3 November 2011

Results for the six months to 30 September 2011

Stable performance

	Investment basis(1)		Consolidated IFRS basis(2)	
	30 Sep 2011	30 Sep 2010	30 Sep 2011	30 Sep 2010
Total return	£15.9m	£31.1m	£15.9m	£31.4m
Total return on shareholders' equity (3)	1.6%	3.4%	1.6%	3.4%
Interim dividend per share	2.97p	2.86p	2.97p	2.86p
Diluted net asset value ("NAV") per share	119.4p	116.8p	119.9p	117.2p
Diluted NAV per share after deducting interim dividend	116.4p	113.9p	116.9p	114.3p
Portfolio value	£715.8m	£651.1m	£979.8m	£927.2m
Cash balances	£310.1m	£307.8m	£318.7m	£308.5m

(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 six months to 30 September 2011 was £20.3 million (September 2010: £38.3 million).
(3) Average shareholders' equity is defined as the time-weighted average of (i) opening shareholders' funds, less the final prior-year dividend paid and (ii) the equity proceeds raised through the conversion of warrants.

Commentary

- Stable net asset value, with a total return of £15.9 million, or 1.6% on shareholders' equity
- Strong portfolio income generation of £36.8 million, which covers the interim dividend
- Resilient underlying asset performance, with a 3.5% growth in EBITDA of underlying operational equity investments over the prior corresponding six-month period
- Realised proceeds in the period of £91.2 million, including £55.5 million from well timed realisations in the junior debt portfolio

Peter Sedgwick, Chairman of 3i Infrastructure plc, said: "In an increasingly uncertain market, the Investment Adviser's market access and solid investment track record represent an important competitive advantage. We are confident that we can invest the remaining cash balances prudently, not compromising the quality of the Company's portfolio."

Cressida Hogg, Managing Partner, Infrastructure, 3i Investments plc, added: "We have remained disciplined investors in the period, realising assets in difficult markets. We are focused on executing ongoing transactions, and are well positioned to take advantage of opportunities, with our strong track record and the Company's available cash balances."

– ends –

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For further information regarding the announcement of results for 3i Infrastructure plc please see 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 that invests in infrastructure businesses and assets and is regulated by the Jersey Financial Services Commission. The Company is building a diversified portfolio of infrastructure investments across the globe, with a focus on Europe and India. As of 30 September 2011, 3i Infrastructure had a portfolio of 15 assets valued at £716 million, and net assets of £1,030 million. 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, and is a constituent of the FTSE 250 index.

3i Investments plc, a wholly-owned subsidiary of 3i Group plc, is authorised and regulated in the UK by the Financial Services Authority and 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.

This report of 3i Infrastructure plc for the six months to 30 September 2011 has been drawn up in reliance upon applicable English and Jersey law and the liabilities of the Company in connection with this report shall be subject to the limitations and restrictions provided by such law. This report 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.

Chairman's statement

3i Infrastructure plc ("3i Infrastructure" or "the Company") delivered steady growth in net asset value during the six months to 30 September 2011, supported by the resilient operational and financial performance of the portfolio assets. Importantly, the portfolio also generated strong income for the Company during the period, which more than covers the interim dividend, as well as the operating and financing costs incurred in the six months.

Performance

Total comprehensive income attributable to the equity holders of the parent, on a consolidated basis, as well as on the investment basis, which the Board also uses to monitor investment performance, was £15.9 million, or 1.6% on opening shareholders' equity. This return was underpinned by the strong income generated from portfolio assets, totalling £36.8 million in the period, which was indicative of their resilient operational performance. However, stable valuations for most of the portfolio assets were offset by mark-to-market declines in the valuation of Adani Power, held through the 3i India Infrastructure Fund, and Télédiffusion de France (in line with broader market declines in their respective sectors and asset classes), as well as by foreign exchange losses on the investments in the 3i India Infrastructure Fund.

Dividend

Based on the good levels of income generated from the portfolio, the Board proposes an interim dividend of 2.97 pence per share (September 2010: 2.86 pence per share), which represents a 2.5% return on shareholders' equity, in line with the Company's objective of paying an annual dividend of 5% on shareholders' equity.

Activity in the period

3i Infrastructure generated realised proceeds of £91.2 million in the period, including £55.5 million from the sale of the NGW Arqiva junior debt holding and from the full repayment at par of the Thames Water junior debt holding. The junior debt portfolio divestments were well timed and protected the net asset value, as credit markets have, since then, suffered declines in light of increased macroeconomic uncertainty and broader market volatility. The strategy of divesting junior debt investments was continued since the period end, and in October the Company reached an agreement to sell the Télédiffusion de France debt holding, the only remaining asset in the junior debt portfolio.

The balance of the realisation proceeds of £35.7 million was generated from the repayment of a substantial part of the I^2 vendor loan notes from Barclays Integrated Infrastructure Fund LP (which purchased I^2 from the Company in 2009), and from the repayment of a small portion of the shareholder loan by Eversholt Rail Group. The latter repayment was made due to the stronger than expected performance of Eversholt, which generated sufficient cash from its operations to repay a portion of the shareholder loan, in addition to making its regular interest payments.

These realisations, combined with the strong income generated from the portfolio, resulted in a significant increase in the Company's cash balances. The Company, in addition, benefited from continued support from its shareholders through the conversion of 42.1 million warrants in the period. As a consequence, the Company's cash balances increased to £310.1 million on an investment basis at 30 September 2011, from £174.6 million at 31 March 2011.

Pipeline and outlook

Increased cash balances will allow the Company to take advantage of new opportunities in volatile markets. As outlined in more detail in the Investment Adviser's review, conditions for investment are challenging at present, but can offer interesting opportunities to experienced investors. With the market access and expertise provided by the Investment Adviser, we are well placed to take advantage of any positive evolution in market conditions.

The Investment Adviser is focusing on bringing the Thameslink transaction to a financial close, and is pursuing a number of attractive opportunities in a relatively broad range of sectors and geographies. We have also taken part in a number of competitive processes over the last few months, but have retained our prudent investment approach and pricing discipline.

Investment Adviser's review

About the Investment Adviser

3i Investments plc ("3i Investments"), a wholly-owned subsidiary of 3i Group plc ("3i Group"), acts as the investment adviser (the "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 is managed as a separate business line within 3i Group and operates from hubs in London and India.

3i Group was among the subscribers to 3i Infrastructure's Initial Public Offering and subsequent Placing and Open Offer and owns 35% of the equity in the Company. During the period, 3i Group reiterated that the Infrastructure business line, and its holding in 3i Infrastructure, are core to its business model and strategy and, in line with this, exercised all its 32.5 million warrants in 3i Infrastructure, increasing its holding by an equivalent number of shares.

Market and opportunities

Conditions for investment

There has been a significant increase in market volatility since August 2011, fuelled by concerns on European sovereign debt, the solvency of European banks and the availability of credit to the broader economy. Liquidity in the debt markets is declining, as banks reduce their lending and capital market debt becomes more expensive. This has resulted in a slow-down in M&A activity across the market, including in the infrastructure market.

However, a few relatively sizeable infrastructure transactions were completed over the last few months, including the sale of electricity networks in the UK and in Germany and the public-to-private acquisition of Northumbrian Water in the UK. Other significant processes are ongoing, such as the Thameslink procurement programme, for which 3i Infrastructure, in consortium with Siemens and Innisfree, was selected as preferred bidder. This activity is underpinned by the continued availability, for strong infrastructure assets, of bank and capital markets debt at relatively attractive terms.

We expect transaction volumes in the infrastructure market to remain subdued for the second half of the year, with activity focused in sectors where debt is more readily available. Nevertheless, we expect that processes that are already relatively well advanced, including for instance the Thameslink transaction, are likely to reach completion. We are working on bringing this transaction to a financial close, and as part of this process are putting together, with our consortium partners, a financing package. We have found that the bank market has been receptive and that debt should be available to finance the project in the right quantum and at sufficiently attractive terms.

Markets in India have also been volatile, and transaction activity has been slower, also due to the caution exercised by the government in approving new projects. The local banking market remains supportive of infrastructure development.

In addition to broader M&A and debt market considerations, the outlook for inflation and interest rates will also continue to be an important determinant of the conditions for investment in the future. While inflation is relatively high in most developed countries, we believe that in the short term this will have a limited impact on interest rates, as governments and monetary authorities try to stimulate growth.

The opportunity

The themes driving the investment pipeline are similar to those we highlighted at the publication of the Company's annual results. These include non-core disposals from corporates and financial institutions which are either deleveraging or refocusing on their core activities, privatisations or PFI/PPP-style opportunities emerging across many countries as a result of public sector budget constraints, or transactions in the secondary market, as infrastructure funds nearing the end of their investment period look to sell or refinance assets to prove valuation points.

As market conditions evolve, new opportunities for investment may emerge, as a consequence of market dislocation in certain asset classes, or of policy responses to the current challenges, such as the use of infrastructure spending or of incentives for "green" investment as a tool for economic stimulus. We remain alert to these opportunities and have the resources to execute them promptly, with the Company's available cash balances and financial flexibility. The investments in the junior debt portfolio in 2008 are a good example of our ability to purchase assets opportunistically. At that time, the Company was able to exploit the dislocation in credit markets to invest in infrastructure junior debt at prices below par. This has proven to be a successful investment for 3i Infrastructure. The junior debt portfolio, now fully realised, has generated an overall IRR of 11.6%, confirming our investment case.

