price, while meeting the key challenges of regional growth and the impact of climate change.

### Developments in the period

Anglian Water was ranked in the top two places in Ofwat’s Overall Performance Assessment for the third year running. For the six-month period ending 30 September 2009, EBITDA for the group had increased by 7.5% over the prior corresponding period.

In July, Ofwat published its Draft Determination, setting out draft proposals for price limits for the period from 2010 to 2015. The valuation for AWG is based on the Draft Determination, adjusted for some company-specific items. Following a period of consultation with Anglian Water and other interested parties, Ofwat will issue its Final Determination in November.

AWG has complied with the Walker Code and its report and accounts are available on [www.awg.com](http://www.awg.com).

In July 2009, 3i Infrastructure invested £23.4 million to acquire an additional 1.3% interest in AWG from 3i Group plc.

## Oystercatcher

Cost	£84.5m
Value	£110.8m
Equity interest	45.0%
Further investment in the period	-
Income in the period	£5.9m
Asset total return in the period <sup>(1)</sup>	£2.4
Valuation basis	DCF

(1) Includes a £(2.7) million unrealised exchange loss.

The value on a consolidated IFRS basis is £299.5 million.

### Description

Oystercatcher is the holding company through which 3i Infrastructure invested in 45% stakes in three subsidiaries of Oiltanking GmbH (“Oiltanking”), located in The Netherlands, Malta and Singapore. These businesses provide over 3.5 million cubic metres of oil, petroleum and other oil-related and chemicals storage facilities and associated services to a broad range of clients, including private and state oil companies, refiners, petrochemical companies and traders. Contracts are let on a use-or-pay basis with fixed terms of up to 10 years, often with tariffs linked to local inflation rates.

Oiltanking is one of the world’s leading independent storage partners for oils, chemicals and gases, operating 68 terminals in 21 countries with a total storage capacity of 16.2 million cubic metres.

### Strategy

Experienced local management teams, supported by Oystercatcher’s board representatives and Oiltanking’s worldwide expertise, seek to develop infrastructure and services best suited to the needs of the market in each location, and to deliver high levels of customer service while maintaining strong safety and environmental standards.

### Developments in the period

Market conditions remained generally favourable throughout the period. All three terminals experienced increased throughput and full capacity utilisation. In Singapore, the construction of Phase 10 was completed in June, taking capacity up 10% to 1.4 million cubic metres. For the six-month period ending 30 June 2009, EBITDA improved on average by 12.1% compared to the prior corresponding period.

## Junior debt portfolio

Cost	£119.9m
Value	£116.4m
Further investment in the period	£5.2m
Income in the period	£3.6m
Asset total return <sup>(1)</sup>	£22.9m
Valuation basis	Quoted debt

(1) Includes a £(0.5) million unrealised exchange loss.

### Strategy

The Company's strategy has been to acquire a portfolio of junior debt investments in core infrastructure businesses at prices below par, delivering attractive equity-like returns and strong levels of cash yield.

The underlying businesses are in core infrastructure sectors and leading players in the markets in which they operate.

### Market update

Market prices were stable for the first part of the period but rose significantly in the last few months.

The Company took the opportunity to enhance expected total portfolio returns over this period through the acquisition of a further £5.2 million of the Viridian facility.

The valuation of the portfolio at 30 September 2009 on a mark-to-market basis was below cost. Based on that valuation, annualised yield on the portfolio was running at an average of 6.3% on time-weighted cost and 6.3% on valuation, while the expected yield to maturity was 16.8% on valuation.

The reported financial performance of each of the investments within the debt portfolio is monitored by the Investment Adviser and has been in line with the Company's expectations.

## Viridian

### Electricinvest Holding Company Limited £500 million Junior Facility

Viridian operates both regulated and unregulated businesses within the Irish energy market. The regulated business manages 42,000 km of power transmission and distribution infrastructure, supplying nearly 800,000 homes and businesses within Northern Ireland. The unregulated business focuses on power generation within the Republic of Ireland. A third division of Viridian offers power-related services to the power industry.

Viridian was acquired by Arcapita through a public-to-private transaction in December 2006.

## NGW Arqiva

### **Macquarie UK Broadcast Enterprise Limited £475 million Junior Facility**

NGW Arqiva is the leading owner and operator of national broadcast infrastructure supporting television, radio and wireless communications in the UK. Following the acquisition of National Grid's broadcast network in April 2007, the group now owns and operates all 1,154 towers transmitting radio and/or TV in the UK, over 9,000 active wireless communications sites, one-third of the DTT spectrum in the UK and eight teleports across the globe providing global satellite distribution capability.

The company provides services to all terrestrial broadcasters in the UK, including the BBC, ITV and Sky, under long-term customer contracts. It also hosts mobile telephone equipment for the major mobile network operators under long-term contracts, with a high level of anticipated renewal. NGW Arqiva uses its global footprint of ground-based teleport infrastructure to provide end-to-end satellite transmission, content management and distribution services to satellite broadcasters and content providers.

NGW Arqiva is owned by a Macquarie-led consortium.

## Télédiffusion de France

### **Tyrol Acquisition 2 SAS €470 million Second Lien Facility**

Télédiffusion de France ("TDF") is the leading provider of broadcast transmission infrastructure and services and telecoms infrastructure in France. Following a number of acquisitions, it is currently also the leading provider of mast infrastructure in Germany, Finland and Hungary. All of TDF's businesses enjoy large shares of the markets in which they operate.

TDF was part privatised in 2002, when France Télécom sold a majority stake to a number of investors. In 2006 there was a further change of ownership, which resulted in TDF being acquired by a consortium comprising TPG, AXA, Charterhouse, CDC and management/employees.

## Thames Water

### **Kemble Water Structure Limited £835 million Term Loan Facility**

Thames Water is the UK's largest water and wastewater services company, supplying 2,600 million litres of tap water to 8.5 million customers across London and the Thames Valley and treating 2,800 million litres of sewerage for an area covering 13.6 million customers.

Thames Water was acquired by a Macquarie-led consortium from RWE in October 2006 following a competitive bidding process. Since the time of the acquisition, the shareholder group has successfully reorganised the company's capital structure, through the divestment of a number of the company's non-regulated businesses and completion of a securitisation programme.

## Associated British Ports

### ABP Acquisitions UK Limited £350 million subordinated credit facility

Associated British Ports (“ABP”) is the largest port group in the UK and handles approximately a quarter of the country’s seaborne trade through its 21 ports in England, Scotland and Wales. Its portfolio includes Grimsby and Immingham, the largest port in the UK by volume, and its ports provide over 81 km of total quay length.

