3i Infrastructure plc

7 November 2019

Results for the six months to 30 September 2019

Continued outperformance of objectives, on track to deliver increased FY20 dividend of 9.2 pence per share.

Performance highlights

£107m, 5.8% Total return 243.6p NAV per share	Good portfolio performance drove growth in net asset value ('NAV')
£57m Total income and non-income cash	Income and non-income cash in line with expectations
£186m New investment	New investment in Ionisos further diversifies the portfolio
£223m New share issue	Raised new equity of £223m in October 2019
4.6p Interim dividend per share	On track to deliver the FY20 dividend target, 6.4% higher than FY19

Richard Laing, Chair of 3i Infrastructure plc (the 'Company')

"3i Infrastructure made a good start to the financial year building on a strong performance in recent years. We completed a significant new investment in Ionisos and closed our investment in Joulz. The Company continues to outperform its objectives and is on track to deliver the full year dividend target for FY20, up 6.4% from last year. Our share issue in October was substantially oversubscribed. We are grateful for the continued support of existing shareholders and are pleased to have new shareholders on the register."

Performance

The Company generated a total return of 5.8% on opening NAV for the first half of the year, ahead of its target return of 8% to 10% per annum to be achieved over the medium term. The NAV per share increased to 243.6 pence. The portfolio is performing in line with expectations, both financially and operationally, with our Investment Manager driving value growth over the period through active asset management of the portfolio. We are very pleased to have completed the acquisition of Ionisos, further improving the diversification of the portfolio.

The Company delivered a Total Shareholder Return ('TSR') of 8.9% in the period (FTSE 250: 6.3%). Since IPO, the Company's annualised TSR was 13.6%, comparing favourably with the broader market (FTSE 250: 7.6% annualised over the same period). The Company has achieved this outperformance with a low correlation to the broader equity market.

Share issue

We were delighted with the successful placing, in October 2019, of 81 million shares at a price of 275 pence per share, raising gross proceeds of approximately £223 million before expenses. The new shares issued represent approximately 10% of the Company's issued ordinary share capital prior to the placing. The issue was substantially oversubscribed with strong interest shown by existing and new shareholders which was reflected in the final issue price achieved, at a significant premium to NAV. The proceeds have been used to repay borrowings and provide liquidity to fund our pipeline of potential investments.

Interim dividend

The Board is announcing the payment of an interim dividend of 4.6 pence per share, scheduled to be paid on 13 January 2020 to holders of ordinary shares on the register on 29 November 2019. The ex-dividend date will be 28 November 2019. As an investment trust, the Company is permitted to designate dividends wholly or partly as interest distributions for UK tax purposes. The Board is designating 3.4 pence of the 4.6 pence interim dividend as an interest distribution. More details relating to this can be found in the Information for shareholders section.

Corporate governance

The Company's Annual General Meeting was held on 4 July 2019. All resolutions were approved by shareholders, including the re-election of all Directors to the Board.

Richard Laing
Chair

For further information, please contact:

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Notes

This report contains Alternative Performance Measures ('APMs'), which are financial measures not defined in International Financial Reporting Standards ('IFRS'). More information relating to APMs, including why we use them and the relevant definitions, can be found in the Company's 2019 Annual report and accounts and in Tables 6 to 8 in the Financial review section.

For further information regarding the announcement of the results for 3i Infrastructure plc, including a live webcast of the results presentation at 10.00am, please visit **www.3i-infrastructure.com**. The analyst presentation will be made available on this website during the day.

Notes to editors

3i Infrastructure plc is a Jersey-incorporated, closed-ended investment company, an approved UK Investment Trust, listed on the London Stock Exchange and regulated by the Jersey Financial Services Commission. The Company's purpose is to deliver a long-term sustainable return to shareholders from investing in infrastructure.

3i Investments plc, a wholly-owned subsidiary of 3i Group plc, is authorised and regulated in the UK by the Financial Conduct Authority and acts as Investment Manager to 3i Infrastructure plc.

3i Infrastructure plc Half-yearly report 2019

Review from the Managing Partner

Portfolio review

The Company continues to outperform its objectives and delivered a good return for the period. Our portfolio continues to perform well overall, generating a good level of income.

Tampnet was acquired in March 2019 and its core business in the North Sea is performing ahead of our investment case. We have strengthened the management team with the appointment of Magnus Mandersson as Chair; Magnus has 25 years of experience in the global telecommunications sector. International growth was boosted by the award of a new contract for building and operating a 5G LTE network on two platforms offshore of Newfoundland, Canada. Outperformance was partially offset by delays in the build-out of deep water assets in the Gulf of Mexico. We have successfully refinanced the business, earlier than planned, at a lower cost of debt and with longer debt maturities than in our investment case.

In addition to its successful entry into the US and Australian markets in the previous financial year, TCR has won new contracts in the Middle East giving it a foothold in that region. The business also performed strongly in its core European market, and notably signed a major contract with British Airways at Heathrow. The integration of the February 2019 acquisition of Aerolima into TCR France has been a key focus over the past six months and is proceeding smoothly.

Joulz was acquired in April 2019 and has performed ahead of our investment case for the year to date. Significant work is taking place to progress the carve-out from Stedin and we have also strengthened the management team with the appointment of a Head of Metering, an interim CFO and a Financial Controller.

Attero has performed well since acquisition in June 2018. We appointed Mel Kroon as Chair in June 2019, who brings a technical background and a strong understanding of the energy and electricity value chain. The company has secured new waste supply contracts at higher gate fees than assumed in our investment case, and landfill volumes and gate fees have also outperformed expectations. However, in line with industry peers, Attero faces some uncertainty relating to a proposed tax on waste imports to the Netherlands, which is currently being debated in the Dutch parliament.

Oystercatcher’s terminals continue to experience soft demand for storage of certain oil product types. Storage of fuel oil is impacted by uncertainty around the consequences of the IMO 2020 regulations on the fuel used in shipping. We are starting to see customers contract for storage for IMO 2020 compliant fuel, but not yet to the extent that we had assumed at the start of the period.

Infinis is performing ahead of budget year to date, primarily due to outperformance in the landfill gas business. We expect payments under the UK’s capacity market to resume before the end of the financial year following the positive decision of the European Commission on the scheme’s legitimacy.

WIG continues to perform well and is growing in line with expectations. It has been expanding its Indoor Networks business and is exploring a number of further growth opportunities.

ESVAGT has seen good momentum in the business over the last six months, both in the offshore wind SOV market and in the oil and gas segment, where trading, while still behind our expectations, has improved compared to the same period last year.

Valorem has continued to build on its strong track record as a wind power developer and operator to diversify further into multiple technologies (wind, solar and hydro). It has grown its portfolio of solar projects with the commissioning of 21MW of projects during the period and, in July, completed the acquisition of a 51% stake in Force Hydraulique Antillaise (‘FHA’). FHA is the sole hydro power developer and operator in the French Caribbean, a territory currently heavily reliant on fossil fuels.

Our Projects portfolio delivered an excellent return as several projects turned fully operational and we lowered the discount rate to reflect the reduced risk. There are very limited construction works now outstanding.

The portfolio is analysed below.