The competitive environment

Competition for infrastructure assets is increasing. Significant funds have been raised over the last few years and some investors, including sovereign wealth funds and large pension funds, have begun to invest directly in infrastructure assets. Corporate buyers have also been very active in the market over the last few years, as many restructure and refocus their businesses. This has resulted in greater pricing pressure for infrastructure assets, in particular at the lower end of the risk-return spectrum.

Outlook

Infrastructure investments are long term in nature and returns from infrastructure, although lower than for some other asset classes, are stable and delivered over long periods of time. The Investment Adviser's solid track record of completing complex transactions and working alongside strong operating partners and other investors, as well as its broad network of relationships with the banks and the broader capital markets, means that 3i Infrastructure is well placed to access the best deal flow, and to manage the portfolio to deliver on its return objectives when fully invested, even against a backdrop of increasingly volatile markets.

Portfolio

Table 1 below summarises the valuation and movements in the portfolio for the six months to 30 September 2011, as well as the return per asset. Tables 2, 3 and 4 below illustrate the breakdown of the portfolio by geography, sector and maturity at 30 September 2011. Table 5 illustrates the distribution of the portfolio in the risk/return framework presented at the Annual results.

Table 1
Portfolio summary on an investment basis (£m)

Portfolio assets	Directors' valuation 31 March 2011	Investment in the period[1]	Divestment in the period	Value movement	Foreign exchange translation	Directors' valuation 30 September 2011	Profit on disposal	Income in the period	Asset total return in the period
AWG	**195.9**	-	-	(2.2)	-	**193.7**	-	12.7	**10.5**
Eversholt Rail Group	**160.7**	-	(9.3)	9.0	-	**160.4**	-	10.4	**19.4**
Oystercatcher	**119.6**	-	-	0.7	(2.9)	**117.4**	-	7.9	**5.7**
Junior debt portfolio	**90.2**	-	(53.4)	(6.1)	(0.7)	**30.0**	2.1	1.4	**(3.3)**
3i India Infrastructure Fund	**134.7**	-	-	(21.1)[2]	4.3	**117.9**	-	-	**(16.8)**
Elgin	**40.2**	-	-	0.3	-	**40.5**	-	1.8	**2.1**
Octagon	**31.1**	-	-	1.0	-	**32.1**	-	0.9	**1.9**
Alpha Schools	**17.7**	-	-	0.3	-	**18.0**	-	0.7	**1.0**
I^2 loan notes	**31.6**	0.6[1]	(26.4)	-	-	**5.8**	-	1.0	**1.0**
T2C	**-**	-	-	-	-	**-**	-	-	**-**
	821.7	0.6	(89.1)	(18.1)	0.7	**715.8**	2.1	36.8	**21.5**

(1) Capitalised loan note interest.
(2) Includes a £12.4 million negative impact from US$/rupee exchange movements.

Table 2
Asset portfolio by geography

UK and Ireland	63%
Continental Europe	21%
Asia	16%

Table 3
Asset portfolio by sector

Transportation	48%
Utilities	39%
Social Infrastructure	13%

Table 4
Asset portfolio by maturity

Mature	84%
Early stage	8%
Operational growth	8%

Table 5
Risk/return spectrum and asset distribution value at 30 September 2011

	Social Infrastructure/PPP/PFI	**"Core" infrastructure**	**"Hybrid" infrastructure**
Returns	8-12%	10-16%	>15%
Value at 30 September 2011	£96m	£502m	£118m

Movements in portfolio value

As set out in Table 6, the value of 3i Infrastructure's portfolio decreased from £821.7 million at 31 March 2011 to £715.8 million at 30 September 2011. The change in portfolio value was driven mainly by divestment of £89.1 million and an unrealised value loss of £18.1 million.

Table 6
Reconciliation of the movement in portfolio value on an investment basis (£m)

Opening portfolio value at 1 April 2011	821.7
Investment	0.6
Opening value divested	(89.1)
Value movement (1)	(18.1)
Foreign exchange translation	0.7
Closing portfolio value at 30 September 2011	715.8

(1) Includes a £12.4 million negative impact from US$/rupee exchange movements.

Divestment

The Company generated realisation proceeds of £91.2 million in the period from 1 April 2011 to 30 September 2011 (September 2010: nil), including profits over the carrying value of £2.1 million.

A significant proportion of these proceeds (£55.5 million) was generated from the exits from two of the three holdings in the junior debt portfolio, NGW Arqiva and Thames Water. These exits were profitable and provided some protection for the Company's NAV in light of the decline in junior debt market prices in the subsequent months.

In April 2011 the Thames Water junior debt tranche was repaid before its full term by the borrower, generating proceeds of £21.3 million. This represented an uplift over the value at 31 March 2011 of £0.2 million. The NGW Arqiva junior debt tranche was also sold in April 2011 for £34.2 million, generating a profit over the value at 31 March 2011 of £1.9 million.

In addition to the junior debt exits, in August 2011 Barclays Integrated Infrastructure Fund LP made a partial repayment of the Company's holding of I^2 vendor loan notes, generating proceeds of £26.4 million. The balance of the loan notes of £5.8 million remains due to 3i Infrastructure, and will continue to earn a fixed 8% annual interest rate.

The balance of realisation proceeds of £9.3 million was attributable to a partial repayment, in August, of the shareholder loan by Eversholt Rail Group ("Eversholt"). The structure of the investment in Eversholt includes both equity and shareholder loans. Eversholt is performing well and generating strong operating cash flows, and as a result was able to repay a small portion of the shareholder loan in addition to making its regular interest income payments.

Unrealised value movement

As shown in Table 1, the valuation of most of the portfolio assets remained relatively stable, supported by resilient underlying operational and financial performance. Eversholt, in particular, has continued to perform well since our investment and has generated strong operating cash flows, driving value growth.

The assets with revenues and value most linked to inflation, including AWG and the PFI portfolio, also benefited from an increase in inflation during the period. However, the positive valuation effect of good operational performance and inflation was, for assets valued on a discounted cash flow basis, impacted by the downward adjustment to value from the high levels of income distributed to the Company in the period.

The portfolio as a whole generated an unrealised value loss of £18.1 million (September 2010: £10.5 million gain) driven by declines in the valuation of the assets in the portfolio valued on a mark-to-market basis, namely the holding in Adani Power Limited, held through the 3i India Infrastructure Fund (the "Fund"), and the holding in Télédiffusion de France junior debt.

The mark-to-market valuation of the holding in Adani Power declined in the period, from £53.0 million at 31 March 2011 to £37.8 million at 30 September 2011, reflecting falls in the Indian equity markets and the quoted power sector, as well as a significant depreciation of the rupee against sterling.

The value of the holding in Télédiffusion de France junior debt also declined in the period, from £36.8 million at 31 March 2011, to £30.0 million at 30 September 2011, reflecting declines in junior debt market pricing over the last few months.

Foreign exchange impact

Foreign exchange rates were volatile throughout the period. As set out in Table 7, movements in foreign exchange generated net losses of £8.8 million on non-sterling assets (September 2010: £4.3 million loss).

Sterling appreciated by 6% against the Indian rupee in the six months, resulting in foreign exchange losses of £8.1 million for the Company, as its exposure to the Indian rupee through the 3i India Infrastructure Fund remains unhedged. The Board monitors the rupee exposure on a regular basis. The foreign exchange losses suffered within the US$ denominated 3i India Infrastructure fund of £12.4 million had a significant impact on the valuation of the Fund and on overall returns in the period.

During the period, sterling also appreciated by 2% against the euro, but the resulting losses were offset in large part by foreign exchange hedging entered into to provide some mitigation from movements in the sterling/euro exchange rate.

Table 7
Impact of foreign exchange movements on portfolio value six months to 30 September 2011 (£m)

	£ / Rupee	**£ / €**	**Net impact**
Translation of assets £ / US$	4.3		4.3
Translation of assets £ / €		(3.6)	(3.6)
Foreign exchange gains / (losses) on investments			**0.7**
Asset valuation US$ / rupee (1)	(12.4)		(12.4)
Movement in the fair value of derivative financial instruments (£ / € hedging)		2.9	2.9
Other foreign exchange movements			**(9.5)**
Net foreign exchange losses	**(8.1)**	**(0.7)**	**(8.8)**

(1) Contained within Unrealised (losses)/profits on revaluation of investments in Table 9.

Underlying asset performance

The fully operational assets in which the Company holds an equity stake delivered a stable performance in the period. Earnings before interest, tax, depreciation and amortisation ("EBITDA") for these assets increased by 3.5% on a like-for-like basis relative to the prior comparable six-month period.

This figure is calculated on a weighted average basis and the assets included in this analysis are those that have been operational for one year or more: AWG, Eversholt, Oystercatcher, Elgin (underlying project companies), Octagon and Alpha Schools and, within the 3i India Infrastructure Fund, Adani Power, Soma Enterprise and Krishnapatnam Port.

Specifically, Eversholt saw an EBITDA increase of 9.5% over the prior comparable six-month period, while AWG and Oystercatcher saw a 1.0% and 4.3% decrease in EBITDA respectively. However, the EBITDA of AWG's core regulated water business, Anglian Water, was up 3.4% period on period. The decline in AWG's overall EBITDA was driven mainly by the weaker performance of Morrison Facilities Services, one of its non-core subsidiaries, due to challenging trading conditions in the social housing sector. The performance of the Oystercatcher companies, while ahead of expectations and robust in a difficult market context for oil traders, was lower compared to an exceptionally strong period last year.