ABP was incorporated in 1982, and floated on the London Stock Exchange in February 1983. In August 2006 ABP was acquired by the Admiral consortium, comprising Goldman Sachs Infrastructure Partners, Borealis, GIC, and Infracapital.

	Total investment £m	Value at 30 September 2009 £m	Value at 31 March 2009 £m	Value movement £m <sup>(1)</sup>
Viridian	42.0	36.4 <sup>(2)</sup>	28.5	2.7
NGW Arqiva	32.4	27.4	26.6	0.8
TDF	24.2	34.7	20.8	13.9
Thames Water	18.9	15.3	13.8	1.5
ABP	2.4	2.6	2.2	0.4
	119.9	116.4	91.9	19.3

(1) Includes a £(0.5) million unrealised exchange loss.

(2) Includes £5.2 million further investment in the period.

## 3i India Infrastructure Fund

Cost	£58.3m
Value	£80.3m
Partnership interest	20.9%
Further investment in the period	£2.0m
Income in the period	-
Asset total return <sup>(1)</sup>	£(12.0)m
Valuation basis	LP share of assets

(1) Includes a £(10.0) million unrealised exchange loss.

### Description

The 3i India Infrastructure Fund (the “Fund”) is a US\$1.2 billion fund formed in 2007 to create a balanced portfolio of infrastructure investments in India including, but not limited to, investments in the port, airport, road and power sectors. 3i Infrastructure has committed US\$250 million to the Fund. As at 30 September 2009, the Fund had completed three investments, totalling US\$506 million and 3i Infrastructure had an outstanding commitment of £89.3 million to the Fund.

### Strategy

The Fund’s strategy is to build a diversified portfolio of equity (or equivalent) investments in entities owning infrastructure assets, whose primary commercial operations are in India. The Fund expects to make its investments over two to four years, and most individual investments

will be in the range of US\$25 million to US\$150 million, although some investments may be larger.

## **Developments in the period**

### **Krishnapatnam Port Company Limited**

The port completed initial construction in 18 months in July 2008, making it one of the fastest developed ports in India. Having handled 8.2 million tonnes per annum (mtpa) cargo in fiscal year 2009, it is targeting to achieve 20mtpa cargo in fiscal year 2010 (first full year of operations), which is in line with the Fund's investment case. During the period, the port handled its first cape-sized vessel and created an all-India record cargo loading rate of 50,900 tonnes per day.

### **Soma Enterprise Limited**

Soma continues to add a significant number of projects to its order book, which has now doubled since the Fund's investment. The company now has a portfolio of seven BOT (Build Operate and Transfer) road projects, aggregating to approximately 800 km, which is one of the largest in India.

### **Adani Power Limited**

Adani Power continues to make good progress in the construction phase of its power plants and commissioned Unit I (330MW) in June 2009. The company raised approximately US\$610 million through an IPO in July 2009 at Rs.100 per share, raising sufficient funds to finance the 6,600MW of generation capacity currently under construction. The IPO was 22 times over-subscribed, mobilising bids for approximately US\$12 billion. The Fund drew US\$3.3 million from the Company to invest in a pre-IPO financing round of US\$15.4 million in June 2009.

## **Future opportunities**

The investment team is currently monitoring a number of opportunities across a wide range of sectors. The Fund remains strongly positioned, with a well-established presence in its market, its agreement with the India Infrastructure Finance Corporation Ltd in place and the investment team's broad network of contacts.

## **India economic outlook**

The United Progressive Alliance government was re-elected with a clear majority in May 2009. Given the clear political mandate, the pace of reforms (particularly in the infrastructure sector) is expected to accelerate in the next two to three years.

In addition, the steps taken by the government to stimulate the economy between December 2008 and March 2009 have begun paying dividends, and the economy is showing positive signs of an early revival. Industrial output grew by 10% in August 2009, which will help counteract the slight dip in agricultural growth following a weak monsoon.

The Indian benchmark stock index has more than doubled from the three-year low in March 2009, helped by foreign investments in the stock market of US\$12.8 billion in the first half of

fiscal year 2010. Inflation inched back to 0.5% in September, after remaining in the negative for several months. Due to increasing retail prices, inflation is expected to be over 6% by March 2010.

The Indian rupee appreciated sharply to Rs.48.1 per US\$ from Rs.50.7 per US\$ in March 2009.

The signs of growth and revival appear to be durable and are expected to accelerate in the second half of fiscal year 2010. The forecast for economic growth, although below the average growth of 8.7% of the last four years, is strong at 6.3% - 6.5% for fiscal year 2010.

I<sup>2</sup>

Infrastructure Investors LP ("I<sup>2</sup>") is a portfolio of equity and subordinated debt investments in over 80 PFI projects. In January 2009 3i Infrastructure plc sold its stake in I<sup>2</sup> to Barclays Integrated Infrastructure Fund LP ("BIIF LP"), receiving part of the consideration in the form of loan notes with a principal amount of £28.2 million.

The loan notes are unsecured, bear a fixed 8% annual interest rate (part cash pay) and are redeemable over the period to 2018. During the period, the Company accrued interest of £1.1 million from this investment.

The issuer of the loan notes is BIIF IssuerCo Ltd, a holding company through which BIIF LP owns I<sup>2</sup>. The loan notes are serviced by cash flows upstreamed from I<sup>2</sup> post senior debt service. Under the terms of the loan notes, no equity dividends can be paid by BIIF IssuerCo Ltd whilst amounts (interest or principal) are due and outstanding on the loan notes.

3i Infrastructure plc is accorded information rights similar to those of a senior lender, which allows the Company to monitor the performance of I<sup>2</sup> and the ongoing recoverability of the loan notes. I<sup>2</sup> continues to perform broadly in line with projections as at the time of the sale in January 2009.

## Octagon

Cost	£20.2m
Value	£26.5m
Equity interest	36.8%
Further investment in the period	-
Income in the period	£0.8m
Asset total return in the period	£1.3m
Valuation basis	DCF

### Description

Octagon is the concession company under a 35-year PFI contract to build, operate and maintain the Norfolk and Norwich University Hospital. Construction of the hospital was completed in August 2001. Octagon receives RPI-linked payments from the NHS Trust to cover services and buildings maintenance, which are subject to performance deductions for service failures and unavailability. Octagon sub-contracts the provision of facilities services to Serco.

## Strategy

Octagon's management team, with close shareholder involvement, focuses on ensuring the delivery of first-class service levels to the hospital and maintaining an excellent relationship with the NHS Trust.