Portfolio - Breakdown by value at 30 September 2019

WIG	13%
Infinis	13%
Operational projects	11%
Tampnet	11%
TCR	9%
Joulz	9%
Ionisos	9%
ESVAGT	8%
Oystercatcher	7%
Attero	5%
Valorem	4%
India Fund	1%

Portfolio - Breakdown by geography at 30 September 2019

Continental Europe and Singapore	65%
UK	34%
India	1%

Investment activity

During the period we invested a total of £389 million including in two significant new investments which provide further diversification of our portfolio and broaden our sector and geographic exposure. In April 2019 we completed the acquisition of 100% of Joulz, a leading owner and provider of essential energy infrastructure equipment and services in the Netherlands, for £190 million. On 25 September 2019 we completed the acquisition of c.95% of Ionisos, based in France, a leading owner and operator of cold sterilisation facilities servicing the medical, pharmaceutical and cosmetics industries, for £186 million.

Existing commitments of €14 million (£13 million) were funded during the period. These comprised:

- €8 million (£7 million) in Condorcet Campus, an educational facilities project in France.
- €6 million (£6 million) in A27/A1, a road project in the Netherlands.

The investment pipeline continues to bring a wide range of potential investment opportunities for the Company, including through our existing platform investments. We remain selective, pursuing those opportunities that would enhance the portfolio while seeking to limit abort cost risk in highly competitive sales processes.

Outlook

We are confident of delivering long term sustainable returns to shareholders, through the Company's well-balanced portfolio and through selective new investment from our broad origination platform. Our experienced team and active approach to asset management has delivered a strong first half return and we are well-positioned to outperform for the year as a whole.

Following the successful share issue in October, we have ample liquidity to make selected investments from our pipeline.

Phil White
Managing Partner and Head of Infrastructure
3i Investments plc

Financial review

Portfolio and returns

Total return

The Company generated a total return for the six month period of £107 million, representing a 5.8% return on opening shareholders' equity (September 2018: £157 million, 9.3%). This performance is ahead of the target return of 8% to 10% per annum over the medium term, driven by the delivery of planned cash flows and other asset outperformance.

Table 1 summarises the valuation and movements in the portfolio, as well as the return for each investment, for the period. In accordance with accounting standards, 'Investments at fair value through profit or loss' as reported in the Consolidated balance sheet includes, in addition to the portfolio asset valuation, the cash and other net assets held within intermediate unconsolidated holding companies. These amounts are set out at the foot of the table below, to provide a reconciliation between the Directors' valuation of the portfolio assets and 'Investments at fair value through profit or loss' reported in the Consolidated financial statements.

Table 1: Portfolio summary (30 September 2019, £m)

Portfolio assets	Directors' valuation 31 March 2019	Investment in the period	Divestment in the period	Accrued income movement	Value movement	Foreign exchange translation	**Directors' valuation 30 September 2019**	Allocated foreign exchange hedging	Underlying portfolio income in the period	**Portfolio total return in the period[1]**
WIG	288	–	(5)[2]	–	8	–	**291**	–	6	**14**
Infinis	289	–	(6)[2]	–	3	–	**286**	–	9	**12**
Tampnet	198	–	–	2	24	3	**227**	(1)	2	**28**
TCR	187	–	–	5	5	3	**200**	(3)	6	**11**
Joulz	–	190	–	1	3	5	**199**	(4)	6	**10**
Ionisos	–	186	–	–	–	1	**187**	–	–	**1**
ESVAGT	160	9[3]	–	1	–	(2)	**168**	1	9	**8**
Oystercatcher	155	–	–	–	(3)	5	**157**	(3)	–	**(1)**
Attero	102	2[3]	–	–	2	3	**109**	(2)	4	**7**
Valorem	76	–	–	–	7	3	**86**	(2)	1	**9**
Economic infrastructure portfolio	**1,455**	**387**	**(11)**	**9**	**49**	**21**	**1,910**	**(14)**	**43**	**99**
Projects	197	13[3,4]	(1)[2]	2	18	–	**229**	(1)	8	**25**
India Fund	29	–	–	–	–	1	**30**	–	–	**1**
Total portfolio	**1,681**	**400**	**(12)**	**11**	**67**	**22**	**2,169**	**(15)**	**51**	**125**
Adjustments related to unconsolidated subsidiaries[5]	16	–	1	4	(4)		**17**	–	4	**–**
Reported in the consolidated financial statements	**1,697**	**400**	**(11)**	**15**	**85**		**2,186**	**(15)**	**55**	**125**

1 This comprises the aggregate of value movement, foreign exchange translation, allocated foreign exchange hedging and underlying portfolio income in the period.
2 Shareholder loan repaid.
3 Capitalised income.
4 Drawdown of commitment.
5 Income statement adjustments explained in Table 6 and Balance sheet adjustments explained in Table 7.

An analysis of the elements of the total return for the period is shown in Table 2 below.

Table 2: Summary total return (six months to 30 September, £m)

	2019	2018
Capital return (excluding exchange)[1]	**67**	131
Foreign exchange movement in portfolio	**22**	12
Capital return (including exchange)[1]	**89**	143
Movement in fair value of derivatives	**(15)**	(11)
Net capital return	**74**	132
Total income[2]	**51**	46
Costs	**(18)**	(24)
Other net income/(costs) including exchange movements[1]	**-**	3
Total return	**107**	157

1 Foreign exchange movement in portfolio is shown within Net capital return. Non-portfolio foreign exchange movement is shown within Other net income/(costs).
2 Includes bank interest receivable of £0.2 million (September 2018: £(0.2) million).

The financial statements' classification of these components of total return includes transactions within unconsolidated subsidiaries as the Company adopts the Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) basis for its reporting. The non-material adjustments required to reconcile this analysis to the financial statements are shown in Table 6.

The capital return is the largest element of the total return. The portfolio generated a value gain of £67 million in the period to 30 September 2019 (September 2018: £131 million), driven primarily by valuation uplifts for the Company's holdings in Tampnet, the Projects portfolio and Valorem. The Company's largest investments, WIG and Infinis, performed in line with expectations.

Table 3: Portfolio return by asset (six months to 30 September, not annualised)

Portfolio assets	
WIG	4.9%
Infinis	4.0%
Tampnet	14.2%
TCR	5.7%
Joulz	4.9%
Ionisos	0.4%
ESVAGT	4.9%
Oystercatcher	(0.5)%
Attero	7.0%
Valorem	11.7%
Projects	12.6%
India Fund	3.4%
Total portfolio return	**6.0%**

The value increase in Tampnet of £24 million reflects the refinancing that was achieved at a lower cost of debt and longer debt maturities than assumed in our investment case.

The increase in value in the Projects portfolio of £18 million is as a result of a reduction in the discount rates used. A number of projects have reached operational status, with mature projects performing well with minimal operational deductions.

Valorem increased in value by £7 million which reflects the sale of a majority stake in a Finnish wind project at a higher price than anticipated in the previous valuation and a reduction in the discount rate taking into account the growth of the operating asset base.

During the period, the Company sold its equity investment in the Hart van Zuid project to an existing shareholder at book value and the corresponding commitment was cancelled with no impact on the capital return. This was by agreement with our industrial partners who had support from the public sector authority to expand the project's remit beyond an infrastructure investment case.

The weighted average discount rate used in the valuation of the portfolio decreased marginally to 10.7% at September 2019 (March 2019: 10.8%). This was driven mostly by the reduction in the discount rate for the Projects portfolio and Valorem, and a mix effect following the new investments in Joulz and Ionisos.

The movement in foreign exchange rates generated a £22 million gain in the period (September 2018: £12 million). This was offset by the movement in the value of derivatives of £15 million (September 2018: £11 million). We aim to deliver steady NAV growth for shareholders. The foreign exchange hedging programme supports this objective by reducing our exposure to fluctuations in the foreign exchange markets.

