3i Infrastructure plc

Half-yearly report

For the six months to 30 September 2014

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Overview

Our business

Our strategy

We are long-term investors in infrastructure businesses and assets. Our strategy is to maintain a balanced portfolio of investments in order to deliver stable returns to our shareholders, through a mix of income yield and capital appreciation.

We invest in companies and assets with strong market positions that deliver stable underlying performance. These asset-intensive businesses provide essential services over the long term, often on a regulated basis or with significant contracted revenues.

Our objective

Our objective is to provide shareholders with a total return of 10% per annum. Within this overall objective, we target an annual distribution yield of 5.5% of opening net asset value.

Our market focus

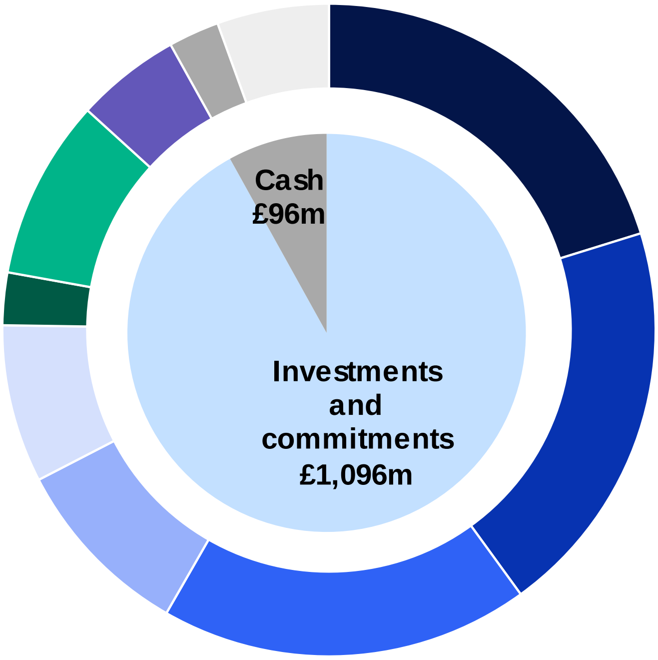
Our market focus is on Core economic infrastructure in developed economies, principally in Europe, in the utilities and transportation sectors, investing in operational businesses which generate long-term yield and can provide capital growth.

We also have investments in social infrastructure and are building our exposure to primary Public Private Partnership ("PPP") and low-risk energy projects ("primary projects"). The 3i India Infrastructure Fund, in which we hold an interest, reached the end of its investment period in November 2012 and its portfolio is being managed for value, as we expect it to be realised over the next few years.

Our portfolio

At 30 September 2014

20	£1,096m	£96m
Investments	Portfolio[1]	Net cash balances[3]



Invested and committed capital	(£m)	% of total
Core portfolio	**897**	**82%**
Eversholt Rail	241	
Anglian Water Group ("AWG")	236	
Elenia	218	
Oystercatcher	109	
Cross London Trains ("XLT")	93	
PPP portfolio	**137**	**12%**
Primary projects	31	
Operational projects	106	
3i India Infrastructure Fund ("India Fund")	**62**	**6%**
Total investments	**1,096**	**100%**
Cash		
Cash committed to interim dividend	30	
Cash available for new investment[2]	66	
Total net cash balances[3]	**96**	

1 Includes the portfolio of investments, valued at £1,067.9 million, and undrawn commitments of £28.2 million made to the National Military Museum ("NMM"), Mersey Gateway Bridge, Ayrshire College, A12 and RIVM primary PPP investments.
2 In addition, the Company has an undrawn balance of £192.0 million on its £200 million revolving credit facility.
3 Includes cash of £97.5 million and "other financial assets" of £17.8 million held by the Company and cash balances of £1.1 million held within intermediate unconsolidated holding companies and is net of undrawn commitments to primary PPP investments in NMM, Mersey Gateway Bridge and Ayrshire College, of £20.2 million. At 30 September 2014, the Company's £200 million RCF had been utilised to issue letters of credit of €5.1 million (£3.9 million) for the undrawn commitment to the RIVM primary PPP investment and €5.3 million (£4.1million) for the undrawn commitment to the A12 primary PPP investment.

At 30 September 2014, the Company had 20 investments, including the seven assets held within the 3i India Infrastructure Fund and eight investments in the PPP portfolio.