## Developments in the period

The National Patient Safety Agency's Patient Environment Action Team awarded the hospital the top "excellent" rating in all three categories of assessment: catering, cleanliness, and privacy and dignity. Octagon's sub-contractors have worked with the Trust to reduce the incidence of MRSA and C difficile and the hospital now has one of the lowest infection rates in the country. The maintenance programme continues with the recent completion of the refurbishment of the Jenny Lind Children's and Coltishall wards.

## Alpha Schools

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Cost	£9.1m
Value	£16.4m
Equity interest	50.0%
Further investment in the period	£1.5m
Income in the period	£0.5m
Asset total return in the period	£3.4m
Valuation basis	DCF

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## Description

Alpha Schools is the concession company under a 30-year PFI contract to build, operate and maintain 11 new schools on 10 sites in the Highland region of Scotland. Construction is substantially complete. Alpha Schools receives RPIX-linked payments from the Highland Council to cover services and buildings maintenance, which are subject to performance deductions for service failures and unavailability. Alpha Schools sub-contracts the provision of facilities services to Morrison Facilities Services.

## Strategy

Alpha Schools' management team is focused on ensuring delivery of first-class service levels to the schools and maintaining an excellent relationship with the Highland Council, and on the timely completion of the remaining minor construction works.

## Developments in the period

All schools are operating successfully. The remaining external works and sports pitches are nearing completion as planned.

3i Infrastructure holds its investment in Alpha Schools through Northern Infrastructure Investments LLP. In July 2009, 3i Infrastructure paid a third party £1.45 million to acquire its indirect 3% financial interest in Alpha and to buy it out of its Services Contract.

## Novera

Cost	£11.2m
Value	£5.6m
Equity interest	8.6%
Further investment in the period	-
Income in the period	-
Asset total return	£1.8m
Valuation basis	Quoted

### Description

Novera Energy plc (“Novera”) is a listed renewable energy company which generates electricity from wind, hydro, waste and landfill gas from 58 sites across the UK, with a total capacity of 143MW.

Further details on Novera are available on [www.noveraenergy.com](http://www.noveraenergy.com).

### Strategy

Novera has established and demonstrable strengths in landfill gas operations and wind development. Novera intends to continue to grow scale to enable it to compete effectively in the rapidly expanding renewables market, and to build on its established position in its home market of the UK. Novera is also examining possibilities in selected overseas markets.

### Developments in the period

During the period, Novera received planning consent for a further wind farm with a potential capacity of 12MW.

On 7 October 2009, Novera received notice from Infinis Energy Limited of its intention to make an offer for the whole of Novera’s share capital at 62.5p per share in cash.

## Thermal Conversion Compound

Cost	£6.5m
Value	£3.8m
Equity interest	16.7%
Further investment in the period	-
Income in the period	-
Asset total return <sup>(1)</sup>	£(3.5)m
Valuation basis	DCF

(1) Includes a £(0.2) million unrealised exchange loss.

### Description

Thermal Conversion Compound (“T2C”) is a special purpose company established to build, operate and maintain a waste-to-energy plant on an industrial park near Frankfurt, Germany. The plant will generate steam and power from refuse-derived fuels (“RDF”). Construction is

sub-contracted to Ebara, a Japanese environmental technology developer and provider, using existing technology. T2C has sub-contracted project management, operation and maintenance to Infracore GmbH & Co. Höchst KG ("ISH"), which manages the industrial park where T2C is located. T2C has contracted long-term revenues under a 15-year fixed-price take-or-pay contract with ISH, with an upwards-only price review after 10 years.

## **Strategy**

T2C's management team is focused on achieving completion of construction and commencement of operations, while managing RDF procurement and ash disposal through placing contracts with a range of suppliers and off-takers.

## **Developments in the period**

The value of T2C fell by £3.3 million in the period, due to delays in the completion of construction. T2C management has worked hard during the period to manage the delays and significant progress was made both in construction and cold commissioning of the plant. First fire is expected in or before the first quarter of 2010 and the plant is expected to be fully operational in the second quarter.

The economic downturn has led to a significant reduction in the available volume and market price of RDF in Germany. T2C management is working closely with RDF suppliers to secure the RDF necessary to test and operate the plant in 2010 at acceptable prices.

## **Risks and uncertainties**

The principal risks and uncertainties faced by the Company are set out in the Risks and Uncertainties section of the Company's Annual Report for the period to 31 March 2009. These are expected to remain relevant to the Company for the remaining six months of its financial year and comprise external risks, strategic risks, investment risks and treasury/funding and operational risks.

The principal external and strategic investment risks faced by the Company relate to the performance of underlying investment assets and market and transaction risks relating to the Company's ability to refinance its investments and to obtain debt financing for new investment, as well as to the time taken to deploy the Company's capital. The Company is highly dependent on 3i Investments and its Infrastructure investment advisory team. This half-yearly report also refers to specific risks and uncertainties and these should be viewed in conjunction with those principal risks.

## Consolidated statement of comprehensive income

for the six months to 30 September 2009

		Six months to 30 September 2009 (unaudited) £m	Six months to 30 September 2008 (unaudited) £m	Year to 31 March 2009 (audited) £m
	Notes			
Realised profits over value on the disposal of investments		1.5	4.1	25.9
Unrealised profits on the revaluation of investments		13.9	14.8	2.0
Foreign exchange (losses)/gains on investments held at fair value through profit or loss		(0.4)	(0.1)	3.8
		<b>15.0</b>	<b>18.8</b>	<b>31.7</b>
Portfolio income				
Dividends receivable		11.8	33.1	46.6
Income from loans and receivables		8.4	4.6	10.2
Income from quoted debt investments		3.6	3.4	8.7
Fees payable		(1.6)	(1.3)	(2.1)
Interest receivable		1.5	7.7	13.2
<b>Investment return</b>	1	<b>38.7</b>	<b>66.3</b>	<b>108.3</b>
Advisory, performance and management fees payable	2	(5.0)	(5.3)	(11.6)
Operating expenses		(0.9)	(0.9)	(2.3)
Finance costs		(7.0)	(6.6)	(14.3)
Movements in the fair value of derivative financial instruments		2.9	1.4	(26.2)
Other expenses		(0.4)	(0.5)	(1.5)
<b>Profit before tax</b>		<b>28.3</b>	<b>54.4</b>	<b>52.4</b>
Income taxes	3	-	-	-
<b>Profit after tax and profit for the period</b>		<b>28.3</b>	<b>54.4</b>	<b>52.4</b>
<b>Other comprehensive income</b>				
Exchange (losses)/gains on translation of foreign operations		(11.5)	2.8	36.5
<b>Total comprehensive income for the period</b>		<b>16.8</b>	<b>57.2</b>	<b>88.9</b>
Profit after tax and profit for the period attributable to:				
Equity holders of the parent		26.7	47.6	42.6
Minority interests		1.6	6.8	9.8
Total comprehensive income for the period attributable to:				
Equity holders of the parent		15.2	50.4	79.1
Minority interests		1.6	6.8	9.8
<b>Earnings per share</b>				
Basic earnings per share attributable to equity holders of the parent (pence)	4	3.3	6.3	5.4
Diluted earnings per share attributable to equity holders of the parent (pence)	4	3.3	6.2	5.4