The stable returns from the portfolio assets, achieved after three years of substantial improvements in operational performance, are evidence of the robustness of infrastructure as an asset class in volatile markets.

In India, the growth rates in earnings are considerably higher compared to the European portfolio, as the 3i India Infrastructure Fund's early stage investments build up their capabilities. In aggregate, the EBITDA of the operational assets held in the 3i India Infrastructure Fund (Adani Power, Soma Enterprise and Krishnapatnam Port) increased by 23.8% over the prior comparable six-month period.

Importantly, 81% of the operational portfolio assets by value is performing ahead of expectations.

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 valuation guidelines, generally using a discounted cash flow ("DCF") methodology (except where a market quote is available), which the Board considers to be the most appropriate valuation methodology for unquoted infrastructure equity investments.

Where the DCF methodology is used, the resulting valuation is checked against other valuation benchmarks relevant to the particular investment, including for example:
– earnings multiples
– recent transactions
– quoted market comparables
– regulated asset base multiples

Discounted cash flow and discount rates

Around 88% of the portfolio was valued on a DCF basis at 30 September 2011. The weighted average discount rate applied at that date was 13.1% (September 2010: 12.5%), deriving from a range of 8.2% (an operational PFI asset) and 19.0% (a project within the 3i India Infrastructure Fund).

Table 8 shows the movement in the weighted average discount rate applied to the portfolio in each six-month period since inception.

Table 8
Portfolio weighted average discount rate (%)

September 2007	13.1
March 2008	12.4
September 2008	12.0
March 2009	13.8
September 2009	12.8
March 2010	12.5
September 2010	12.5
March 2011	13.2
September 2011	13.1

The discount rate applied to each investment is reviewed at each valuation date. The rate selected reflects the risk inherent in the business, taking into account sustained movements in the "risk-free" rates of return in the relevant country and appropriate risk premia.

Risk-free rates (equating to 10/30-year government bond yields) have declined over the past six months, most notably in the period since June 2011. In light of current market conditions, and particularly in light of increasing uncertainty across debt markets, reflected in our assessment of risk premia and of current market pricing, most of the discount rates used to value the assets since the last valuation at 31 March 2011 are unchanged. The exceptions to this include: (i) a small reduction in the discount rate applied in the valuation of Alpha Schools, which now has a proven track record of stable operational performance; and (ii) the discount rate applied in the valuation of Ind Barath Utkal, an asset held by the 3i India Infrastructure Fund, following a review of the progress made since investment in March 2011.

3i India Infrastructure Fund

The Company's investment in the 3i India Infrastructure Fund was valued as the Company's share of net assets held by the Fund. Within the Fund valuation, Adani Power, which has been a listed company since August 2009, was valued on a mark-to-market basis using closing bid prices. All other assets were valued on a DCF basis, with the exception of Soma Enterprise's valuation, which was calculated using earnings multiples and a recent benchmark from the sale of a holding in Soma's BOT portfolio to a new shareholder, described in more detail in the Review of investments section.

Télédiffusion de France

The Company's investment in Télédiffusion de France junior debt was valued using closing bid prices at 30 September 2011 provided by third party brokers, which reflected increased volatility in the credit markets during the period.

Activity since the period end

In October, the Company contracted to sell the entirety of its holding in Télédiffusion de France junior debt, for an amount equivalent to the carrying value at the end of September. The investment in Télédiffusion de France has generated an IRR of 14.9% throughout the holding period.

Overall, the investments in the junior debt portfolio, which are now fully realised, have generated an aggregate IRR of 11.6% and have proven that the Company can take advantage of its financial flexibility and of the experience and track record of the Investment Adviser to execute quickly on new opportunities that can emerge in challenging markets.

Returns

Key performance indicators

Objective	To provide shareholders with a total return of 12% per annum, to be achieved over the long term.	**Dividend Objective**	To target an annual distribution yield of 5% of the opening NAV(1).
Measurement	Total return for the period expressed as a percentage of average shareholders' equity(1).	**Measurement**	Dividend for the financial year, expressed as a percentage of average shareholders' equity(1).
Status	1.6% total return for the six months to 30 September 2011.	**Status**	Total dividend of 2.97p equates to a 2.5% distribution on average shareholders' equity for the half year.

(1) Net of final dividend paid in the prior year. Average shareholders' equity is defined as the time-weighted average of (i) opening shareholders' funds, less the final prior-year dividend paid and (ii) the equity proceeds raised through the conversion of warrants.

Table 9
Summary of total return on an investment basis (£m)

	Six months to 30 Sep 2011	Six months to 30 Sep 2010	Consolidated IFRS basis Six months to 30 Sep 2011
Realised profits over fair value on the disposal of investments	2.1	-	2.1
Unrealised (losses)/profits on the revaluation of investments	(18.1)	10.5	(21.7)
Foreign exchange gains/(losses) on investments	0.7	(8.1)	(0.7)
Capital (loss)/return	**(15.3)**	**2.4**	**(20.3)**
Portfolio income			
Dividends	19.4	22.3	36.9
Income from loans and receivables	16.0	5.8	17.0
Income from quoted debt investments	1.4	3.6	1.4
Fees payable on investment activities	(0.7)	(1.2)	(0.7)
Interest receivable	0.8	0.8	0.8
Investment return	**21.6**	**33.7**	**35.1**
Advisory, performance and management fees payable	(6.2)	(5.0)	(6.6)
Operating expenses	(1.1)	(1.0)	(1.1)
Finance costs	(1.4)	(0.7)	(6.9)
Movements in the fair value of derivative financial instruments	2.9	3.9	(1.6)
Other net income	0.1	0.2	0.5
Profit for the period	**15.9**	**31.1**	**19.4**
Exchange difference on translation of foreign operations	-	-	0.9
Profit attributable to minority interests for the period	-	-	(4.4)
Total comprehensive income ("Total Return")	**15.9**	**31.1**	**15.9**

Returns

The commentary in this section analyses the key drivers of the Company's returns according to the investment basis of preparation, as shown in Table 9. The basis of preparation for the investment basis is shown in the Basis of preparation section, along with an analysis of the key differences in accounting treatment to information prepared in accordance with IFRS.

3i Infrastructure generated a total return for the six months to 30 September 2011 of £15.9 million, representing a 1.6% return on average shareholders' equity (September 2010: £31.1 million, 3.4%). The return was driven principally by strong income generation (including interest receivable) of £37.6 million and by the resilient operational performance of the assets in the portfolio, but was impacted negatively by mark-to-market losses on the quoted elements of the portfolio and by foreign exchange losses.

Table 10
Reconciliation of movements in NAV on an investment basis (£m)

Opening NAV at 1 April 2011	971.7
Income including interest receivable	37.6
Realised gains	2.1
Unrealised capital loss	(5.7)
Net foreign exchange movement[1]	(8.8)
Costs including advisory and performance fees	(9.3)
Warrant conversion	42.1
Pre-distribution NAV	1,029.7
Interim distribution	(25.5)
Closing NAV at 30 September 2011	1,004.2

(1) Foreign exchange losses described fully in Table 7.

Capital return

Realised capital return

There was a realised capital return of £2.1 million (September 2010: nil) generated from the divestment of the Company's holding in NGW Arqiva junior debt and from the redemption of the holding in Thames Water junior debt. The repayment of substantially all the residual I^2 vendor loan notes and the repayment of a small portion of the shareholder loan to Eversholt was made at carrying value and generated no realised profits. Each of these transactions are described in more detail in the Movements in portfolio value section.

Unrealised capital loss

The valuation of most of the assets in the portfolio was stable during the period, supported by their resilient operational performance and, in some cases, by relatively high inflation, but was impacted by good levels of income distributions. However, as shown in Table 10, the portfolio overall generated an unrealised capital loss (excluding foreign exchange losses) of £5.7 million (September 2010: £10.6 million gain), driven by the mark-to-market losses on Adani Power and Télédiffusion de France. This is explained in more detail in the Movements in portfolio value section.

Foreign exchange impact

As shown in Table 7, net foreign exchange losses totalled £8.8 million in the period (September 2010: £4.3 million loss). This was principally due to the sterling / rupee foreign exchange rate volatility, as gains of £4.3 million on the sterling / US dollar translation were more than offset by losses of £12.4 million on the US dollar / rupee translation. Losses of £3.6 million from the euro exposure were significantly offset by the impact of the euro hedging programme.

Investment return

Portfolio income

The portfolio generated strong income of £36.8 million in the six-month period (September 2010: £31.7 million). Substantially all of this income was received in cash, benefiting in particular from considerable payments from Eversholt.

Dividends from portfolio assets totalled £19.4 million (September 2010: £22.3 million), driven in large part by substantial dividends received from AWG and Oystercatcher.

AWG paid a dividend of £10.3 million in the six months to 30 September 2011, compared to £11.3 million in the six months to 30 September 2010. The September 2010 dividend benefited from an increase following two years of restraint due to low RPI and uncertainty preceding the outcome of the review for the 2010-2015 period. AWG is focusing on implementing its regulatory settlement and will, as before, maintain its discipline of distributing free cash to shareholders.