Performance highlights

For the six months to 30 September 2014

Strong net asset value progression £117 million total return for the first half of the year (10.8% on opening Net Asset Value (“NAV”)), driven by the performance of the European portfolio and in particular the valuation uplift of the rolling stock investments NAV per share of 136.3 pence at 30 September 2014	**10.8%** Total return on opening NAV **136.3p** NAV per share
Portfolio income in line with prior period Portfolio income[1] of £33 million, in line with prior comparable six-month period	**£33m** Portfolio income
Good momentum in primary PPP investment £13 million committed to three new primary PPP investments in the UK and the Netherlands Achieved preferred bidder status on a further two primary PPP projects and one low-risk energy investment, with total commitments expected to be approximately £50-60 million	**£13m** Investment commitments **£50-60m** Pipeline of investments at preferred bidder status
Interim dividend in line with target distribution Interim dividend of 3.38 pence per share (or £29.8 million in aggregate), 2.75% on opening net asset value, in line with our annual objective of 5.5%	**3.38p** Interim dividend per share

1 Portfolio income comprises aggregate dividends, interest income and fees received during the period from portfolio assets and is consistent with the measure used in previous periods. Further details are included in the Financial review on page 21.

Financial highlights

(as at / six months to)	**30 September 2014**	30 September 2013 (restated)[1]
Total return	**£117.4m**	£5.9m
Total return on opening Net Asset Value (“NAV”)	**10.8%**	0.6%
Interim dividend per share	**3.38p**	3.35p
NAV per share	**136.3p**	122.3p
NAV per share after deducting interim dividend	**133.0p**	119.0p
Portfolio asset value[2]	**£1,067.9m**	£964.4m
Cash balances[3]	**£98.6m**	£93.7m

1 Comparative information has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

2 Portfolio asset value of £1,067.9 million (September 2013: £964.4 million) excludes £0.6 million of net assets held within intermediate unconsolidated holding companies (September 2013: £13.3 million). This is consistent with the measure of portfolio value stated in previous periods. Further details are included in the Portfolio section on page 11.

3 Cash balances include cash of £97.5 million held by the Company (September 2013: £86.5 million) and cash balances of £1.1 million held within intermediate unconsolidated holding companies (September 2013: £7.2 million).

Chairman's statement

"The Company generated a very strong return in the first half of the year, supported by the robust performance of the assets in its European portfolio.

As we go into the second half of the year, we have a healthy pipeline of Core infrastructure and primary project investments. We remain committed to building a portfolio focused principally on Core infrastructure, whilst growing our exposure to the primary project market, where we can access attractive risk-adjusted returns."

Peter Sedgwick, Chairman, 5 November 2014

3i Infrastructure plc ("3i Infrastructure", or the "Company") generated a total return of 10.8% on opening net asset value in the first half of the financial year. This is clearly a very strong return.

The key driver of this return was the significant value growth in the Company's rolling stock investments, Eversholt Rail and XLT, supported by strong fundamentals and positive market valuation benchmarks. Other investments in the Company's European portfolio also continued to perform well both operationally and financially, underpinning the overall value growth and good levels of income generation.

Prices for infrastructure assets, particularly in Core infrastructure, continue to rise as recent competitive auction processes have demonstrated. This has positive value implications for the existing European portfolio. At the same time, these competitive market conditions make it challenging for the Company to find new investment opportunities in Core infrastructure consistent with its return target. The Board reviews the Company's shareholder return objectives on a regular basis, taking market developments into account, and will make an assessment at its next annual strategy review meeting early in the new year.

In these highly competitive market conditions we were pleased to add three new investments to our primary PPP project portfolio. We currently have a healthy pipeline of Core infrastructure and primary project investments.

Certain changes to the Company's Investment Advisory Agreement were proposed at the EGM in July 2014 and the Board was delighted to have obtained support for these from an overwhelming majority of the Company's shareholders.