The income by portfolio company is shown in Table 1 above. The dividend to shareholders is supported by this income, together with non-income cash receipts of £6 million during the period. Non-income cash receipts can be irregular, with the prior year period of £86 million benefitting from successful refinancings of Infinis and WIG. These non-income cash receipts reflect distributions from underlying portfolio companies, which would usually be income to the Company, but that are instead distributed as a repayment of investment for a variety of reasons. Whilst non-income cash does not form part of the total return shown in Table 2, it is included when considering dividend coverage. Total income and non-income cash are shown in Table 8 below.

Costs

Management and performance fees

During the period to 30 September 2019, the Company incurred management fees of £15 million (September 2018: advisory fees of £14 million), including a transaction fee of £2 million on the new investment in Ionisos. The increase is due to new investment activity in the intervening period and growth in the value of the portfolio.

The annual performance hurdle of 8% was not exceeded in the first half of the year, as the total return for the period was 5.8%, resulting in no performance fee accrual (September 2018: £6 million).

Following the signing of the new Investment Management Agreement with 3i Investments plc last year, new management and performance fees became effective from 1 April 2019. These are explained in more detail in Note 10 of the financial statements.

Fees payable

Fees payable on investment activities include costs for transactions that did not reach, or have yet to reach, completion and the reversal of costs for transactions that have successfully reached completion and were subsequently borne by the portfolio company. For the period to 30 September 2019, fees payable totalled £1 million (September 2018: £0.2 million).

Other operating and finance costs

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £1 million in the period (September 2018: £2 million). The comparative period included one-off costs of £0.5 million associated with the move of the management and tax residence of the Company to the UK.

Finance costs of £1 million in the period (September 2018: £3 million) comprised arrangement, commitment and utilisation fees for the Company's £300 million revolving credit facility ('RCF'). The comparative period included £1 million in relation to deferred arrangement fees for the old revolving credit facility.

Ongoing charges ratio

The ongoing charges ratio measures annual operating costs, as disclosed in Table 4 below, against the average NAV over the reporting period.

The Company's ongoing charges ratio is calculated in accordance with the Association of Investment Companies ('AIC') recommended methodology and was 1.63% for the period to 30 September 2019 (September 2018: 1.74%). The one-off transaction fee payable in respect of new investments, that forms part of the Investment Management Agreement, has been excluded as it is a non-recurring item.

The AIC methodology does not include performance fees or finance costs. However, the AIC recommends that the impact of performance fees on the ongoing charges ratio is noted, where performance fees are payable. The cost items that contributed to the ongoing charges ratio are shown below. As no performance fee was accrued in the period, no additional disclosure is required (September 2018: 2.06%).

Table 4: Ongoing charges (six months to 30 September, annualised £m)

	2019	2018
Investment Manager's fee	**28.1**	28.3
Auditor's fee	**0.4**	0.3
Directors' fees and expenses	**0.5**	0.5
Other ongoing costs	**2.6**	1.7
Total ongoing charges	**31.6**	30.8
Ongoing charges ratio	**1.63%**	1.74%

Balance sheet

The NAV at 30 September 2019 was £1,974 million (March 2019: £1,902 million). The principal components of the NAV are the portfolio assets, cash holdings, the fair value of derivative financial instruments and other net assets and liabilities. A summary balance sheet is shown in Table 5.

The accounting standards require cash or other net assets and liabilities held within intermediate holding companies to be presented as part of the fair value of the investments. The Directors consider that it is helpful for users of the accounts to be able to consider the valuation of the Company's portfolio assets and total aggregate cash and net assets/liabilities within the Company and its unconsolidated subsidiaries. The non-material adjustments required to provide this analysis are shown in Table 7.

Table 5: Summary balance sheet (£m)

	As at 30 September 2019	As at 31 March 2019
Portfolio assets	**2,169**	1,681
Cash balances	**16**	266
Borrowings	**(192)**	–
Derivative financial instruments	**(17)**	(16)
Other net assets/(liabilities)	**(2)**	(29)
NAV	**1,974**	1,902

Cash is principally held in AAA-rated money market funds. The Company has a £300 million RCF in order to maintain a good level of liquidity for further investment whilst minimising returns dilution from holding excessive cash balances. This is a three-year facility, with a maturity date of April 2022, and the facility has a further one-year extension option.

We manage the Company's balance sheet actively, seeking efficiency through low levels of uninvested cash. At 30 September 2019, the Company had utilised £192 million of the RCF to fund the investment in Ionisos and there were no outstanding letters of credit drawn against the RCF. Following receipt of the proceeds from the share issue, the cash drawn on the RCF was repaid on 23 October 2019 leaving the full £300 million facility available.

The liability for derivative financial instruments reflects the foreign exchange hedging programme described above.

The movement in Other net assets and liabilities from March 2019 predominantly reflects a decrease in the performance fee payable.

Share issue

On 15 October 2019, a total of 81 million new shares (the 'Placing Shares') were admitted to trading on the London Stock Exchange main market for listed securities at a price of 275 pence per Placing Share, raising gross proceeds of approximately £223 million before expenses. The Placing Shares represent approximately 10% of the Company's issued ordinary share capital prior to the placing. The Placing Shares are credited as fully paid and rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid in respect of the Ordinary Shares after the date of issue. The Company now has a total of 891,434,010 shares in issue.

NAV per share

The total NAV per share at 30 September 2019 was 243.6 pence (March 2019: 234.7 pence). This reduces to 239.0 pence (March 2019: 230.4 pence) after the payment of the interim dividend of 4.6 pence (March 2019: final dividend of 4.325 pence). The impact of issuing the Placing Shares at a premium to NAV in October 2019 was an increase of 2.4 pence per share at the time of the share issue, after deducting issue costs.

Dividend

The Board has proposed an interim dividend for the period of 4.6 pence per share, or £41 million in aggregate (September 2018: 4.325 pence; £35.1 million). This is half of the Company's target full year dividend for FY20 of 9.2 pence per share.

Alternative Performance Measures ('APMs')

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies. Further detail on the definition of APMs can be found in the 2019 Annual report and accounts.

In addition to the APMs, the Half-yearly report shows portfolio information including cash and other net assets held within intermediate unconsolidated holding companies. Tables 6 and 7 show a reconciliation of this portfolio information to the information presented in the financial statements. The calculation of 'Total income and non-income cash' is shown in Table 8.

Table 6: Reconciliation of summary total return (six months to 30 September 2019, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries	Financial statements
Capital return (including exchange)	89	(4)[1]	85
Movement in fair value of derivatives	(15)	–	(15)
Net capital return	**74**	**(4)**	**70**
Total income	51	4[1]	55
Costs	(18)	–	(18)
Other net income/(costs) including exchange movements	–	–	–
Total return	**107**	**–**	**107**

1 Interest income accrued from loans between the Company and the unconsolidated subsidiaries.

Table 7: Reconciliation of summary balance sheet (as at 30 September 2019, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries[1]	Financial statements
Portfolio assets	2,169	17	2,186[2]
Cash balances	16	(10)[3]	6
Borrowings	(192)	–	(192)
Derivative financial instruments	(17)	–	(17)
Other net assets	(2)	(7)	(9)
Net asset value	**1,974**	**–**	**1,974**

1 'Investments at fair value through profit or loss' in the financial statements includes £10 million of unrestricted cash balances and £7 million of other net assets within intermediate unconsolidated holding companies. The adjustments reclassify these balances to show the underlying value of the portfolio assets, the total cash holdings and other net assets/(liabilities) positions, as monitored by the Board.