Oystercatcher paid a dividend to the Company of £7.9 million for the six months to 30 September 2011, compared to £9.3 million for the same period last year. While the operating performance of the three Oiltanking terminals is good and the dividends received by Oystercatcher from the underlying operating companies during the period increased, a proportion of those dividends has been retained by Oystercatcher in view of the anticipated costs of the refinancing of its debt, expected to take place before maturity in 2014.

Interest income receivable from the portfolio totalled £17.4 million (September 2010: £9.4 million). The increase compared to the first six months of last year was due almost entirely to the acquisition of Eversholt Rail Group, which contributed interest income of £10.4 million in the period. Due to the structure of the investment in Eversholt Rail Group, the income from this asset is received as interest on shareholder loans, rather than dividend income on equity investments.

Fees payable for transaction costs in relation to deals which did not reach, or have yet to reach final completion totalled £0.7 million (September 2010: £1.2 million).

Interest receivable

Interest income from cash and cash equivalents totalled £0.8 million (September 2010: £0.8 million). The Company's cash balances generated interest at an average rate of 0.6% in the period to 30 September 2011 (September 2010: 0.5%).

Advisory fees, performance fees and other operating and finance costs

During the six months to 30 September 2011, the Company incurred advisory fees of £6.2 million (September 2010: £5.0 million). No performance fees were accrued relating to this period. 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 any new investments made during the period. For a more detailed explanation of how fees are calculated, please refer to Note 9.

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £1.1 million in the period (September 2010: £1.0 million).

Finance costs of £1.4 million (September 2010: £0.7 million) comprise the arrangement and commitment fees for the Company's £200 million revolving credit facility, with the increase attributable to the agreement of the new facility in November 2010.

Movements in the fair value of derivatives of £2.9 million (September 2010: £3.9 million) represent the fair value movements of the euro hedging programme, and included a £1.2 million gain on the settlement of derivatives at their maturity.

Balance sheet

At 30 September 2011, the Company's net assets totalled £1,029.7 million, or £1,004.2 million after the deduction of the interim dividend (September 2010: £959.7 million), comprising the asset portfolio, valued at £715.8 million (September 2010: 651.1 million), cash and cash equivalents of £310.1 million (September 2010: £307.8 million), other current assets of £8.8 million (September 2010: £7.7 million), primarily relating to accrued income from portfolio investments and prepayments, and liabilities of £5.0 million relating to accrued operating and financing costs, as well as the fair value of derivative hedging contracts. A summary balance sheet is included in Table 11.

There were no external borrowings on a recourse basis to the Company.

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

At 30 September 2011, and at the time of reporting, the £200 million revolving credit facility held by the Company had not been drawn.

Net asset value per share

The total NAV per share at 30 September 2011 was 119.9p (September 2010: 118.2p). This reduces to 116.9p after the payment of the proposed interim dividend of 2.97p. The diluted net asset value per share, adjusted for the 22.6 million warrants outstanding, was 119.4p (September 2010: 116.8p), which reduces to 116.4p after the payment of the interim dividend.

During the period, 42.1 million warrants were converted, increasing the number of shares in issue from 816.9 million to 859.0 million. The warrants are due to expire on 13 March 2012. The diluted NAV per share reported above incorporates the effect of all warrants outstanding being exercised.

Table 11
Summary balance sheet on an investment basis (£m)

	As at 30 September 2011	As at 30 September 2010	Consolidated IFRS basis As at 30 September 2011
Assets			
Non-current assets			
Investment portfolio	715.8	651.1	979.8
Current assets			
Other current assets	8.8	7.7	14.1
Cash and cash equivalents	310.1	307.8	318.7
Total current assets	**318.9**	**315.5**	**332.8**
Total assets	**1,034.7**	**966.6**	**1,312.6**
Borrowings	-	-	(164.3)
Derivative financial instruments	(1.3)	(2.1)	(17.8)
Total non-current liabilities	**(1.3)**	**(2.1)**	**(182.1)**
Current liabilities			
Trade and other payables	(3.2)	(3.4)	(3.5)
Derivative financial instruments	(0.5)	(1.4)	(1.3)
Total current liabilities	**(3.7)**	**(4.8)**	**(4.8)**
Total liabilities	**(5.0)**	**(6.9)**	**(186.9)**
Net assets	**1,029.7**	**959.7**	**1,125.7**
Equity			
Stated capital account	159.3	112.0	159.3
Retained reserves	870.4	847.7	836.0
Translation reserve	-	-	39.0
Total shareholders' equity	**1,029.7**	**959.7**	**1,034.3**
Minority interests	-	-	91.4
Total equity	**1,029.7**	**959.7**	**1,125.7**

Risks and uncertainties

The main elements of 3i Infrastructure's risk management framework, together with a detailed description of the principal risks and uncertainties faced by the Company, as well as its approach to risk mitigation, are set out in the Returns and Risk section of the 3i Infrastructure annual report.

The following provides a description of the main inherent risks and uncertainties that are likely to impact the Company in the second half of the financial year:

External risks – arising from external factors including political, legal, regulatory, economic and competitor changes which affect the Company's operations.

Investment risks – in respect of specific asset investment decisions, the subsequent performance of an investment or exposure concentrations across the portfolio.

Financial risks – in relation to changes in market prices and rates, access to capital markets for the refinancing of individual investments, and the appropriate capital structure for investments.

Strategic risks – arising from the analysis, design and implementation of the Company's business model and key decisions on investment growth rates and financing.

Operational risks – arising from inadequate or failed processes, people and systems, or from external factors affecting these.

The Company reviews the effectiveness of its risk management framework and activities on an ongoing basis, and monitors the management of risks within its portfolio companies. This half-yearly report makes reference to the evolution and management of key risks, and related results and outcomes, which should be viewed in the context of the risk management framework and principal inherent risk factors.

Basis of preparation

Throughout the Investment Adviser's review, the Returns and Review of investments sections, the Investment Adviser has presented the Company's net asset value and financial results to show the return on a pro forma investment basis. This information is in addition to the consolidated financial statements, as required under International Financial Reporting Standards ("IFRS"). The pro forma investment basis presentation provides an alternative 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 it holds its investment in AWG. The remaining 31.5% of this entity is held by 3i Group and other third parties. 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. 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 statement of comprehensive income 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 a 3.75% share of profits, once certain cash hurdle criteria are met. Amounts due to this limited 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.àr.l. and Oystercatcher Luxco 2 S.àr.l., ("Oystercatcher Luxco 1" and "Oystercatcher") to fund the minority investment into three subsidiaries of Oiltanking GmbH. External borrowings were made by Oystercatcher to partly fund the investments. These borrowings are non-recourse to 3i Infrastructure. Under IFRS, the results and balance sheet of the Oystercatcher Luxco 1 and Oystercatcher subsidiaries are required to be consolidated into 3i Infrastructure's financial statements on a line-by-line basis. In the investment basis presentation Oystercatcher 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 limited partnership has not been consolidated under the investment basis and is treated as an investment, and is fair valued accordingly.

Review of investments

Anglian Water Group

Cost	£161.9m
Opening value	£195.9m
Closing value	£193.7m
Equity interest	10.3%
Income in the period	£12.7m
Asset total return in the period	£10.5m
Valuation basis	DCF

The value on an IFRS basis is £282.6 million.

Description

Anglian Water Group Limited ("AWG") is the parent company of Anglian Water, the fourth largest water supply and wastewater 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 the local authority and social housing sectors, and a small property business.

The investment is held through 3i Osprey LP, an intermediary limited partnership whose partners comprise other third parties (including 3i Group, which has a small interest) and which is separately managed by 3i Investments.

Investment rationale

AWG has strong infrastructure characteristics, with a regulated near-monopoly position in its geographical area for the provision of water supply and wastewater treatment, stable and predictable earnings through RPI-linked tariffs and largely predictable operating costs.

Developments in the period

AWG continues to perform robustly and to generate a strong level of yield to 3i Infrastructure. During the period, Anglian Water recovered well from the effects of the severe winter weather and the exceptionally dry spring. Although much of Anglian Water's region was declared officially "in drought" by Defra (Department for Environment, Food and Rural Affairs) and the Environment Agency in June, Anglian Water did not impose any restrictions on water usage. Anglian Water has also been undertaking extensive preparations for the transfer of private sewers from 1 October 2011, which adds c. 60% to its existing sewer network.

AWG complies with the Walker Code and its report and accounts are available on www.awg.com.

Eversholt Rail Group

Opening cost	£151.1m
Closing cost	£141.8m
Opening value	£160.7m
Closing value	£160.4m
Equity interest	33.3%
Capital repayment in the period	£9.3m
Income in the period	£10.4m
Asset total return in the period	£19.4m
Valuation basis	DCF

Description

Eversholt Rail Group ("Eversholt") is one of the three leading rail rolling stock companies in the UK, and owns approximately 29% of the current British rail fleet. Its 19 fleets, predominantly weighted towards electric trains, are leased to seven Train Operating Companies ("TOCs"). Although its primary revenue stream consists of lease payments from TOCs, it also owns a freight fleet, which accounts for under 10% of its total value.

The rolling stock companies are not directly regulated, and have instead entered into a code of practice agreement with the Office of Rail Regulation under which they agree to work independently of each other.