Performance

3i Infrastructure generated a total return of £117 million for the six months to 30 September 2014, or 10.8% on opening net asset value. The return for the period was driven by the robust performance of the European portfolio, which underpinned strong unrealised value growth and good levels of income generation as set out in the review of our portfolio on pages 11 to 16. In particular, the valuations of our rolling stock investments, Eversholt Rail and XLT, increased materially in the period. Eversholt Rail's strong unrealised value movement was driven principally by the fundamentals of the existing business. This, together with evidence of market return compression seen in recent bids to finance the procurement of new train fleets, led us to reduce the discount rate used to value Eversholt Rail. This market return compression was also reflected in a discount rate reduction applied to the valuation of XLT. For the portfolio as a whole, the level of return due to discount rate movements was £57 million, as shown in the attribution analysis on page 14, which represents 42% of the total gross asset return of £136 million.

The performance of the investments in the India Fund was weak in the period, despite the expectation of an improved political outlook in India following the general election in April this year. As set out in the investment review on page 37, issues including the availability and pricing of fuel and construction delays continued to affect the underlying performance of the investments.

The overall return for the period was impacted negatively by foreign exchange movements due to the weakness of the euro against sterling and the Singapore dollar, which resulted in a net foreign exchange loss of £8 million, as the effectiveness of the hedging programme was impacted in the period by the significant change in relative interest rates in the UK, the Eurozone and Singapore (see pages 15 and 16).

Dividend
The Board proposes an interim dividend of 3.38 pence per share, representing 2.75% of opening net asset value, in line with the objective of paying a dividend of 5.5% of opening net asset value for the full year. The interim dividend is expected to be paid on 8 January 2015.

Investment and realisation activity
The Company committed to invest a total of £13 million in three new primary PPP projects in the period: the A12 motorway and RIVM laboratories in the Netherlands, as well as Ayrshire College in the UK. These commitments will be drawn at completion of construction, expected between 2016 and 2018. The Company is also in consortia which have achieved preferred bidder status for a further two primary PPP projects, the A9 motorway in the Netherlands and La Santé prison in France, and is part of the consortium named as preferred bidder for the West of Duddon Sands OFTO in the UK. Commitments for these investments are expected to be in the region of £50-60 million in aggregate. In line with its strategy, the Company is not pursuing any new investment opportunities in operational (or secondary) PPP projects.

During the period, the Investment Adviser took advantage of positive market momentum in India at the time of the general election to sell approximately 40% of the India Fund's holding in Adani Power, at a price materially above the market value on 30 September 2014. The Company received a distribution of proceeds of approximately £7 million from that sale, in addition to other proceeds of approximately £12 million from the repayment of capitalised income and shareholder loans by Elenia and Eversholt Rail.

Investment Advisory Agreement
On 9 May 2014, the Company announced that it had entered into an agreement (the "Amendment Agreement") with its Investment Adviser to amend the terms of the existing investment advisory agreement between the Company and the Investment Adviser (the "Advisory Agreement"), conditional on obtaining the approval of both the Jersey Financial Services Commission and the Company's shareholders (other than 3i Group plc) at an Extraordinary General Meeting ("EGM").

The Company's EGM was held on 8 July 2014 and the resolution regarding the Amendment Agreement was approved by independent shareholders with an overwhelming majority of over 99% of the votes. The Jersey Financial Services Commission approval was obtained prior to the EGM.

The principal changes effected by the Amendment Agreement include a reduction in the fee rate for future commitments to PPP projects and certain individual low-risk energy projects and, in response to feedback received from shareholders, the addition of a "high water mark" requirement to the performance fee calculation. With the exclusivity arrangements close to expiry at the time, the Board also agreed an extension of the fixed term of the Advisory Agreement by four years, with one year's rolling notice thereafter. The term of the exclusivity provisions with the Investment Adviser was extended to match the term of the Advisory Agreement, provided that the Company maintains sufficient liquidity to continue investing, through its cash holdings or undrawn debt facilities.

Corporate governance and Board
Today, the Company announced a number of upcoming changes to its Board of Directors. Sir John Collins will step down from the Board from 31 December 2014 after six years as Director. Sir John has provided very valuable insights to Board discussions, bringing with him a wealth of business and listed company experience, and I would like to express the Company's gratitude to him for his significant contribution over the years.

The Company also announced the appointment of two non-executive Directors to the Board. Douglas Bannister will join the Board with effect from 1 January 2015 and Wendy Dorman with effect from 1 March 2015. Both are resident in Jersey and bring relevant experience to the Board. Douglas has significant experience in the ports sector, most recently as CEO of Ports of Jersey and Wendy is a partner of PwC and is chairman of the Jersey Branch of the Institute of Directors. Their appointments are subject to the consent of the Jersey Financial Services Commission.