2 Described as 'Investments at fair value through profit or loss' in the financial statements.

3 Cash balances held in unconsolidated subsidiaries totalled £10 million.

Table 8: Total income and non-income cash (six months to 30 September, £m)

	2019	2018
Total income	**51**	46
Non-income cash	**6**	86
Total	**57**	132

Risk review

Review of principal risks and uncertainties

The Company's approach to risk governance, the risk review process and risk appetite are set out in the risk report in the Annual report and accounts 2019, which can be found on our website www.3i-infrastructure.com.

The principal risks to the achievement of the Company's objectives are unchanged from those reported on page 54 to 55 of the Annual report and accounts 2019. Developments in relation to these principal risks during the period are outlined below.

External risks – market and competition

The European economic infrastructure market is competitive, with strong demand especially for large core assets and operational projects. This has continued to support valuations for existing assets in the portfolio.

The terms on which the UK might leave the EU remain uncertain and could create a generally less favourable financial environment for the Company and its investments. The majority of the Company's investments are in domestic businesses with limited cross-border trading. This mitigates the risk to the Company of the UK leaving the EU without a withdrawal agreement or future trade agreement.

Inflation in the UK declined in the period, falling to its lowest level since December 2016. This downwards trend was also seen in declining European inflation rates. The decrease in inflation negatively impacts assets with inflation-linked revenues, but this is partially offset for assets with inflation-linked costs.

Interest rates remained low during the period. The Company has taken advantage of this favourable environment through continued debt refinancing activity in the portfolio.

The Company is exposed to movements in sterling exchange rates against a number of currencies, most significantly the euro. During the period sterling depreciated against most currencies, primarily driven by continued uncertainty over the terms of the UK's departure from the EU. During the period, foreign exchange gains were recognised from all currency exposures, with losses from the hedging programme substantially offsetting these gains.

The revenues of Infinis are underpinned by the inflation-linked UK Renewables Obligation Certificate ('ROC') regime until 2027, while the valuation of the business is also impacted by the evolution of long-term power prices and by fluctuations in the spot power price which has declined slightly in the period. Approximately 25% of the revenues for Attero are generated from the sale of heat and power which are also impacted by fluctuations in the power price.

Gate fees for waste treatment across Europe have been rising caused by lack of capacity in the market. This trend benefits Attero in customer contract renewals.

The oil price was volatile in the period, but we have seen a recovery in demand for ESVAGT vessels operating in the oil and gas sector.

Oystercatcher has continued to see soft demand for storage of certain oil product types, including fuel oil and gasoil, with some empty capacity and contract renewals at lower rates. The forward oil price curve has remained downward sloping, which after the rise in spot prices in the period has maintained somewhat suppressed demand among trading customers.

External risks – regulatory and tax

The Company's investment in Infinis is exposed to regulatory risk around 'embedded benefits'. Ofgem is currently conducting several reviews into network access and charging arrangements. It is possible that this could impact the valuation of Infinis, but our current expectation is that this would not be material. We expect payments under the UK capacity market to resume following the positive decision by the European Commission on the scheme's legitimacy.

In line with industry peers, Attero faces some uncertainty relating to a proposed tax on waste imports to the Netherlands, which is expected to be debated in the Dutch parliament later in the calendar year.

Strategic risks

Completion of the investments in Joulz and Ionisos has resulted in the portfolio being larger and more diverse across sector, economic risk drivers, geography and investment maturity. No single investment represents more than 13% of the overall portfolio.

The Company continued to maintain an efficient balance sheet. During the period, the Company made use of its RCF to provide short term funding to complete the investment in Ionisos. Drawings on the credit facility have since been repaid following the share issue, leaving a small cash balance.

As an infrastructure investor, sustainability presents us with a range of opportunities to invest in businesses that benefit from supportive long term trends. In parallel, we continue to evolve our risk management approach in relation to this topic alongside the management teams of our portfolio companies.

Investment risks

Ongoing access to debt markets is important to assets in the portfolio, particularly as existing debt matures. Changes in the terms and availability of debt finance, including as a consequence of the underlying performance of portfolio assets, could impact valuations. The majority of the portfolio has now been refinanced over the medium to long term, mitigating this risk. Following the refinancing of Tampnet, only the new investments that completed in the period, Joulz and Ionisos, are planned to be refinanced over the next few years.

As part of the Company’s ongoing focus on cyber security, the Investment Manager commissioned an independent cyber security review in all of its portfolio companies in the period. No significant issues were identified. Minor enhancements to cyber security were recommended in the report which have been or are being implemented.

Independent review report to 3i Infrastructure plc

Introduction

We have been engaged by 3i Infrastructure plc ('the Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt and related notes 1 to 10 to the accounts and the accounting policies section. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in the accounting policies, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 6 November 2019

Notes

1 The maintenance and integrity of the 3i Infrastructure plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed financial statements since they were initially presented on the web site.

2 Legislation in Jersey governing the preparation and dissemination of condensed financial statements may differ from legislation in other jurisdictions.

Consolidated statement of comprehensive income

for the six months to 30 September

	Notes	**Six months to 30 September 2019 (unaudited) £m**	Six months to 30 September 2018 (unaudited) £m
Net gains on investments	4	**85**	143
Investment income		**55**	47
Fees payable on investment activities		**(1)**	–
Investment return		**139**	190
Movement in the fair value of derivative financial instruments		**(15)**	(11)
Management, advisory and performance fees payable	2	**(15)**	(20)
Operating expenses		**(1)**	(2)
Finance costs		**(1)**	(3)
Other income		**–**	1
Exchange movements		**–**	2
Profit before tax		**107**	157
Income taxes	3	**–**	–
Profit after tax and profit for the period		**107**	157
Total comprehensive income for the period		**107**	157
Earnings per share			
Basic and diluted (pence)	7	**13.3**	19.3

Consolidated statement of changes in equity

for the six months to 30 September

For the six months to 30 September 2019 (unaudited)	Notes	**Stated capital account £m**	**Retained reserves £m**	**Capital reserve £m**	**Revenue reserve £m**	**Total shareholders' equity £m**
Opening balance at 1 April 2019		**560**	**1,282**	**64**	**(4)**	**1,902**
Total comprehensive income for the period		**–**	**–**	**68**	**39**	**107**
Dividends paid to shareholders of the Company during the period	8	**–**	**–**	**–**	**(35)**	**(35)**
Closing balance at 30 September 2019		**560**	**1,282**	**132**	**–**	**1,974**

For the six months to 30 September 2018 (unaudited)	Notes	Stated capital account £m	Retained reserves £m	Capital reserve £m	Revenue reserve £m	Total shareholders' equity £m
Opening balance at 1 April 2018		560	1,150	–	–	1,710
Total comprehensive income for the period		–	157	–	–	157
Dividends paid to shareholders of the Company during the period	8	–	(32)	–	–	(32)
Closing balance at 30 September 2018		560	1,275	–	–	1,835