Investment rationale

Eversholt is a well established infrastructure business and fits well with 3i Infrastructure's investment mandate as a mature, profitable transport asset with stable contracted revenues and a strong market position.

Developments in the period

Eversholt continues to perform well operationally, ahead of expectations. During the period, the company completed acceptance of the new Siemens 380 fleet for deployment to First Scotrail, a £185 million investment by Eversholt in new trains for routes in Ayrshire, Inverclyde and Renfrewshire.

The McNulty Rail Value for Money Study was published in May 2011. In relation to rolling stock, the study recommended increased standardisation and more effective procurement, and establishing "strategic partnerships" between the rolling stock companies and the Department for Transport. Eversholt has welcomed the report, and continues to work co-operatively with the Department for Transport to develop those recommendations into actionable plans.

Oystercatcher

Cost	£84.5m
Opening value	£119.6m
Closing value	£117.4m
Equity interest	45.0%
Income in the period	£7.9m
Asset total return in the period[1]	£5.7m
Valuation basis	DCF

(1) Includes an unrealised foreign exchange loss of £2.9 million.
The value on an IFRS basis is £292.3 million.

Description

Oystercatcher Luxco 2 S.àr.l. ("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 3.6 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.

Oiltanking is one of the world's leading independent storage partners for oils, chemicals and gases, operating 72 terminals in 22 countries with a total storage capacity of 19.3 million cubic metres.

Investment rationale

This business meets the Company's infrastructure investment criteria through long-term demand for oil storage capacity, coupled with the shortage of competing supply and low customer turnover. Each of the three operating companies enjoys a strong market position in key oil and oil product trading hubs, and has a defensive position and reliable cash flows. 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.

Developments in the period

All three terminals have performed ahead of expectations in the period. Although market conditions for traders have not been as favourable as in recent years, all storage capacity has been continued to be fully let throughout the period, and throughput levels have been high.

In Amsterdam, the 42,000 cubic metre bio-diesel storage expansion project was completed on time and within budget and, in Malta, construction of the new 13,000 cubic metre storage tank and a new LPG handling facility are progressing on schedule.

Junior debt portfolio

Opening cost	£75.5m
Closing cost	£24.2m
Opening value	£90.2m
Closing value	£30.0m
Divestment in the period	£53.4m
Profit on disposal in the period	£2.1m
Income in the period	£1.4m
Asset total return in the period(1)	£(3.3)m
Valuation basis	Quoted debt

(1) Includes a £0.7 million foreign exchange loss.

Description

3i Infrastructure invested in a portfolio of junior debt holdings in core infrastructure businesses, with leading positions in the markets in which they operate. The assets held in the period are listed below.

Télédiffusion de France is the leading provider of broadcast transmission infrastructure and services and telecommunications infrastructure in France, Germany, Finland and Hungary.

NGW Arqiva is the leading owner and operator of national broadcast infrastructure supporting television, radio and wireless communication in the UK.

Thames Water is the UK's largest water and wastewater services company, operating across London and the Thames Valley.

Investment rationale

3i Infrastructure'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 to maturity and strong levels of cash yield.

Developments in the period

In April 2011 the Thames Water junior debt tranche was repaid before its full term by the borrower, generating proceeds of £21.3 million. This represents an uplift over the value at 31 March 2011 of £0.2 million. The NGW Arqiva junior debt tranche was also sold in April 2011 for £34.2 million, generating a profit over the value at 31 March 2011 of £1.9 million. The exits proved to be well timed in light of movements in credit markets since the sale.

The mark-to-market valuation of Télédiffusion de France, the only remaining holding, has suffered in recent months following a period of stable performance, reflecting sharp declines in high yield credit markets globally.

Developments since the period end

In October, the Company contracted to sell the Télédiffusion de France junior debt holding for £30 million. This investment has generated an IRR of 14.9%.

Overall, the investments in the junior debt portfolio, now fully realised, were very successful for the Company. In aggregate, they generated an IRR of 11.6%, confirming the original investment case. These investments also proved that the Company can take advantage of its financial flexibility and of the experience and track record of the Investment Adviser to execute quickly on new opportunities that can emerge in challenging markets, delivering good returns to its shareholders.

Elgin

Cost	£38.3m
Opening value	£40.2m
Closing value	£40.5m
Equity interest	49.9%
Income in the period	£1.8m
Asset total return in the period	£2.1m
Valuation basis	DCF

Description

Elgin Infrastructure Limited ("Elgin") holds a portfolio of PFI project investments, in which Robertson Capital Projects Limited ("Robertson") retains a 50.1% holding. Robertson is a private company with activities covering construction, PFI projects, facilities management services and timber products. The Elgin portfolio comprises five schools projects and 11 community healthcare schemes, all of which are fully operational.

Investment rationale

Exposure to social infrastructure through PFI projects is helpful in providing the Company's portfolio with lower risk, index-linked cash flows. The Elgin portfolio is fully operational, and is delivering a robust yield. In Robertson, the Company is partnering with a well established player in the PFI market.

Developments in the period

All 16 projects in the portfolio are performing in line with the investment case and the asset generated robust income in the period. The asset's valuation benefited from the increase in inflation during the period.

Octagon

Cost	£20.2m
Opening value	£31.1m
Closing value	£32.1m
Equity interest	36.8%
Income in the period	£0.9m
Asset total return in the period	£1.9m
Valuation basis	DCF

Description

Octagon Healthcare Limited ("Octagon") is a 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 subcontracts the provision of facilities services to Serco.

Investment rationale

Octagon is a social infrastructure investment in a mature asset providing the Company with a stable, long-term income stream with RPI linkage.

Developments in the period

Octagon continues to perform well financially and operationally and has maintained its strong working relationship with the NHS Trust and with Serco.

In August 2011, the hospital opened a new birthing unit focused on natural births.

In June 2011 the hospital won the Age Diversity in the Workplace Award in the Business in the Community East of England 2011 Awards for Excellence. This award was open to organisations who have clearly embraced the concept of age diversity in their workforce, with a focus on the under 25 and over 50 age groups.

In April 2011, the Care Quality Commission's 2010 in-patient survey rated the hospital in the top 20% in the country for overall quality of care.

During the period, Octagon has successfully procured a new facility to house a fourth CT and a fourth MRI scanner on behalf of the Trust which will be fully operational by December 2011.

Alpha Schools

Cost	£9.1m
Opening value	£17.7m
Closing value	£18.0m
Equity interest	50.0%
Income in the period	£0.7m
Asset total return in the period	£1.0m
Valuation basis	DCF

Description

Alpha Schools (Highland) Limited ("Alpha Schools") is a 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. All schools are operational. Alpha 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 subcontracts the provision of facilities services to Morrison Facilities Services.

Investment rationale

Alpha Schools is a social infrastructure investment in a portfolio of operational assets providing the Company with a stable, long-term income stream with RPIX linkage.

Developments in the period

All schools are operating well, with the facilities services provider delivering a consistently high standard of services. Financial performance has been in line with expectations throughout the period. The handover of the remaining sports pitches has been completed. A number of construction snagging works remain outstanding and Alpha Schools is working closely with the Council and the constructor to ensure that these are resolved.

I^2 loan notes

Opening cost	£31.6m
Closing cost	£5.8m
Opening value	£31.6m
Closing value	£5.8m
Divestment in the period	£26.4m
Income in the period	£1.0m
Asset total return in the period	£1.0m
Valuation basis	Cost

Description

In January 2009 3i Infrastructure sold its stake in Infrastructure Investors LP ("I^2") 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"). At the time of the sale, I^2 owned a portfolio of equity and subordinated debt investments in over 80 PFI projects. BIIF LP now owns these projects through a corporate holding company structure, rather than through I^2.

The loan notes are unsecured, bear a fixed 8% annual interest rate (part cash pay) and are redeemable over the period to 2018. The issuer of the loan notes is BIIF IssuerCo Limited ("BIIF IssuerCo"), part of BIIF LP's corporate holding company structure for the underlying projects.

The loan notes are serviced by cash flows upstreamed from the underlying projects after servicing existing senior debt. Under the terms of the loan notes, no equity dividends can be paid by BIIF IssuerCo whilst payments of interest or principal are due and outstanding on the loan notes. 3i Infrastructure is accorded information rights similar to those of a BIIF LP senior lender, which allows the Company to monitor the performance of the underlying projects and the ongoing recoverability of the loan notes.

Developments in the period

In August 2011, BIIF LP made a partial repayment of the Company's holding of the loan notes, generating proceeds for 3i Infrastructure of £26.4 million. The balance of the loan notes of £5.8 million remains due to 3i Infrastructure, and will continue to earn a fixed 8% annual interest rate. The underlying projects continue to perform broadly in line with projections at the time of the sale in January 2009.

T2C

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. A provision was taken against the value of T2C in March 2010, due principally to significant delays in the completion of construction. The asset remains valued at nil, as no return on the Company's equity investment is foreseen in the near to medium term.

Cost	£6.5m
Opening value	£nil
Closing value	£nil

3i India Infrastructure Fund

Cost	£93.8m
Opening value	£134.7m
Closing value	£117.9m
Partnership interest	20.9%
Asset total return in the period[1]	£(16.8)m
Valuation basis	LP share of funds

(1) Includes a net foreign exchange loss of £8.1 million (sterling / US$ gain of £4.3 million, and US$ / rupee loss of £12.4 million).