## Consolidated statement of changes in equity

for the six months to 30 September 2009

for the six months to 30 September 2009 (unaudited)	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
Opening balance	111.4	755.3	54.0	920.7	132.3	1,053.0
Total comprehensive income for the period	-	26.7	(11.5)	15.2	1.6	16.8
Net capital returned to minority interests	-	-	-	-	(21.0)	(21.0)
Acquisition of interests held by minorities	-	-	-	-	(24.9)	(24.9)
Dividend paid to Company shareholders	-	(26.0)	-	(26.0)	-	(26.0)
<b>Closing balance</b>	<b>111.4</b>	<b>756.0</b>	<b>42.5</b>	<b>909.9</b>	<b>88.0</b>	<b>997.9</b>

for the six months to 30 September 2008 (unaudited)	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
Opening balance	-	750.8	17.5	768.3	127.7	896.0
Total comprehensive income for the period	-	47.6	2.8	50.4	6.8	57.2
Issue of ordinary shares	114.6	-	-	114.6	-	114.6
Cost of share issue	(3.2)	-	-	(3.2)	-	(3.2)
Net capital returned to minority interests	-	-	-	-	(11.0)	(11.0)
Dividend paid to Company shareholders	-	(21.1)	-	(21.1)	-	(21.1)
Closing balance	111.4	777.3	20.3	909.0	123.5	1,032.5

for the year to 31 March 2009 (audited)	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
Opening balance	-	750.8	17.5	768.3	127.7	896.0
Total comprehensive income for the period	-	42.6	36.5	79.1	9.8	88.9
Issue of ordinary shares	114.6	-	-	114.6	-	114.6
Cost of share issue	(3.2)	-	-	(3.2)	-	(3.2)
Net capital returned to minority interests	-	-	-	-	(5.2)	(5.2)
Dividend paid to Company shareholders	-	(38.1)	-	(38.1)	-	(38.1)
Closing balance	111.4	755.3	54.0	920.7	132.3	1,053.0

## Consolidated balance sheet

as at 30 September 2009

	30 September 2009 (unaudited) £m	30 September 2008 (unaudited) £m	31 March 2009 (audited) £m
Notes			
<b>Assets</b>			
<b>Non-current assets</b>			
Investments			
Quoted equity investments	5.6	9.2	3.8
Unquoted investments	604.2	542.7	640.7
Debt investments held at fair value through profit and loss	116.4	86.4	91.9
Loans and receivables	120.8	207.7	126.0
<b>Investment portfolio</b>	<b>847.0</b>	<b>846.0</b>	<b>862.4</b>
<b>Total non-current assets</b>	<b>847.0</b>	<b>846.0</b>	<b>862.4</b>
<b>Current assets</b>			
Trade and other receivables	15.3	13.0	9.5
Derivative financial instruments	0.4	0.2	-
Cash and cash equivalents	336.4	333.3	393.7
<b>Total current assets</b>	<b>352.1</b>	<b>346.5</b>	<b>403.2</b>
<b>Total assets</b>	<b>1,199.1</b>	<b>1,192.5</b>	<b>1,265.6</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	(172.7)	(149.8)	(176.7)
Derivative financial instruments	(25.0)	-	(27.3)
<b>Total non-current liabilities</b>	<b>(197.7)</b>	<b>(149.8)</b>	<b>(204.0)</b>
<b>Current liabilities</b>			
Trade and other payables	(2.9)	(6.8)	(4.6)
Derivative financial instruments	(0.6)	(3.4)	(4.0)
<b>Total current liabilities</b>	<b>(3.5)</b>	<b>(10.2)</b>	<b>(8.6)</b>
<b>Total liabilities</b>	<b>(201.2)</b>	<b>(160.0)</b>	<b>(212.6)</b>
<b>Net assets</b>	<b>997.9</b>	<b>1,032.5</b>	<b>1,053.0</b>
<b>Equity</b>			
Stated capital account	111.4	111.4	111.4
Retained reserves	756.0	777.3	755.3
Translation reserve	42.5	20.3	54.0
<b>Total equity attributable to equity holders of the parent</b>	<b>909.9</b>	<b>909.0</b>	<b>920.7</b>
Total equity attributable to minority interests	88.0	123.5	132.3
<b>Total equity</b>	<b>997.9</b>	<b>1,032.5</b>	<b>1,053.0</b>

### Directors

4 November 2009

## Consolidated cash flow statement

for the six months to 30 September 2009

	Six months to 30 September 2009 (unaudited) £m	Six months to 30 September 2008 (unaudited) £m	Year to 31 March 2009 (audited) £m
<b>Cash flow from operating activities</b>			
Purchase of investments	(7.2)	(71.0)	(150.8)
Acquisition of interests held by minorities	(24.9)	-	-
Proceeds from realisations of investments	22.4	43.1	177.6
Income received from loans and receivables	0.6	1.6	10.3
Income received from quoted debt investments	3.6	3.4	8.7
Dividends received	11.8	33.1	46.6
Fees paid on investment activities	(0.9)	(2.9)	(3.8)
Operating expenses paid	(1.2)	(0.6)	(2.1)
Interest received	1.5	6.8	13.6
Advisory, performance and management fees paid	(6.6)	(13.7)	(21.2)
<b>Net cash flow from operations</b>	<b>(0.9)</b>	<b>(0.2)</b>	<b>78.9</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital	-	114.6	114.6
Fees paid on issue of share capital	-	(2.8)	(3.2)
Interest paid	(5.7)	(5.3)	(11.7)
Fees paid on financing activities and settlement of derivative contracts	(3.5)	(0.5)	(1.4)
Dividend paid	(26.0)	(21.1)	(38.1)
Net capital returned to minority interests	(21.0)	(11.0)	(5.2)
<b>Net cash flow from financing activities</b>	<b>(56.2)</b>	<b>73.9</b>	<b>55.0</b>
<b>Change in cash and cash equivalents</b>	<b>(57.1)</b>	<b>73.7</b>	<b>133.9</b>
Cash and cash equivalents at beginning of period	393.7	259.6	259.6
Effect of exchange rate movement	(0.2)	-	0.2
<b>Cash and cash equivalents at end of period</b>	<b>336.4</b>	<b>333.3</b>	<b>393.7</b>