Consolidated balance sheet
as at 30 September

	Notes	**30 September 2019 (unaudited) £m**	31 March 2019 (audited) £m
Assets			
Non-current assets			
Investments at fair value through profit or loss	4	**2,186**	1,697
Derivative financial instruments	4	**4**	5
Total non-current assets		**2,190**	1,702
Current assets			
Derivative financial instruments	4	**2**	3
Trade and other receivables		**1**	3
Cash and cash equivalents		**6**	257
Total current assets		**9**	263
Total assets		**2,199**	1,965
Liabilities			
Non-current liabilities			
Derivative financial instruments	4	**(9)**	(6)
Total non-current liabilities		**(9)**	(6)
Current liabilities			
Derivative financial instruments	4	**(14)**	(18)
Trade and other payables		**(10)**	(39)
Loans and borrowings	5	**(192)**	–
Total current liabilities		**(216)**	(57)
Total liabilities		**(225)**	(63)
Net assets		**1,974**	1,902
Equity			
Stated capital account	6	**560**	560
Retained reserves		**1,282**	1,282
Capital reserve		**132**	64
Revenue reserve		**–**	(4)
Total equity		**1,974**	1,902
Net asset value per share			
Basic and diluted (pence)	7	**243.6**	234.7

The Financial statements and related Notes were approved and authorised for issue by the Board of Directors on 6 November 2019 and signed on its behalf by:

Paul Masterton
Director

Consolidated cash flow statement
for the six months to 30 September

	Six months to 30 September 2019 (unaudited) £m	Six months to 30 September 2018 (unaudited) £m
Cash flow from operating activities		
Purchase of investments	**(389)**	(128)
Proceeds from partial realisations of investments	**11**	91
Investment income[1]	**32**	20
Fees paid on investment activities	**(1)**	(1)
Operating expenses paid	**(2)**	(1)
Management, advisory and performance fees paid	**(44)**	(106)
Amounts paid on the settlement of derivative contracts	**(14)**	(1)
Payments for transfer of investments from unconsolidated subsidiaries[2]	**17**	–
Distributions from transfer of investments from unconsolidated subsidiaries[2]	**(17)**	–
Net cash flow from operations	**(407)**	(126)
Cash flow from financing activities		
Fees and interest paid on financing activities	**(1)**	(3)
Dividends paid	**(35)**	(32)
Drawdown of revolving credit facility	**192**	51
Repayment of revolving credit facility	**–**	(51)
Net cash flow from financing activities	**156**	(35)
Change in cash and cash equivalents	**(251)**	(161)
Cash and cash equivalents at the beginning of the period	**257**	282
Effect of exchange rate movement	**–**	2
Cash and cash equivalents at the end of the period	**6**	123

1 Investment income includes dividends of £9 million (September 2018: £0.4 million) and interest of £19 million (September 2018: £10 million) received from portfolio assets held directly by the Company and distributions of £4 million (September 2018: £10 million) received from unconsolidated subsidiaries.

2 Following the change of tax domicile of the Company from Jersey to the UK, several of the investments held in unconsolidated subsidiaries domiciled outside the UK have been transferred to be held directly by the Company.

Reconciliation of net cash flow to movement in net debt
for the six months to 30 September

	Six months to 30 September 2019 (unaudited)	Six months to 30 September 2018 (unaudited)
Change in cash and cash equivalents	**(251)**	(161)
Drawdown of revolving credit facility	**(192)**	(51)
Repayment of revolving credit facility	**–**	51
Change in net cash/(debt) resulting from cash flows	**(443)**	(161)
Movement in net cash/(debt)	**(443)**	(161)
Net cash at the beginning of the period	**257**	282
Effect of exchange rate movement	**–**	2
Net (debt)/cash at the end of the period	**(186)**	123

In the above reconciliation there were no non-cash movements.

Notes to the accounts

1 Operating segments

The Directors review information on a regular basis that is analysed by portfolio segment; being Economic Infrastructure businesses, the Projects portfolio and the India fund, and by geography. These segments are reviewed for the purpose of resource allocation and the assessment of their performance. In accordance with IFRS 8, the segmental information provided below uses these segments for the analysis of results as it is the most closely aligned with IFRS reporting requirements. The Group is an investment holding company and does not consider itself to have any customers.

The following is an analysis of the Group's investment return, profit before tax, assets, liabilities and net assets by portfolio segment for the six months to 30 September 2019:

For the six months to 30 September 2019 (unaudited)	Economic Infrastructure businesses £m	Projects portfolio £m	India Fund £m	Unallocated[1] £m	Total £m
Investment return/(loss)	**113**	**26**	**1**	**(1)**	**139**
Profit/(loss) before tax	**98**	**26**	**1**	**(18)**	**107**
For the six months to 30 September 2018 (unaudited)					
Investment return/(loss)	189	7	(7)	1	190
Profit/(loss) before tax	178	7	(7)	(21)	157
As at 30 September 2019 (unaudited)					
Assets	**1,930**	**232**	**30**	**7**	**2,199**
Liabilities	**(28)**	**(2)**	**–**	**(195)**	**(225)**
Net assets	**1,902**	**230**	**30**	**(188)**	**1,974**
As at 31 March 2019 (audited)					
Assets	1,478	196	30	261	1,965
Liabilities	(29)	(2)	–	(32)	(63)
Net assets	1,449	194	30	229	1,902

1 Unallocated includes cash, management and performance fees payable, RCF drawn and other payables and receivables which are not directly attributable to the investment portfolio.

The following is an analysis of the Group's investment return, profit before tax, assets, liabilities and net assets by geography for the six months to 30 September 2019:

For the six months to 30 September 2019 (unaudited)	UK and Ireland[1] £m	Europe[2] £m	Asia £m	Total £m
Investment return/(loss)	**38**	**100**	**1**	**139**
Profit/(loss) before tax	**21**	**85**	**1**	**107**
For the six months to 30 September 2018 (unaudited)				
Investment return/(loss)	178	19	(7)	190
Profit/(loss) before tax	155	9	(7)	157
As at 30 September 2019 (unaudited)				
Assets	**751**	**1,418**	**30**	**2,199**
Liabilities	**(195)**	**(30)**	**–**	**(225)**
Net assets	**556**	**1,388**	**30**	**1,974**
As at 31 March 2019 (audited)				
Assets	991	944	30	1,965
Liabilities	(32)	(31)	–	(63)
Net assets	959	913	30	1,902

1 Including Channel Islands. All centrally incurred costs have been deemed to be incurred in the UK and Ireland while recognising these costs support allocations across geographies.
2 Continental Europe includes all returns generated from, and investment portfolio value relating to, the Group's investment in Oystercatcher, including those derived from its underlying business in Singapore.

1 Operating segments continued

The Group generated 27% (September 2018: 94%) of its investment return in the period from investments held in the UK and Ireland and 72% (September 2018: 10%) of its investment return from investments held in continental Europe. During the period, the Group generated 81% (September 2018: 100%) of its investment return from investments in Economic Infrastructure businesses, 18% (September 2018: 4%) from investments in Projects and 1% (September 2018: (4)%) from its investment in the India Fund. Given the nature of the Group's operations, the Group is not considered to be exposed to any operational seasonality or cyclicality that would impact the financial results of the Group during the period or the financial position of the Group at 30 September 2019.

2 Management, advisory and performance fees payable

	Six months to 30 September 2019 (unaudited) £m	Six months to 30 September 2018 (unaudited) £m
Management and advisory fee payable	**15**	14
Performance fee	**–**	6
	15	20

Total management, advisory and performance fees payable by the Company for the period to 30 September 2019 were £15 million (September 2018: £20 million). Note 10 provides further details on the calculation of the management fee, advisory fee and performance fee.