Description

The 3i India Infrastructure Fund (the "Fund") is a US$1.2 billion fund closed in 2008 to invest in a diversified portfolio of equity (or equivalent) infrastructure investments in India, focusing on the port, airport, road and power sectors. 3i Infrastructure has committed US$250 million to the Fund. As at 30 September 2011, the Fund was 65% invested and 70% committed, having completed six investments and 3i Infrastructure had an outstanding commitment of US$86.3 million, or £55.4 million.

Investment rationale

The macroeconomic outlook in India is favourable, with strong projected growth, and the fundamentals for infrastructure investment remain attractive, with the current infrastructure deficit in the country providing much opportunity for private investment. The investment in the Fund offers 3i Infrastructure exposure to a diversified pool of assets and larger investments than the Company could access on its own account, at no additional cost to the Company. The Fund remains well positioned, with an established presence in its market and the investment team's broad network of contacts.

Developments in the period

All investments in the Fund continue to perform well operationally. In aggregate, the operational investments have shown increases in EBITDA of 23.8% in the six months relative to the prior comparable six-month period, with good developments in construction and operations.

Adani Power Limited continues to make progress in building its portfolio of power generation assets. Its main project in Mundra has grown significantly in both size and scope and its sixth unit (the second built using supercritical technology) became operational during the period, making Adani Power one of the largest independent power producers in India, with a total operating capacity of 2,640MW (representing the entire capacity envisaged at the time of investment). A further 2,640MW is scheduled to become operational at other sites in the next six months. Since initial investment, the company has increased its capacity under construction to 9,900MW.The mark-to-market valuation of Adani Power declined by 24% during the period, reflecting falls in the Indian equity markets and the quoted power sector.

Krishnapatnam Port Company Limited ("KPCL") has a concession to develop, operate and maintain the port of Krishnapatnam in the state of Andhra Pradesh. Construction of the facilities is progressing well. Currently eight berths are operational, with a further two at an advanced stage of construction. Further infrastructure developments include the completion of a bridge to connect the port with new power plants and an increase in covered storage facilities. Performance in the period was affected by a temporary ban on the export of iron ore in Karnataka, imposed by the Indian Supreme Court, which should be resolved over the next few months. In response to this temporary ban, KPCL has focused on growing its coal and general cargo volumes, seeing significant increases in both categories. Further cargo growth is expected to be driven by new power plants and edible oil refineries being built in the vicinity of the port, and a further increase in container handling following the build-out of infrastructure to handle this traffic.

Soma Enterprise Limited is one of the fastest growing infrastructure developers in India, focused on construction and development of core infrastructure projects. Its order book, valued at over US$3 billion, focuses mainly on build-operate-transfer ("BOT") road projects but comprises projects diversified across sectors such as hydro power, irrigation, railways, power transmission and urban infrastructure. It is currently working on 24 projects at various stages of completion across several different sectors. Soma Enterprise is performing strongly operationally, and continues to add projects to the order book. During the period, Soma reached an agreement for an infusion of capital from a new shareholder in its BOT portfolio. This transaction was executed at a significant premium to the Fund's March carrying value for the asset, and provides additional funding for further development.

KMC Infratech ("KMC Roads") owns a portfolio of 10 "build-operate-transfer" road projects. This portfolio, aggregating c. 1,000 kilometres across India, is one of the largest such portfolios in the country. Of the ten projects in the portfolio, four are now receiving income through tolls or annuities. Two further roads are expected to begin tolling in November, with construction of the remaining projects scheduled to complete on time.

GVK Energy is one of the leading power generation companies in India. Its planned portfolio comprises 4,047MW of power assets, diversified by fuel type, stage of development and geography. All of the generation capacity is underpinned by long-term power purchase agreements ("PPAs") with state utilities. In addition, GVK Energy is developing two mining projects to supply coal to its own thermal power plants under construction or development. The projects already in operation have continued to perform in line with expectations. Projects under construction have also progressed well, meeting major milestones largely in line with the anticipated timeline.

Ind-Barath Utkal is building out a 700MW coal-fired power plant based in the state of Orissa. The construction of the plant is proceeding well, with both units now expected to be commissioned by the second half of 2012, in line with expectations. In the period, a long-term PPA has been signed with the West Bengal state electricity company for 300MW, taking the total offtake successfully negotiated through PPAs to 55% of total capacity.

Financials and other information

Consolidated statement of comprehensive income

for the six months to 30 September 2011

	Notes	**Six months to 30 September 2011 (unaudited) £m**	Six months to 30 September 2010 (unaudited) £m	Year to 31 March 2011 (audited) £m
Realised gains over fair value on the disposal of investments		**2.1**	-	3.6
Unrealised (losses)/gains on the revaluation of investments		**(21.7)**	13.9	31.8
Foreign exchange losses on investments		**(0.7)**	(1.1)	(0.3)
		(20.3)	12.8	35.1
Portfolio income				
Dividends receivable		**36.9**	33.4	62.3
Income from loans and receivables		**17.0**	6.9	20.4
Income from quoted debt investments		**1.4**	3.6	6.3
Fees payable on investment activities		**(0.7)**	(1.2)	(1.3)
Fees receivable on investment activities		**-**	-	6.8
Interest receivable		**0.8**	0.8	1.5
Investment return	1	**35.1**	56.3	131.1
Advisory, performance and management fees payable	2	**(6.6)**	(5.4)	(16.5)
Operating expenses		**(1.1)**	(1.0)	(2.4)
Finance costs		**(6.9)**	(6.3)	(13.2)
Unrealised movements in the fair value of derivative financial instruments		**(2.6)**	0.4	6.0
Net realised gains over fair value on the settlement of derivative financial instruments		**1.0**	0.9	1.3
Other net income		**0.5**	0.2	0.3
Profit before tax		**19.4**	45.1	106.6
Income taxes	3	**-**	-	(0.3)
Profit after tax and profit for the period		**19.4**	45.1	106.3
Other comprehensive income				
Exchange gains/(losses) on translation of foreign operations		**0.9**	(6.8)	(6.8)
Total comprehensive income for the period		**20.3**	38.3	99.5
Profit after tax and profit for the period attributable to:				
Equity holders of the parent		**15.0**	38.2	93.6
Minority interests		**4.4**	6.9	12.7
Total comprehensive income for the period attributable to:				
Equity holders of the parent		**15.9**	31.4	86.8
Minority interests		**4.4**	6.9	12.7
Earnings per share				
Basic earnings per share attributable to equity holders of the parent (pence)	6	**1.8**	4.7	11.5
Diluted earnings per share attributable to equity holders of the parent (pence)	6	**1.8**	4.7	11.4

Consolidated statement of changes in equity

for the six months to 30 September 2011

for the six months to 30 September 2011 (unaudited)	**Stated capital account £m**	**Retained reserves £m**	**Translation reserve £m**	**Total shareholders' equity £m**	**Minority interest £m**	**Total equity £m**
Opening balance	**117.2**	**845.4**	**38.1**	**1,000.7**	**91.3**	**1,092.0**
Total comprehensive income for the period	**-**	**15.0**	**0.9**	**15.9**	**4.4**	**20.3**
Conversion of warrants into ordinary shares	**42.1**	**-**	**-**	**42.1**	**-**	**42.1**
Net capital returned to minority interests	**-**	**-**	**-**	**-**	**(4.3)**	**(4.3)**
Dividend paid to Company shareholders during the period	**-**	**(24.4)**	**-**	**(24.4)**	**-**	**(24.4)**
Closing balance	**159.3**	**836.0**	**39.0**	**1,034.3**	**91.4**	**1,125.7**

for the six months to 30 September 2010 (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	801.8	44.9	958.1	90.2	1,048.3
Total comprehensive income for the period	-	38.2	(6.8)	31.4	6.9	38.3
Conversion of warrants into ordinary shares	0.6	-	-	0.6	-	0.6
Net capital returned to minority interests	-	-	-	-	(4.9)	(4.9)
Dividend paid to Company shareholders during the period	-	(26.8)	-	(26.8)	-	(26.8)
Closing balance	112.0	813.2	38.1	963.3	92.2	1,055.5

for the year to 31 March 2011 (audited)	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
Opening balance	111.4	801.8	44.9	958.1	90.2	1,048.3
Total comprehensive income for the year	-	93.6	(6.8)	86.8	12.7	99.5
Net capital returned to minority interests	-	-	-	-	(11.6)	(11.6)
Conversion of warrants to ordinary shares	5.8	-	-	5.8	-	5.8
Dividend paid to Company shareholders during the year	-	(50.0)	-	(50.0)	-	(50.0)
Closing balance	117.2	845.4	38.1	1,000.7	91.3	1,092.0