## Notes to the accounts

### 1 Segmental analysis

The primary basis upon which the Directors of the Company review the financial performance of the Group is the 'investment basis' as defined in the Investment Adviser's review. However, the Directors also review information on a regular basis that is analysed by geography and is consistent with the consolidated accounting basis. In accordance, with IFRS 8 the segmental information provided below uses this geographic analysis of results as it is the most closely aligned with IFRS reporting requirements.

	UK <sup>(1)</sup>	Continental Europe	Asia	Total
for the six months to 30 September 2009 (unaudited)	£m	£m	£m	£m
<b>Investment return</b>				
Realised profits over value on the disposal of investments	1.5	-	-	<b>1.5</b>
Unrealised profits/(losses) on the revaluation of investments	9.1	6.8	(2.0)	<b>13.9</b>
Foreign exchange losses on investments	-	(0.4)	-	<b>(0.4)</b>
Portfolio income	10.3	11.9	-	<b>22.2</b>
Interest receivable	1.5	-	-	<b>1.5</b>
<b>Investment return</b>	<b>22.4</b>	<b>18.3</b>	<b>(2.0)</b>	<b>38.7</b>
<b>Net expenses</b>	<b>(4.0)</b>	<b>(6.4)</b>	<b>-</b>	<b>(10.4)</b>
<b>Profit/(loss) before tax</b>	<b>18.4</b>	<b>11.9</b>	<b>(2.0)</b>	<b>28.3</b>
<b>Balance sheet</b>				
Value of investment portfolio as at 30 September 2009	428.1	338.6	80.3	<b>847.0</b>
Cash and cash equivalents	330.0	6.4	-	<b>336.4</b>
Other assets	11.7	4.0	-	<b>15.7</b>
<b>Assets</b>	<b>769.8</b>	<b>349.0</b>	<b>80.3</b>	<b>1,199.1</b>
Loans and borrowings	-	(172.7)	-	<b>(172.7)</b>
Derivative financial instruments	(9.1)	(16.5)	-	<b>(25.6)</b>
Other liabilities	(2.9)	-	-	<b>(2.9)</b>
<b>Liabilities</b>	<b>(12.0)</b>	<b>(189.2)</b>	<b>-</b>	<b>(201.2)</b>
<b>Net assets</b>	<b>757.8</b>	<b>159.8</b>	<b>80.3</b>	<b>997.9</b>

## 1 Segmental analysis (continued)

	UK <sup>(1)</sup>	Continental Europe	Asia	Total
for the six months to 30 September 2008 (unaudited)	£m	£m	£m	£m
<b>Investment return</b>				
Realised profit over value on the disposal of investments	4.1	-	-	4.1
Unrealised profits/(losses) on the revaluation of investments	0.7	(1.9)	16.0	14.8
Foreign exchange losses on investments	-	(0.1)	-	(0.1)
Portfolio income	32.2	7.3	0.3	39.8
Interest receivable	7.7	-	-	7.7
<b>Investment return</b>	<b>44.7</b>	<b>5.3</b>	<b>16.3</b>	<b>66.3</b>
<b>Net expenses</b>	<b>(5.7)</b>	<b>(6.2)</b>	<b>-</b>	<b>(11.9)</b>
<b>Profit/(loss) before tax</b>	<b>39.0</b>	<b>(0.9)</b>	<b>16.3</b>	<b>54.4</b>
<b>Balance sheet</b>				
Value of investment portfolio as at 30 September 2008	529.4	262.8	53.8	846.0
Cash and cash equivalents	330.5	2.8	-	333.3
Other assets	9.2	4.0	-	13.2
<b>Assets</b>	<b>869.1</b>	<b>269.6</b>	<b>53.8</b>	<b>1,192.5</b>
Loans and borrowings	-	(149.8)	-	(149.8)
Derivative financial instruments	-	(3.4)	-	(3.4)
Other liabilities	(6.8)	-	-	(6.8)
<b>Liabilities</b>	<b>(6.8)</b>	<b>(153.2)</b>	<b>-</b>	<b>(160.0)</b>
<b>Net assets</b>	<b>862.3</b>	<b>116.4</b>	<b>53.8</b>	<b>1,032.5</b>

(1) Including Channel Islands.

## 1 Segmental analysis (continued)

for the six months to 31 March 2009 (unaudited)	UK	Continental Europe	Asia	Total £m
	£m	£m	£m	
<b>Investment return</b>				
Realised profits over value on the disposal of investments	25.9	-	-	<b>25.9</b>
Unrealised (losses)/profits on the revaluation of investments	(24.0)	11.6	14.4	<b>2.0</b>
Foreign exchange gains on investments	-	3.8	-	<b>3.8</b>
Portfolio income	44.7	18.7	-	<b>63.4</b>
Interest receivable	13.2	-	-	<b>13.2</b>
<b>Investment return</b>	<b>59.8</b>	<b>34.1</b>	<b>14.4</b>	<b>108.3</b>
<b>Net expenses</b>	<b>(30.5)</b>	<b>(25.4)</b>	<b>-</b>	<b>(55.9)</b>
<b>Profit before tax</b>	<b>29.3</b>	<b>8.7</b>	<b>14.4</b>	<b>52.4</b>
<b>Balance sheet</b>				
Value of investment portfolio as at 31 March 2009	434.9	337.2	90.3	<b>862.4</b>
Cash and cash equivalents	381.0	12.7	-	<b>393.7</b>
Other assets	5.0	4.5	-	<b>9.5</b>
<b>Assets</b>	<b>820.9</b>	<b>354.4</b>	<b>90.3</b>	<b>1,265.6</b>
Loans and borrowings	-	(176.7)	-	<b>(176.7)</b>
Derivative financial instruments	(13.4)	(17.9)	-	<b>(31.3)</b>
Other liabilities	(4.6)	-	-	<b>(4.6)</b>
<b>Liabilities</b>	<b>(18.0)</b>	<b>(194.6)</b>	<b>-</b>	<b>(212.6)</b>
<b>Net assets</b>	<b>802.9</b>	<b>159.8</b>	<b>90.3</b>	<b>1,053.0</b>

## 2 Advisory, performance and management fees payable

	Six months to 30 September 2009 (unaudited) £m	Six months to 30 September 2008 (unaudited) £m	Year to 31 March 2009 (audited) £m
Advisory fee	<b>(4.3)</b>	(4.6)	(10.0)
Performance fee	-	-	(0.5)
Management fees	<b>(0.7)</b>	(0.7)	(1.1)
	<b>(5.0)</b>	(5.3)	(11.6)

Note 7 provides further details on the calculation of the advisory and performance fees.