3 Income taxes

	Six months to 30 September 2019 (unaudited) £m	Six months to 30 September 2018 (unaudited) £m
Current taxes		
Current year	**–**	–
Total income tax charge in the Consolidated statement of comprehensive income	**–**	–

Reconciliation of income taxes in the Consolidated statement of comprehensive income

The Company became a UK tax domiciled approved investment trust with effect from 15 October 2018, prior to which date it was tax domiciled in Jersey and subject to tax at the standard corporate income tax rate in Jersey of 0%. The tax charge for the period is different from the standard rate of corporation tax in the UK, currently 19% (2018: 19%), and the differences are explained below:

	Six months to 30 September 2019 £m	Six months to 30 September 2018 £m
Profit before tax	**107**	157
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2018: 19%)	**20**	30
Effects of:		
Profits subject to tax in Jersey at 0%	**–**	(30)
Non-taxable capital profits due to UK approved investment trust company status	**(13)**	–
Non-taxable dividend income	**(2)**	–
Dividends designated as interest distribution	**(5)**	–
Total income tax charge in the Consolidated statement of comprehensive income	**–**	–

The Company's affairs are directed so as to allow it to meet the requisite conditions to continue to operate as an approved investment trust company for UK tax purposes. The approved investment trust status allows certain capital profits of the Company to be exempt from tax in the UK and also permits the Company to designate the dividends it pays, wholly or partly, as interest distributions. These features enable approved investment trust companies to ensure that their investors do not ultimately suffer double taxation of their investment returns, i.e. once at the level of the investment fund vehicle and then again in the hands of the investors.

4 Investments at fair value through profit or loss and financial instruments

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted and in active markets)	Quoted equity investments
Level 2	Inputs other than quoted prices included in Level 1 that are observable in the market either directly (ie as prices) or indirectly (ie derived from prices)	Derivative financial instruments held at fair value
Level 3	Inputs that are not based on observable market data	Unquoted investments and unlisted funds

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) for each reporting period.

The table below shows the classification of financial instruments held at fair value into the fair value hierarchy at 30 September 2019. For all other assets and liabilities, their carrying value approximates to fair value. During the period ended 30 September 2019, there were no transfers of financial instruments between levels of the fair value hierarchy (March 2019: none).

Trade and other receivables on the Consolidated balance sheet includes £1 million of deferred finance costs relating to the arrangement fee for the revolving credit facility. This has been excluded from the table below as it is not categorised as a financial instrument.

Financial instruments classification

				As at 30 September 2019 (unaudited)
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Investments at fair value through profit or loss	–	–	**2,186**	**2,186**
Trade and other receivables	–	–	–	**–**
Cash and cash equivalents	**6**	**–**	**–**	**6**
Derivative financial instruments	–	**6**	**–**	**6**
	6	**6**	**2,186**	**2,198**
Financial liabilities				
Trade and other payables	**–**	**(10)**	**–**	**(10)**
Derivative financial instruments	**–**	**(23)**	**–**	**(23)**
	–	**(33)**	**–**	**(33)**

				As at 31 March 2019 (audited)
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	1,697	1,697
Trade and other receivables	–	3	–	3
Cash and cash equivalents	257	–	–	257
Derivative financial instruments	–	7	–	7
	257	10	1,697	1,964
Financial liabilities				
Trade and other payables	–	(39)	–	(39)
Derivative financial instruments	–	(24)	–	(24)
	–	(63)	–	(63)

4 Investments at fair value through profit or loss and financial instruments continued

Reconciliation of financial instruments categorised within Level 3 of fair value hierarchy

Level 3 fair value reconciliation	As at 30 September 2019 (unaudited) £m
Opening fair value	**1,697**
Additions	**400**
Disposal proceeds and repayment	**(11)**
Movement in accrued income	**15**
Fair value movement (including exchange movements)	**85**
Closing fair value	**2,186**

Level 3 fair value reconciliation	As at 31 March 2019 (audited) £m
Opening fair value	1,552
Additions	342
Disposal proceeds and repayment	(433)
Movement in accrued income	18
Fair value movement (including exchange movements)	218
Closing fair value	1,697

All unrealised movements on investments and foreign exchange movements are recognised in profit or loss in the Consolidated statement of comprehensive income during the period and are attributable to investments held at the end of the period.

The holding period of the investments in the portfolio is expected to be greater than one year. Therefore, investments are classified as non-current unless there is an agreement to dispose of the investment within one year and all relevant regulatory approvals have been received. It is not possible to identify with certainty where any investments may be sold within one year.

Investment income of £55 million (September 2018: £47 million) comprises dividend income of £9 million (September 2018: £1 million), interest of £39 million (September 2018: £36 million) and distributions of £7 million (September 2018: £10 million) from unconsolidated subsidiaries.

Unquoted investments
The Group invests in private companies which are not quoted on an active market. These are measured in accordance with the International Private Equity Valuation guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted investments can be found in the Portfolio valuation methodology section.

The Group's policy is to fair value both the equity and debt investments in infrastructure assets together where they will be managed and valued as a single investment, were invested at the same time and cannot be realised separately. The Directors consider that equity and debt share the same characteristics and risks and they are therefore treated as a single unit of account for valuation purposes and a single class for disclosure purposes. As at 30 September 2019, the fair value of unquoted investments was £2,152 million (March 2019: £1,664 million). Individual portfolio asset valuations are shown in Table 1 in the Financial review.

The majority of the assets held within Level 3 are valued on a discounted cash flow basis, hence, the valuations are sensitive to the discount rate assumed in the valuation of each asset. Other significant unobservable inputs include the long-term inflation rate assumption and interest rates assumption used to project the future cash flows, and the forecast cash flows themselves.

Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £178 million (March 2019: £132 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £206 million (March 2019: £153 million).

The majority of assets held within Level 3 have revenues that are linked, partially linked or in some way correlated to inflation. The long-term inflation rate assumptions for the country of domicile of the investments in the portfolio range from 5.0% (India) (March 2019: 5.0%) to 2.0% (Netherlands) (March 2019: 2.0%). The long-term RPI assumption for UK assets is 2.5% (March 2019: 2.5%). Changing the inflation rate assumption may result in consequential changes to other assumptions used in the valuation of each asset. The impact of increasing the inflation rate assumption by 1% for the next two years would be to increase the value of the portfolio by £50 million (March 2019: £34 million). Decreasing the inflation rate assumption used in the valuation of each asset by 1% for the next two years would decrease the value of the portfolio by £47 million (March 2019: £34 million).

4 Investments at fair value through profit or loss and financial instruments continued

The valuations are sensitive to changes in interest rates, which may result from: (i) unhedged existing borrowings within portfolio companies; (ii) interest rates on uncommitted future borrowings assumed within the asset valuations; and (iii) cash deposits held by portfolio companies. These comprise a wide range of interest rates from short-term deposit rates to longer-term borrowing rates across a broad range of debt products. Increasing the cost of borrowing assumption for unhedged borrowings and any future uncommitted borrowing and the cash deposit rates used in the valuation of each asset by 1% would reduce the value of the portfolio by £68 million (March 2019: £49 million). Decreasing the interest rate assumption used in the valuation of each asset by 1% would increase the value of the portfolio by £63 million (March 2019: £48 million). This calculation does not take account of any offsetting variances which may be expected to prevail if interest rates changed, including the impact of inflation discussed above.