Consolidated balance sheet
as at 30 September 2011

	Notes	**As at 30 September 2011 (unaudited) £m**	As at 30 September 2010 (unaudited) £m	As at 31 March 2011 (audited) £m
Assets				
Non-current assets				
Investments				
Unquoted investments	4	**705.5**	669.4	723.6
Debt investments held at fair value through profit or loss	4	**30.0**	123.1	90.2
Loans and receivables	4	**244.3**	134.7	279.5
Investment portfolio		**979.8**	927.2	1,093.3
Total non-current assets		**979.8**	927.2	1,093.3
Current assets				
Trade and other receivables		**13.5**	12.8	15.8
Derivative financial instruments		**0.6**	0.4	0.7
Cash and cash equivalents		**318.7**	308.5	176.3
Total current assets		**332.8**	321.7	192.8
Total assets		**1,312.6**	1,248.9	1,286.1
Liabilities				
Non-current liabilities				
Loans and borrowings		**(164.3)**	(164.7)	(167.9)
Derivative financial instruments		**(17.8)**	(22.7)	(15.7)
Total non-current liabilities		**(182.1)**	(187.4)	(183.6)
Current liabilities				
Trade and other payables		**(3.5)**	(4.0)	(6.7)
Derivative financial instruments		**(1.3)**	(2.0)	(3.8)
Total current liabilities		**(4.8)**	(6.0)	(10.5)
Total liabilities		**(186.9)**	(193.4)	(194.1)
Net assets	1	**1,125.7**	1,055.5	1,092.0
Equity				
Stated capital account		**159.3**	112.0	117.2
Retained reserves		**836.0**	813.2	845.4
Translation reserve		**39.0**	38.1	38.1
Total equity attributable to equity holders of the parent		**1,034.3**	963.3	1,000.7
Minority interests		**91.4**	92.2	91.3
Total equity		**1,125.7**	1,055.5	1,092.0

Signed on behalf of the Board of Directors of the Company by

2 November 2011

Consolidated statement of cash flows

for the six months to 30 September 2011

	Six months to 30 September 2011 (unaudited) £m	Six months to 30 September 2010 (unaudited) £m	Year to 31 March 2011 (audited) £m
Cash flow from operating activities			
Purchase of investments	**-**	-	(186.3)
Proceeds from realisations of investments	**91.2**	-	46.8
Income received from loans and receivables	**17.6**	2.2	11.7
Income received from quoted debt investments	**1.6**	3.8	6.3
Dividends received	**36.9**	32.5	62.6
Fees received on investment activities	**-**	-	6.8
Fees paid on investment activities	**(0.4)**	-	(1.1)
Operating expenses paid	**(1.5)**	(0.7)	(2.0)
Interest received	**0.8**	0.8	1.6
Advisory, performance and management fees paid	**(9.5)**	(7.7)	(15.6)
Income taxes paid	**-**	-	(0.3)
Other income received	**0.6**	-	0.4
Net cash flow from operations	**137.3**	30.9	(69.1)
Cash flow from financing activities			
Proceeds from the issue of share capital from conversion of warrants	**42.1**	0.6	5.8
Interest paid	**(4.9)**	(4.9)	(10.0)
Fees paid on financing activities and the settlement of derivative contracts	**(2.7)**	(0.3)	(3.2)
Dividend paid	**(24.4)**	(26.8)	(50.0)
Net capital returned to minority interests	**(4.4)**	(4.9)	(11.6)
Net cash flow from financing activities	**5.7**	(36.3)	(69.0)
Change in cash and cash equivalents	**143.0**	(5.4)	(138.1)
Cash and cash equivalents at beginning of period	**176.3**	314.0	314.0
Effect of exchange rate movement	**(0.6)**	(0.1)	0.4
Cash and cash equivalents at end of period	**318.7**	308.5	176.3

Notes to the accounts

1 Segmental analysis

The Directors of the Company review the financial performance of the Group on the "investment basis". 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. The Group only operates in one service line, being that of an investment holding company. Therefore no segmental analysis by service line has been produced. The Group is an investment holding company and does not consider itself to have any customers. The Company received 61% (September 2010: 62%, March 2011: 70%) of its portfolio income in the period from investments held in the UK and a further 39% (September 2010: 38%, March 2011: 30%) of portfolio income from investments held in Europe. During the period, the Group received income from its investment in Oystercatcher of £20.6 million (September 2010: £15.2 million, March 2011: £26.4 million), AWG of £18.5 million (September 2010: £20.0 million, March 2011: £39.5 million) and Eversholt of £10.4 million (September 2010: £nil, March 2011: £6.5 million), which represents 59% (September 2010: 27%, March 2011: 20%), 53% (September 2010: 36%, March 2011: 30%) and 29% (September 2010: nil, March 2011: 5%) respectively of the investment return. There was no other income entitlement during the period (or in comparative periods) that represented more than 10% of investment return. 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 2011.

for the six months to 30 September 2011 (unaudited)	UK and Ireland[(1)] £m	Continental Europe[(2)] £m	Asia £m	Total £m
Investment return				
Realised gains over fair value on the disposal of investments	**2.1**	**-**	**-**	**2.1**
Unrealised profits/(losses) on the revaluation of investments	**7.5**	**(8.0)**	**(21.2)**	**(21.7)**
Foreign exchange losses on investments	**-**	**(0.7)**	**-**	**(0.7)**
Portfolio income	**33.3**	**21.3**	**-**	**54.6**
Interest receivable	**0.8**	**-**	**-**	**0.8**
Investment return	**43.7**	**12.6**	**(21.2)**	**35.1**
Interest expense	**-**	**(5.0)**	**-**	**(5.0)**
Other net expenses	**(5.7)**	**(5.0)**	**-**	**(10.7)**
Profit before tax	**38.0**	**2.6**	**(21.2)**	**19.4**
as at 30 September 2011				
Balance sheet				
Fair value of investment portfolio	**539.4**	**322.3**	**118.1**	**979.8**
Cash and cash equivalents	**305.4**	**12.3**	**1.0**	**318.7**
Other assets	**11.0**	**3.1**	**-**	**14.1**
Assets	**855.8**	**337.7**	**119.1**	**1,312.6**
Loans and borrowings	**-**	**(164.3)**	**-**	**(164.3)**
Derivative financial instruments	**(1.8)**	**(17.3)**	**-**	**(19.1)**
Other liabilities	**(3.0)**	**(0.2)**	**(0.3)**	**(3.5)**
Liabilities	**(4.8)**	**(181.8)**	**(0.3)**	**(186.9)**
Net assets	**851.0**	**155.9**	**118.8**	**1,125.7**

(1) Including Channel Islands.
(2) Continental Europe includes all returns generated and investment portfolio value relating to Oystercatcher, including those amounts derived from its underlying business in Singapore.

1 Segmental analysis (continued)

for the six months to 30 September 2010 (unaudited)	UK and Ireland[(1)] £m	Continental Europe[(2)] £m	Asia £m	Total £m
Investment return				
Unrealised profits/(losses) on the revaluation of investments	4.0	(0.9)	10.8	13.9
Foreign exchange losses on investments	-	(1.1)	-	(1.1)
Portfolio income	26.6	16.1	-	42.7
Interest receivable	0.8	-	-	0.8
Investment return	31.4	14.1	10.8	56.3
Interest expense	-	(5.0)	-	(5.0)
Other net expenses	(2.9)	(3.3)	-	(6.2)
Profit before tax	28.5	5.8	10.8	45.1
as at 30 September 2010				
Balance sheet				
Fair value of investment portfolio	493.1	329.3	104.8	927.2
Cash and cash equivalents	298.1	10.4	-	308.5
Other assets	10.2	3.0	-	13.2
Assets	801.4	342.7	104.8	1,248.9
Loans and borrowings	-	(164.7)	-	(164.7)
Derivative financial instruments	(3.5)	(21.2)	-	(24.7)
Other liabilities	(4.0)	-	-	(4.0)
Liabilities	(7.5)	(185.9)	-	(193.4)
Net assets	793.9	156.8	104.8	1,055.5

(1) Including Channel Islands.
(2) Continental Europe includes all returns generated and investment portfolio value relating to Oystercatcher, including those amounts derived from its underlying business in Singapore.

1 Segmental analysis (continued)

for the year to 31 March 2011 (audited)	UK and Ireland(1) £m	Continental Europe(2) £m	Asia £m	Total £m
Investment return				
Realised gains over value on the disposal of investments	3.6	-	-	3.6
Unrealised profits on the revaluation of investments	24.6	(0.3)	7.5	31.8
Foreign exchange losses on investments	-	(0.3)	-	(0.3)
Portfolio income	66.3	28.2	-	94.5
Interest receivable	1.5	-	-	1.5
Investment return	96.0	27.6	7.5	131.1
Interest expense	-	(10.0)	-	(10.0)
Other income/(expenses)	(18.7)	4.2	-	(14.5)
Profit before tax	77.3	21.8	7.5	106.6
as at 31 March 2011				
Balance sheet				
Fair value of investment portfolio	620.6	338.0	134.7	1,093.3
Cash and cash equivalents	170.2	5.2	0.9	176.3
Other assets	12.7	3.8	-	16.5
Assets	803.5	347.0	135.6	1,286.1
Loans and borrowings	-	(167.9)	-	(167.9)
Derivative financial instruments	(5.3)	(14.2)	-	(19.5)
Other liabilities	(6.3)	(0.2)	(0.2)	(6.7)
Liabilities	(11.6)	(182.3)	(0.2)	(194.1)
Net assets	791.9	164.7	135.4	1,092.0

(1) Including Channel Islands.
(2) Continental Europe includes all returns generated and investment portfolio value relating to Oystercatcher, including those amounts derived from its underlying business in Singapore.