## 3 Income taxes

The Company had exempt company status for Jersey taxation purposes for the assessment year to 31 December 2008. Jersey's tax regime changed with effect from 1 January 2009. Under the new regime, Jersey-incorporated companies will be treated as resident in Jersey and will be subject to a corporate income tax rate of 0%, applicable generally, or 10%, applicable to certain regulated financial services companies. As the Company is not a regulated financial services company for these purposes, the effect of the new Jersey tax regime is limited to a change from exempt company status to being subject to Jersey corporate income tax at the 0% rate.

Subsidiaries of the Company have provided for taxation at the appropriate rates in the countries in which they operate. As the investment returns of these subsidiaries are largely exempt from tax, in the relevant countries where they are subject to tax, the total tax provided in respect of these subsidiaries is minimal.

#### 4 Share information

The Company is authorised to issue an unlimited number of ordinary shares with no par value.

	As at 30 September 2009 (unaudited)		As at 30 September 2008 (unaudited)		As at 31 March 2009 (audited)	
	Number	£m	Number	£m	Number	£m
Issued and fully paid						
Opening balance	811,082,081	817.6	702,859,804	702.9	702,859,804	702.9
Conversion of warrants	-	-	-	-	90,000	0.1
Issued as part of placing and open offer	-	-	108,132,277	114.6	108,132,277	114.6
<b>Closing balance</b>	<b>811,082,081</b>	<b>817.6</b>	<b>810,992,081</b>	<b>817.5</b>	<b>811,082,081</b>	<b>817.6</b>

The warrants entitle the holder to subscribe for one ordinary share at £1.00 at any time from 13 September 2007 to 13 March 2012. At 30 September 2009, there were 70,550,980 warrants in issue (September 2008: 70,640,980).

The earnings and net assets per share attributable to the equity holders of the parent are based on the following data:

	Six months to 30 September 2009 (unaudited)	Six months to 30 September 2008 (unaudited)	Year to 31 March 2009 (audited)
<b>Earnings per share (pence)</b>			
Basic	3.3	6.3	5.4
Diluted	3.3	6.2	5.4
<b>Earnings (£ million)</b>			
Profit for the period attributable to equity holders of the parent	26.7	47.6	42.6
<b>Number of shares (million)</b>			
Weighted average number of shares in issue	811.1	756.9	784.0
Effect of dilutive potential ordinary shares – warrants	-	9.7	2.2
<b>Diluted shares</b>	<b>811.1</b>	<b>766.6</b>	<b>786.2</b>
	<b>As at 30 September 2009 (unaudited)</b>	<b>As at 30 September 2008 (unaudited)</b>	<b>As at 31 March 2009 (audited)</b>
<b>Net assets per share (pence)</b>			
Basic	112.2	112.1	113.5
Diluted	111.2	111.1	112.4
<b>Net assets (£ million)</b>			
Net assets attributable to equity holders of the parent	909.9	909.0	920.7

For the purposes of calculating diluted net asset value per share, the number of diluted shares used is 881,633,061 (September 2008: 881,633,061).

## 5 Dividends

	Six months to 30 September 2009 (unaudited) pence per share	Six months to 30 September 2009 (unaudited) £m	Six months to 30 September 2008 (unaudited) pence per share	Six months to 30 September 2008 (unaudited) £m	Year to 31 March 2009 (audited) pence per share	Year to 31 March 2009 (audited) £m
Interim dividend paid on ordinary shares	-	-	-	-	2.1	17.0
Final dividend paid on ordinary shares	3.2	26.0	3.0	21.1	3.0	21.1
Proposed dividend declared on ordinary shares	2.2	17.8	2.1	17.0	3.2	26.0

## 6 Contingent liabilities

At 30 September 2009, there was no material litigation or contingent liabilities outstanding against the Company or any of its subsidiary undertakings (30 September 2008: nil).

## 7 Related parties

### Transactions between 3i Infrastructure and 3i Group and its subsidiaries

3i Group plc ("3i Group") holds 33.2% of the ordinary shares of the Company and also holds warrants which give it rights to acquire a further 32.5 million ordinary shares. This classifies 3i Group as a "substantial shareholder" of the Company as defined by the Listing Rules.

3i Infrastructure has committed US\$250 million to the 3i India Infrastructure Fund to invest in the Indian infrastructure market. 3i Group has also committed US\$250 million to this fund. In total, commitments of US\$106.2 million (£58.3 million) had been drawn down at 30 September 2009 by the 3i India Infrastructure Fund from 3i Infrastructure. During the period, total commitments of US\$3.3 million (£2.0 million) were drawn down by the 3i India Infrastructure Fund from the Company.

3i Osprey LP, a subsidiary of the Company, incurs a management fee due to 3i Osprey GP Limited, a subsidiary of 3i Group. During the period, £1.5 million was incurred (September 2008: £1.4 million). As at 30 September 2009, £0.7 million remained outstanding.

3i Infrastructure entered into two separate transactions with 3i Group during the six months to 30 September 2009. Under the first transaction, 3i Osprey LP sold 1.1% of its interest in AWG to an unrelated third party. The net proceeds of the sale (£20.9 million) were distributed to 3i Group in exchange for a reduction of 6.2% in its interest in 3i Osprey LP. As part of the second transaction, 3i Group sold 8.8% of its limited partnership interest in 3i Osprey LP to 3i Infrastructure. The net consideration for the second transaction was £23.4 million. As a result of both transactions, 3i Infrastructure now has a 68.5% interest in 3i Osprey LP and continues to consolidate 3i Osprey LP into the Company's Group balance sheet. 3i Group has been left with a limited partnership interest of 2.3% in 3i Osprey LP.

3i Investments plc ("3i Investments"), a subsidiary of 3i Group, acts as the exclusive investment adviser to the Company. It also acts as the manager of 3i India Infrastructure Holdings Limited, the investment vehicle for the 3i India Infrastructure Fund. 3i plc, another subsidiary of 3i Group, together with 3i Investments, provides support services to the Company.