Unlisted funds
The Company invests in one externally managed fund, the Dalmore Capital Fund, which is not quoted in an active market. The Company considered the valuation techniques and inputs used in valuing this fund to ensure that they are reasonable and appropriate and that, therefore, the NAV of this fund may be used as an input into measuring its fair value. In measuring this fair value, the NAV of the fund is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, the illiquid nature of the investments and other specific factors of the fund and fund manager. The Company classifies the fair value of this investment as Level 3. As at 30 September 2019, the fair value of unlisted funds was £17 million (March 2019: £17 million). The fund NAV reflects a 30 September 2019 valuation date (March 2019: 31 March 2019 valuation date). A 10% adjustment in the fair value of the fund would result in a £2 million (March 2019: £2 million) change in the valuation.

Intermediate holding companies
The Company invests in a number of intermediate holding companies that are used to hold the unquoted investments, valued as referred to above. All other assets and liabilities of the intermediate holding companies are held either at fair value or at a reasonable approximation to fair value. The fair value of these intermediate holding companies therefore approximates to their NAV and the Company classifies the fair value as Level 3. As at 30 September 2019, the fair value of the other assets and liabilities within these intermediate holding companies was £17 million (March 2019: £16 million).

Over-the-counter derivatives
The Company uses over-the-counter foreign currency derivatives to hedge foreign currency movements. The derivatives are held at fair value which represents the price that would be received to sell or transfer the instruments at the balance sheet date. The valuation technique incorporates various inputs including foreign exchange spot and forward rates, and uses present value calculations. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

Valuation process for Level 3 valuations
The valuations on the Consolidated balance sheet are the responsibility of the Board of Directors of the Company. The Investment Manager provides a valuation of unquoted investments, debt and unlisted funds held by the Group on a half-yearly basis. This is performed by the valuation team of the Investment Manager and reviewed by the valuation committee of the Investment Manager. The valuations are also subject to quality assurance procedures performed within the valuation team. The valuation team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. The valuation committee of the Investment Manager considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen. On a half-yearly basis, the Investment Manager presents the valuations to the Board. This includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with significant fair value changes. Any changes in valuation methods are discussed and agreed with the Audit and Risk Committee before the valuations on the Consolidated balance sheet are approved by the Board.

5 Loans and borrowings

On 30 April 2018, the Company entered into a three-year, £300 million RCF with a syndicate of banks. The RCF is secured by a fixed and floating charge over directly held assets of the Company. Interest is payable at LIBOR plus a fixed margin on the drawn down amount. As at 30 September 2019, the Company had drawn down cash of £192 million (March 2019: nil).

The RCF has certain loan covenants, including a debt service coverage ratio and loan to value ratio. The Company has the right to increase the size of the RCF by up to a further £200 million, provided that existing lenders have a right of first refusal. In March 2019, the Company agreed the first one-year extension to the maturity date, to 27 April 2022.

As at 30 September 2019, the Company had no letters of credit in issue, drawn against the RCF (March 2019: €19 million, £16 million). During the period, the letters of credit relating to the Hart van Zuid, Condorcet and A27/A1 PPP projects were cancelled following the investment in or realisation of those projects.

6 Issued capital

The Company is authorised to issue an unlimited number of shares with no fixed par value (March 2019: same).

	As at 30 September 2019 (unaudited)		As at 31 March 2019 (audited)	
	Number	**£m**	Number	£m
Authorised, issued and fully paid				
Opening balance	**810,434,010**	**1,273**	810,434,010	1,273
Closing balance	**810,434,010**	**1,273**	810,434,010	1,273

Aggregate issue costs of £19 million arising from IPO and subsequent share issues have been offset against the stated capital account in previous years. In addition, the stated capital account was reduced by Court order on 20 December 2007 with an amount of £693 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. As at 30 September 2019, the residual value on the stated capital account was £560 million.

On 11 October 2019, the Company issued a further 81 million new shares at a price of 275 pence per share. On 15 October 2019 the shares were admitted to trading on the London Stock Exchange main market for listed securities. The shares were credited as fully paid and rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid in respect of the Ordinary Shares after the date of issue. The total number of shares in the Company following this issue is 891,434,010.

7 Per share information

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

	Six months to 30 September 2019 (unaudited)	Six months to 30 September 2018 (unaudited)
Earnings per share (pence)		
Basic and diluted	**13.3**	19.3
Earnings (£m)		
Profit after tax for the period	**107**	157
Number of shares (million)		
Weighted average number of shares in issue	**810.4**	810.4

	As at 30 September 2019 (unaudited)	As at 31 March 2019 (audited)
Net assets per share (pence)		
Basic and diluted	**243.6**	234.7
Net assets (£m)		
Net assets	**1,974**	1,902

8 Dividends

	As at 30 September 2019 (unaudited)		As at 30 September 2018 (unaudited)	
Declared and paid during the period	**pence per share**	**£m**	pence per share	£m
Prior year final dividend paid on ordinary shares	**4.325**	**35**	3.925	32

The Company proposes paying an interim dividend of 4.6 pence per share (September 2018: 4.325 pence) which will be payable to those shareholders that are on the register on 29 November 2019. On the basis of the shares in issue at 30 September 2019 and the additional 81 million shares issued on 11 October 2019, this would equate to a total interim dividend of £41 million (September 2018: £35 million). The designation of a portion of the dividend as an interest distribution is described in the Information for shareholders section.

9 Contingent liabilities

As at 30 September 2019, the Company had no letters of credit in issue, drawn against the RCF (March 2019: €19 million, £16 million). During the period, the letters of credit relating to the Hart van Zuid, Condorcet and A27/A1 PPP projects were cancelled following the investment in or realisation of those projects.

10 Related parties

Transactions between the Company and 3i Group

At 30 September 2019, 3i Group plc ('3i Group') has a direct and indirect interest of 33.2% (March 2019: 33.3%) in the ordinary shares of the Company. This classifies 3i Group as a 'substantial shareholder' of the Company as defined by the Listing Rules.

In 2007 the Company committed US$250 million to the 3i India Infrastructure Fund (the 'India Fund') to invest in the Indian infrastructure market. 3i Group also committed US$250 million to the India Fund. No commitments were drawn down by the India Fund from the Company during the period (September 2018: nil). In total, commitments of US$184 million or £149 million re-translated had been drawn down at 30 September 2019 (March 2019: US$184 million or £141 million) by the India Fund from the Company. As the India Fund has reached the end of its investment period, the Company's outstanding commitment to the India Fund is limited to 15% of the original US$250 million commitment. At 30 September 2019, the outstanding commitment was US$38 million, or £30 million re-translated (March 2019: US$38 million or £29 million).

The management and tax residence of the Company moved to the UK on 15 October 2018 with 3i Investments plc, a subsidiary of 3i Group, being appointed as the Company's Alternative Investment Fund Manager to provide its services under an Investment Management Agreement ('IMA'). Prior to this date, 3i Investments plc acted as the exclusive Investment Adviser to the Company and provided its services under an Investment Advisory Agreement ('IAA'). 3i Investments plc also acts as the investment manager of the India Fund. 3i plc, another subsidiary of 3i Group, together with 3i Investments plc, provides support services to the Company, which it is now doing pursuant to the terms of the IMA.

Under the IAA, an annual advisory fee was payable to 3i Investments plc based on the gross investment value of the Group at the end of each financial period. While the IAA was replaced by the IMA with effect from 15 October 2018, the basis of calculating the fees, for both the ongoing fee and the performance fee, continued to apply as under the IAA in respect of the financial year to 31 March 2019. For further details on the calculation of these fees, refer to Note 18 of the Annual report and accounts.