2 Advisory, performance and management fees payable

	Six months to 30 September 2011 (unaudited) £m	Six months to 30 September 2010 (unaudited) £m	Year to 31 March 2011 (audited) £m
Advisory fee	**(6.2)**	(4.9)	(12.5)
Performance fee	**-**	(0.1)	(2.9)
Management fees	**(0.4)**	(0.4)	(1.1)
	(6.6)	(5.4)	(16.5)

Note 9 provides further details on the calculation of the advisory and performance fees.

3 Income taxes

In accordance with Jersey Income Tax regulations, profits arising in the Company for the 2012 year of assessment are subject to tax at the standard rate of corporate income tax of 0%. Subsidiaries of the Company have provided for taxation at the appropriate rates in the countries in which they operate.

4 Investment portfolio

	As at 30 September 2011 (unaudited)			
	Unquoted investments £m	**Debt investments £m**	**Loans and receivables £m**	**Total £m**
Opening fair value	**723.6**	**90.2**	**279.5**	**1,093.3**
Additions	**-**	**-**	**0.6**	**0.6**
Disposals and repayments	**-**	**(53.4)**	**(35.8)**	**(89.2)**
Unrealised losses on investments	**(15.6)**	**(6.1)**	**-**	**(21.7)**
Foreign exchange losses	**(2.5)**	**(0.7)**	**-**	**(3.2)**
Closing fair value	**705.5**	**30.0**	**244.3**	**979.8**

	As at 30 September 2010 (unaudited)			
	Unquoted investments £m	Debt investments £m	Loans and receivables £m	Total £m
Opening fair value	668.7	123.7	134.1	926.5
Additions	-	-	0.6	0.6
Unrealised gains on investments	13.4	0.5	-	13.9
Foreign exchange losses	(12.7)	(1.1)	-	(13.8)
Closing fair value	669.4	123.1	134.7	927.2

4 Investment portfolio (continued)

	As at 31 March 2011 (audited)			
	Unquoted investments £m	Debt investments £m	Loans and receivables £m	Total £m
Opening fair value	668.7	123.7	134.1	926.5
Additions	42.1	-	145.4	187.5
Disposals and repayments	-	(43.2)	-	(43.2)
Unrealised gains/(losses) on investments	21.8	10.0	-	31.8
Foreign exchange losses	(9.0)	(0.3)	-	(9.3)
Closing fair value	723.6	90.2	279.5	1,093.3

The holding period of investments in the portfolio is expected to be greater than one year. For this reason the Directors have classified the portfolio as non-current. It is not possible to identify with certainty whether any investments may be sold within one year.

The fair value of loans and receivables approximates to the carrying value. All unquoted investments and debt investments are held at fair value.

There has been no change made to the classification of assets held within the investment portfolio for the purposes of the investment valuation hierarchy required under IFRS since the date of the last annual financial statement of the Group.

5 Issued capital

The Company is authorised, under its Articles of Association, to issue an unlimited number of ordinary shares with no par value, of one class, designated as ordinary shares.

	As at 30 September 2011 (unaudited)		As at 30 September 2010 (unaudited)		As at 31 March 2011 (audited)	
	Number	**£m**	Number	£m	Number	£m
Issued and fully paid						
Opening balance	**816,911,161**	**823.4**	811,082,581	817.6	811,082,581	817.6
Conversion of warrants	**42,133,697**	**42.1**	581,550	0.6	5,828,580	5.8
Closing balance	**859,044,858**	**865.5**	811,664,131	818.2	816,911,161	823.4

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 2011, there were 22,588,203 warrants in issue (September 2010: 69,968,930, March 2011: 64,721,900).

Aggregate issue costs of £13.1 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 £693.1 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Therefore as at 30 September 2011 the residual value on the stated capital account was £159.3 million.

6 Per share information

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 2011 (unaudited)	Six months to 30 September 2010 (unaudited)	Year to 31 March 2011 (audited)
Earnings per share (pence)			
Basic	**1.8**	4.7	11.5
Diluted	**1.8**	4.7	11.4
Earnings (£ million)			
Profit for the period attributable to equity holders of the parent	**15.0**	38.2	93.6
Number of shares (million)			
Weighted average number of shares in issue	**842.5**	811.1	812.7
Effect of dilutive potential ordinary shares – warrants	**3.8**	7.5	8.2
Diluted shares	**846.3**	818.6	820.9

	As at 30 September 2011 (unaudited)	As at 30 September 2010 (unaudited)	As at 31 March 2011 (audited)
Net assets per share (pence)			
Basic	**120.4**	118.7	122.5
Diluted	**119.9**	117.2	120.9
Net assets (£ million)			
Net assets attributable to equity holders of the parent	**1,034.3**	963.3	1,000.7

7 Dividends

	Six months to 30 September 2011 (unaudited)		Six months to 30 September 2010 (unaudited)		Year to 31 March 2011 (audited)	
	pence per share	**£m**	pence per share	£m	pence per share	£m
Interim dividend paid on ordinary shares	**-**	**-**	-	-	2.86	23.2
Prior year final dividend paid on ordinary shares	**2.86**	**24.4**	3.30	26.8	3.30	26.8
	2.86	**24.4**	3.30	26.8	6.16	50.0
Proposed/declared dividend on ordinary shares	**2.97**	**25.5**	2.86	23.2	2.86	23.4

8 Contingent liabilities

At 30 September 2011, there was no material litigation or contingent liabilities outstanding against the Company or any of its subsidiary undertakings (30 September 2010: nil, 31 March 2011: nil).

9 Related parties

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

3i Group plc ("3i Group") holds 35.0% (September 2011: 33.1%, March 2011: 32.9%) of the ordinary shares of the Company. This classifies 3i Group as a "substantial shareholder" of the Company as defined by the Listing Rules. During the period 3i Group exercised its holding of 32.5 million warrants in full.

The Company has committed US$250 million to the 3i India Infrastructure Fund ("the Fund") to invest in the Indian infrastructure market. 3i Group has also committed US$250 million to the Fund. In total, commitments of US$163.7 million (£94.7 million) (September 2010: US$106.2 million, £58.3 million, March 2011: US$163.7 million, £94.7 million) had been drawn down at 30 September 2011 by the 3i India Infrastructure Fund from 3i Infrastructure. At 30 September 2011, the Group's outstanding commitment to the Fund was US$86.3 million, £55.4 million (September 2010: US$143.8 million, £91.3 million, March 2011: US$86.3 million, £53.8 million).

3i Osprey GP, a subsidiary of 3i Group, receives a priority profit share from 3i Osprey LP, a subsidiary of the Company. During the period, £1.4 million (September 2010: £1.4 million, March 2011: £3.0 million) was payable to 3i Group, of which £1.0 million (September 2010: £1.0 million, March 2011: £1.9 million) was offset against the advisory fee. As at 30 September 2011, £0.3 million remained outstanding (September 2010: £0.4 million, March 2011: £0.2 million).

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 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 is 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. For the period to 30 September 2011, £6.2 million (September 2010: £4.9 million, March 2011: £12.5 million) was payable and £0.6 million (September 2010: £0.3 million, March 2011: £0.3 million) remains due to 3i plc.

The Investment Advisory Agreement also provides for an annual performance fee to be payable to 3i plc. This becomes payable when the Adjusted Total Return per ordinary share (being mainly closing 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) for the 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 2011, hence no performance fee is payable (September 2010: £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 (expiring on or after 31 March 2015, 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 Adviser may also terminate the agreement on two months' notice given within two months of a change of control of the Company.

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 2011 was £0.4 million (September 2010: £0.3 million, March 2011: £0.5 million). There was no outstanding balance at 30 September 2011 as the second quarter bill was settled on 30 September 2011 (September 2010: £0.2 million, March 2011: £0.1 million).

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 2011.

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 year to 31 March 2011 (“Report and accounts 2011”), as they provide an update of previously reported information. These Half-yearly Financial Statements have been prepared on the going concern basis.

The Half-yearly Financial Statements were authorised for issue by the Directors on 2 November 2011.

The Half-yearly Financial Statements have been prepared in accordance with the accounting policies set out in the Report and accounts 2011. The 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 Half-yearly Financial Statements do not constitute statutory accounts. The statutory accounts for the year to 31 March 2011, prepared under IFRS 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 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 Report and accounts 2011.

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 and gives a true and fair view of the assets, liabilities, financial position and profit of the Group for the period ended 30 September 2011; 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 listed below.

By order of the Board

Peter Sedgwick
Chairman
2 November 2011

Board of Directors and their functions

Peter Sedgwick
Non-executive Chairman

Philip Austin
Non-executive Director, Senior Independent Director and Chairman of the Remuneration Committee

Sir John Collins
Non-executive Director

Florence Pierre
Non-executive Director

Charlotte Valeur
Non-executive Director

Paul Waller
Non-executive Director

Steven Wilderspin
Non-executive Director and Chairman of the Audit 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 Adviser, that 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 of Association 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 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 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 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.

Information for shareholders

Note
The interim dividend is expected to be paid on 11 January 2012 to holders of ordinary shares on the register on 16 December 2011. The ex-dividend date will be 14 December 2011.

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

Capita Registrars (Jersey) Limited
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands

e-mail: registrars@capita.je

Telephone: +44 (0)1534 632 310 or the
Shareholder helpline: +44 (0)871 664 0300

Website
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 and half-yearly reports and notices of meetings, please go to www.3i-infrastructure.com/e-comms for details of how to register.

Frequently used registrars' forms may be found on our website at
www.3i-infrastructure.com/e-comms

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