Under the Investment Advisory Agreement, an annual advisory fee is payable to 3i plc based on the Gross Investment Value of 3i Infrastructure at the end of each financial period. Gross Investment Value can be defined as the total aggregate value (including any subscription obligations) of the investments of the Company as at the start of a financial period plus any investment (excluding cash) made during the period valued at cost (including any subscription obligations). The applicable annual rate is 1.5%, dropping to an annual rate of 1.25% for investments held by 3i Infrastructure for longer than five years. The advisory fee accrues throughout a financial period, and quarterly instalments are payable on account of the advisory fee for that period. The advisory fee is not payable in respect of cash or cash equivalent liquid temporary investments held by 3i Infrastructure throughout a financial period. The cost incurred in the six months to 30 September 2009 was £4.3 million (September 2008: £4.6 million). There was no amount outstanding at 30 September 2009 (September 2008: £1.9 million).

The Investment Advisory Agreement entitles an annual performance fee to be payable to 3i plc. This becomes payable when the Adjusted Total Return per ordinary share for the period (being the movement in net asset value per share aggregated with any distributions made in the course of the financial period, and any accrued performance fees relating to the financial period) exceeds the Target Total Return per share, being the Net Asset Value per ordinary share equal to the opening Net Asset Value per ordinary share, increased at a rate of 8% per annum ("the performance hurdle"). If the performance hurdle is exceeded, the performance fee will be equal to 20% of the Adjusted Total Return per share in excess of the performance hurdle for the relevant financial period, multiplied by the weighted average of the total number of shares in issue over the relevant financial period. The performance hurdle has not been exceeded for the six months to 30 September 2009, hence no performance fee is payable (September 2008: £nil).

Under the Investment Advisory Agreement, the Investment Adviser's appointment may be terminated by either the Company or the Investment Adviser, giving the other not less than 12 months' notice in writing (provided, however, that neither party may give such notice during the first four years of the Investment Adviser's appointment, save that such 12 months' notice may be given at any time if the Investment Adviser has ceased to be part of 3i Group), or with immediate effect by either party giving the other written notice in the event of insolvency or material or persistent breach by the other party, or for certain regulatory reasons. The Investment Adviser may also give two months' notice if the Company is subject to a change of control, or six months' notice if the Company's Board changes its investment policy to a material extent, and that has a material adverse effect on the Investment Adviser's ability to perform its duties.

Pursuant to the UK Support Services Agreement, the Company also pays 3i plc an annual fee for the provision of support services. Such remuneration is payable quarterly in arrears. The cost incurred in the six months to 30 September 2009 was £0.3 million (September 2008: £0.3 million). There was no amount outstanding at 30 September 2009 (September 2008: £nil).

## Accounting policies

### **Basis of preparation**

These financial statements are the unaudited half-yearly consolidated financial statements (the “Half-yearly Financial Statements”) of 3i Infrastructure plc, a company incorporated and registered in Jersey, and its subsidiaries (together referred to as the “Group”) for the six-month period ended 30 September 2009.

The Half-yearly Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) and should be read in conjunction with the consolidated financial statements for the period to 31 March 2009 (“Report and accounts 2009”), as they provide an update of previously reported information.

The Half-yearly Financial Statements were authorised for issue by the Directors on 4 November 2009.

The Half-yearly Financial Statements have been prepared in accordance with the accounting policies set out in the Report and accounts 2009 except for the revision to IAS 1: Presentation of Financial Statements and the adoption of IFRS 8: Operating Segments. The remaining new and revised International Financial Reporting Standards (“IFRS”) and interpretations becoming effective in the period have had no impact on the accounting policies of the Group. The presentation of the Half-yearly Financial Statements reflects the disclosure required by IAS 1: Presentation of Financial Statements. Where necessary, comparative information has been reclassified or expanded from the previously reported Half-yearly Financial Statements to take into account any presentational changes made in the Report and accounts 2009. The Half-yearly Financial Statements do not constitute statutory accounts. The statutory accounts for the period to 31 March 2009, prepared under IFRS, have been filed with the Jersey Financial Services Commission Companies Registry on which the auditors issued a report, which was unqualified.

The preparation of the Half-yearly Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. All accounting policies used in the preparation of the Half-yearly Financial Statements are consistent with those stated in the Report and accounts 2009.

## Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union; and
- b) the half-yearly report includes a fair review of the information required by the FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

The Directors of 3i Infrastructure plc and their functions are set out below.

By order of the Board

**Peter Sedgwick**

Chairman

4 November 2009

### **Board of Directors and their functions**

Peter Sedgwick, Non-executive Chairman

Philip Austin, Non-executive Director and Senior Independent Director

Sir John Collins, Non-executive Director

Charlotte Valeur, Non-executive Director

Peter Wagner, Non-executive Director

Paul Waller, Non-executive Director

Steven Wilderspin, Non-executive Director and chairman of Audit Committee

## Investments

The table below provides information on the investment portfolio, presented on the investment basis as at 30 September 2009.

Investment and description	Sector	Geography	Cost £m	Directors' valuation £m
<b>Anglian Water Group Limited</b>				
Water supply and waste water services	Utilities	UK		
			<b>173.7</b>	<b>185.5</b>
<b>Junior debt portfolio</b>				
Debt instruments issued by of utilities and telecoms infrastructure companies	Utilities and Telecoms	UK		
			<b>119.9</b>	<b>116.4</b>
<b>Oystercatcher Luxco 2 S.à.r.l.</b>				
Oil, petroleum products and chemicals storage	Transportation	Continental Europe <sup>(1)</sup>		
			<b>84.5</b>	<b>110.8</b>
<b>3i India Infrastructure Holdings Limited</b>				
Power & Transport fund	Transport <sup>(2)</sup>	Asia		
			<b>58.3</b>	<b>80.3</b>
<b>I<sup>2</sup> loan notes <sup>(3)</sup></b>				
Debt instruments of the I <sup>2</sup> fund	Social Infrastructure	UK		
			<b>23.7</b>	<b>28.2</b>
<b>Octagon Healthcare Limited</b>				
Norfolk & Norwich University Hospital	Social Infrastructure	UK		
			<b>20.2</b>	<b>26.5</b>
<b>Alpha Schools (Highland) Limited</b>				
PFI schools in Scotland	Social Infrastructure	UK		
			<b>9.1</b>	<b>16.4</b>
<b>Novera Energy plc</b>				
Renewable energy generation	Utilities	UK		
			<b>11.2</b>	<b>5.6</b>
<b>Thermal Conversion Compound Industriepark Höchst</b>				
Waste-to-energy power plant	Utilities	Continental Europe		
			<b>6.5</b>	<b>3.8</b>
			<b>507.1</b>	<b>573.5</b>

(1) Operations in the Netherlands, Malta and Singapore.