With effect from 1 April 2019, fees under the IMA consist of a tiered management fee and time weighting of the management fee calculation and a one-off transaction fee of 1.2% payable in respect of new investments. The applicable tiered rates are shown in the table below.

Gross investment value	Applicable tier rate
Up to £1.25bn	1.4%
£1.25bn to £2.25bn	1.3%
Above £2.25bn	1.2%

For the period to 30 September 2019, £15 million (September 2018: £14 million) was payable and £3 million (March 2019: no fee) remained due to 3i plc at 30 September 2019.

10 Related parties continued

Under the IMA, with effect from 1 April 2019, a performance fee is payable to the Investment Manager equal to 20% of the Group's total return in excess of 8%, payable in three equal annual instalments. The second and third instalments will only be payable if either (a) the Group's performance in the year in which that instalment is paid also triggers payment of a performance fee in respect of that year, or (b) if the Group's performance over the three years starting with the year in which the performance fee is earned exceeds the 8% hurdle on an annual basis. There is no high water mark requirement.

The performance hurdle requirement was not exceeded for the period to 30 September 2019 and therefore no performance fee was recognised (September 2018: £6 million). The outstanding balance payable as at 30 September 2019 was nil (March 2019: £31 million).

Under the IMA, the Investment Manager's appointment may be terminated by either the Company or the Investment Manager giving the other not less than 12 months' notice in writing, but subject to a minimum term of four years from 15 October 2018, unless 3i Investments plc has previously ceased to be a member 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. The Investment Manager may also terminate the agreement on two months' notice given within two months of a change of control of the Company.

Prior to the replacement of the IAA by the IMA, the Company also paid 3i plc an annual fee for the provision of support services, under a UK Support Services Agreement. This agreement was terminated on 15 October 2018 and these support services (which are ancillary and related to the investment management service) are now also provided under the IMA. In consideration of the provision of support services under the IMA, the Company will pay the Investment Manager an annual fee of £1 million. The cost for the support services incurred for the period to 30 September 2019 was £0.5 million (September 2018: £0.4 million). The outstanding balance payable as at 30 September 2019 was £0.3 million (March 2019: £0.2 million).

Accounting policies

Basis of preparation

These financial statements are the unaudited Half-yearly condensed consolidated financial statements (the 'Half-yearly Financial Statements') of 3i Infrastructure plc (the 'Company'), a company incorporated and registered in Jersey, and its consolidated subsidiary (together referred to as the 'Group') for the six-month period ended 30 September 2019.

The Half-yearly Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ('IAS 34') and the accounting policies set out in the Annual report and accounts 2019. They should be read in conjunction with the consolidated financial statements for the year to 31 March 2019, as they provide an update of previously reported information. The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability and cash flows.

The Half-yearly Financial Statements were authorised for issue by the Directors on 6 November 2019.

The Half-yearly Financial Statements do not constitute statutory accounts. The statutory accounts for the year to 31 March 2019, prepared under IFRS as adopted by the European Union, and on which the auditors issued a report, which was unqualified, have been filed with the Jersey Financial Services Commission.

The preparation of the Half-yearly Financial Statements in conformity with IFRS requires the Board 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 the 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 and related estimates used in the preparation of the Half-yearly Financial Statements are consistent with those stated in the Annual report and accounts 2019, except for the adoption of the new accounting standard IFRS 16. There is no impact from this new accounting standard becoming effective during the period.

Statement of Directors' responsibilities

The Directors, who are required to prepare the financial statements on a going concern basis unless it is not appropriate, are satisfied that the Group has the resources to continue in business for the foreseeable future and that the financial statements continue to be prepared on a going concern basis.

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;

- the Half-yearly report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance; and

- the Half-yearly report includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

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

By order of the Board

Richard Laing
Chair
6 November 2019

Board of Directors and their functions

Richard Laing
Non-executive Chair and chair of the Nomination Committee and the Management Engagement Committee.

Doug Bannister
Non-executive Director.

Wendy Dorman
Non-executive Director and chair of the Audit and Risk Committee.

Robert Jennings CBE
Non-executive Director.

Ian Lobley
Non-executive Director.

Paul Masterton
Senior Independent Director and chair of the Remuneration Committee.

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 Manager, that that is the most appropriate and effective means of investing), which may be advised or managed either by the Investment Manager 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 management fee payable under the Investment Management Agreement and the relevant proportion of any performance fee will be deducted from the annual performance fee, if payable, under the Investment Management 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 25% 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 Board 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 investment portfolio of the Company and its consolidated subsidiary (‘the Group’) is set out below in order to provide more detailed information than is included within the accounting policies and the Financial review 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 Invest Europe.

Basis of valuation

Investments are reported at the Directors’ estimate of fair value at the reporting date in compliance with IFRS 13 Fair Value Measurement. Fair value is defined as ‘the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date’.

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.

Investments may include portfolio assets and other net assets/liabilities balances. The methodology for valuing portfolio assets is set out below. Any net assets/liabilities within intermediate holding companies are valued in line with the Group accounting policy and held at fair value or approximate to fair value.

Quoted investments

Quoted equity investments are valued at the 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’)
- Proportionate share of net assets
- Sales basis
- 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 terminal value attributes a residual value to the investee company at the end of the projected discrete cash flow period. 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.

Proportionate share of 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. In measuring the fair value, the net asset value of the fund is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, illiquid nature of the investments and other specific factors of the fund.

Sales basis

The expected sale proceeds will be used to assign a fair value to an asset 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 primary valuation basis. 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.

Information for shareholders

Financial calendar

Ex-dividend date for interim dividend	28 November 2019
Record date for interim dividend	29 November 2019
Interim dividend expected to be paid	13 January 2020
Full year results expected date	7 May 2020

Designation of dividends as interest distributions

As an approved investment trust, the Company is permitted to designate dividends wholly or partly as interest distributions for UK tax purposes. Dividends designated as interest in this way are taxed as interest income in the hands of shareholders and are treated as tax deductible interest payments made by the Company. The Company expects to make such dividend designations in periods in which it is able to use the resultant tax deduction to reduce the UK corporation tax it would otherwise pay on the interest income it earns from its investments. The Board is designating 3.4 pence of the 4.6 pence interim dividend payable in respect of the period as an interest distribution.

Registrars

For shareholder services, including notifying changes of address, the Registrar details are as follows:

Link Market Services (Jersey) Limited
PO Box 532
St. Helier
Jersey JE4 5UW
Channel Islands

Shareholder helpline: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Please note that calls may be monitored or recorded for training and quality purposes.

Email: registrars@linkgroup.je

Investor relations and general enquiries

For all investor relations and general enquiries about 3i Infrastructure plc, please contact:

Thomas Fodor
Investor Relations
3i Infrastructure plc
16 Palace Street
London, SW1E 5JD

email: thomas.fodor@3i.com
Telephone +44 (0)20 7975 3469

or for full up-to-date investor relations information including the latest share price, recent reports, results presentations and financial news, please visit our investor relations website **www.3i-infrastructure.com.**

If you would prefer to receive shareholder communications electronically, including your annual reports and notices of meetings, please go to **www.3i-infrastructure.com/investors/shareholder-centre** for details of how to register.

Frequently used Registrars' forms can be found on our website at
www.3i-infrastructure.com/investors/shareholder-centre.

3i Infrastructure plc

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