(2) The fund held three investments as at 30 September 2009 in the Transport, Power and Infrastructure construction sectors.

(3) I<sup>2</sup> was sold in January 2009. Part of the consideration was in the form of loan notes of £28.2 million charged on the assets in the I<sup>2</sup> fund. The proportion of opening value attributable to the loan notes is £23.7 million.

## Investment policy

The Company aims to build a diversified portfolio of equity investments in entities owning infrastructure businesses and assets. The Company seeks investment opportunities globally, but with a focus on Europe, North America and Asia.

The Company's equity investments will often comprise share capital and related shareholder loans (or other financial instruments that are not shares but that, in combination with shares, are similar in substance). The Company may also invest in junior or mezzanine debt in infrastructure businesses or assets.

Most of the Company's investments are in unquoted companies. However, the Company may also invest in entities owning infrastructure businesses and assets whose shares or other instruments are listed on any stock exchange, irrespective of whether they cease to be listed after completion of the investment, if the Directors judge that such an investment is consistent with the Company's investment objectives. The Company will, in any case, invest no more than 15% of its total gross assets in other investment companies or investment trusts which are listed on the Official List.

The Company may also consider investing in other fund structures (in the event that it considers, on receipt of advice from the Investment Adviser, that is the most appropriate and effective means of investing), which may be advised or managed either by the Investment Adviser or a third party. If the Company invests in another fund advised or managed by 3i Group, the relevant proportion of any advisory or management fees payable by the investee fund to 3i plc will be deducted from the annual advisory fee payable under the Investment Advisory Agreement and the relevant proportion of any performance fee will be deducted from the annual performance fee, if payable, under the Investment Advisory Agreement. For the avoidance of doubt, there will be no similar set-off arrangement where any such fund is advised or managed by a third party.

For most investments, the Company seeks to obtain representation on the board of directors of the investee company (or equivalent governing body) and in cases where it acquires a majority equity interest in a business, that interest may also be a controlling interest.

No investment made by the Company will represent more than 20% of the Company's gross assets, including cash holdings, at the time of the making of the investment. It is expected that most individual investments will exceed £50 million. In some cases, the total amount required for an individual transaction may exceed the maximum amount that the Company is permitted to commit to a single investment. In such circumstances, the Company may consider entering into co-investment arrangements with 3i Group (or other investors who may also be significant shareholders), pursuant to which 3i Group and its subsidiaries (or such other investors) may co-invest on the same financial and economic terms as the Company. The suitability of any such co-investment arrangements will be assessed on a transaction-by-transaction basis and would be subject to both Board and, where applicable, 3i Group and its subsidiaries' approval. Depending on the size of the relevant investment and the identity of the relevant co-investor, such a co-investment arrangement may be subject to the related party transaction provisions contained in the Listing Rules and may therefore require shareholder consent.

The Company's Articles require its outstanding borrowings, including any financial guarantees to support subsequent obligations, to be limited to 50% of the gross assets of the Group (valuing investments on the basis included in the Group's accounts).

In accordance with Listing Rules requirements, the Company will only make a material change to its investment policy with the approval of shareholders.

## Portfolio valuation methodology

A description of the methodology used to value the portfolio of 3i Infrastructure and its subsidiaries (“the Group”) is set out below in order to provide more detailed information than is included within the accounting policies and the Investment Adviser’s report for the valuation of the portfolio. The methodology complies in all material aspects with the “International Private Equity and Venture Capital valuation guidelines” which are endorsed by the British Private Equity and Venture Capital Association and the European Private Equity and Venture Capital Association.

### **Basis of valuation**

Investments are reported at the Directors’ estimate of fair value at the reporting date. Fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction.

### **General**

In estimating fair value, the Directors seek to use a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the overall portfolio. The methodology that is the most appropriate may consequently include adjustments based on informed and experience-based judgments, and will also consider the nature of the industry and market practice. Methodologies are applied consistently from period to period except where a change would result in a better estimation of fair value. Given the uncertainties inherent in estimating fair value, a degree of caution is applied in exercising judgments and making necessary estimates.

### **Quoted investments**

Quoted equity investments are valued at closing bid price at the reporting date. In accordance with International Financial Reporting Standards, no discount is applied for liquidity of the stock or any dealing restrictions.

Quoted debt investments will be valued using quoted prices provided by third-party broker information where reliable or will be held at cost less fair value adjustments.

### **Unquoted investments**

Unquoted investments are valued using one of the following methodologies:

- Discounted Cash Flow (“DCF”)
- Limited Partnership share of fund net assets
- Sales basis: expected sales proceeds
- Cost less any fair value adjustments required

### **DCF**

DCF is the primary basis for valuation. In using the DCF basis, fair value is estimated by deriving the present value of the investment using reasonable assumptions and estimation of expected future cash flows and the terminal value and date, and the appropriate risk adjusted discount rate that quantifies the risk inherent to the investment. The discount rate will be estimated for each investment derived from the market risk-free rate, a risk-adjusted premium and information specific to the investment or market sector.

### **LP share of fund net assets**

Where the Group has made investments into other infrastructure funds, the value of the investment will be derived from the Group’s share of net assets of the fund based on the most recent reliable financial information available from the fund. Where the underlying investments within a fund are valued on a DCF basis, the discount rate applied may be adjusted by the Company to reflect its assessment of the most appropriate discount rate for the nature of assets held in the fund.

**Sales basis**

The expected sale proceeds methodology will be used in cases where offers have been received as part of an investment sales process. This may either support the value derived from another methodology or may be used as the valuation. A marketability discount is applied to the expected sale proceeds to derive the valuation where appropriate.

**Cost less fair value adjustment**

Any investment in a company that has failed or, in the view of the Board, is expected to fail within the next 12 months, has the equity shares valued at nil and the fixed income shares and loan instruments valued at the lower of cost and net recoverable amount.

**Note A**

The half-year report 2009 will be posted to shareholders on 13 November 2009.

**Note B**

The interim dividend is expected to be paid on 11 December 2009 to holders of ordinary shares on the register on 13 November 2009. The ex-dividend date will be 11 November 2009.