At the last Annual General Meeting, held on 8 July 2014, shareholders approved the election or re-election of all the Directors to the Board.

Outlook
The Company generated a very strong return in the first half of the year, supported by the robust performance of the assets in its portfolio.

As we go into the second half of the year, we have a healthy pipeline of Core infrastructure and primary project investments. We remain committed to building a portfolio focused principally on Core infrastructure, whilst growing our exposure to the primary project market, where we can access attractive risk-adjusted returns.

Interim strategic report

Strategy

We are long-term investors in infrastructure businesses and assets. Our strategy is to maintain a balanced portfolio of investments which deliver stable returns to our shareholders, through a mix of income yield and capital appreciation. This offers our shareholders differentiated access to the infrastructure asset class.

We aim to achieve our objectives by managing our strong European portfolio to continue to deliver stable and attractive returns and by adding selectively new investments to that portfolio. We invest in companies and assets with strong market positions that deliver stable underlying performance: asset-intensive businesses, providing essential services over the long term, often on a regulated basis or with significant contracted revenues.

New investment activity will be focused on the Core economic infrastructure market, while building our exposure to primary PPP and low-risk energy projects that offer attractive risk-adjusted returns. We invest in developed economies, with a focus on Europe. Although we are long-term investors, we will on occasion sell investments where pricing is attractive and where a sale maximises value for our shareholders.

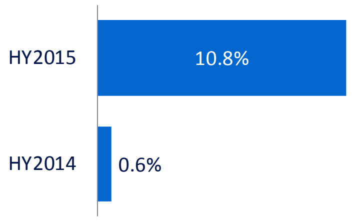
We look to deliver our objectives through our Investment Adviser's specialist investment and asset management skills, as well as through the financial management of the Company's balance sheet, minimising volatility where it is cost-effective to do so.

Our market focus

Core infrastructure	Primary projects	India infrastructure
Dynamic businesses that own their asset base in perpetuity, not concessions with a finite life.	**Concession-based** primary PPP projects, mainly in education, healthcare and public sector accommodation, as well as primary low-risk energy projects.	**Higher risk characteristics**, through exposure to increased market or geopolitical risk.
Objective: at least 75% of portfolio value	**Objective:** build further exposure	**Objective**: realise investments over time

Key performance indicators

Total return
% on opening Net Asset Value



Target

To provide shareholders with a total return of 10% per annum

Outcome

Total return of 10.8% for the six months to 30 September 2014

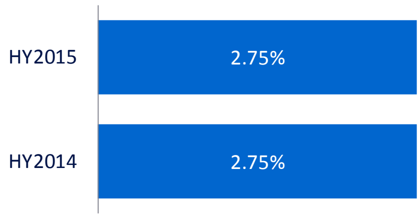
Rationale and definition

- Total return is how we measure the overall performance of the Company each year
- Total return comprises the investment return from the portfolio and income from any cash balances, net of advisory and performance fees and operating and finance costs. It also includes movements in the fair value of derivatives and taxes
- Total return, measured as a percentage, is calculated against the opening net asset value, net of the final dividend for the previous year, and adjusted to take into account any equity issued in the year

Performance in the period

- Total return of £117 million, or 10.8% on opening net asset value in the first six months of the year
- Return driven by the strong performance of the European portfolio, particularly the rail rolling stock assets
- Costs managed in line with expectations
- Strong performance led to the accrual of a performance fee

Annual distribution
% on opening Net Asset Value



Target

To provide shareholders with an annual distribution yield of 5.5% per annum

Outcome

Dividend of 2.75% for the six months to 30 September 2014

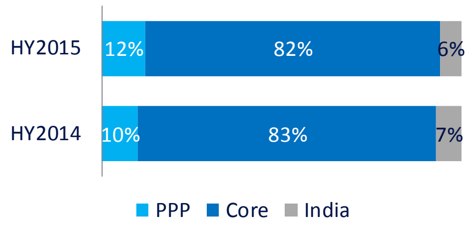
Rationale and definition

- This measure reflects the dividends distributed to shareholders each year
- The Company's business model is to generate returns from portfolio income and capital returns (through value growth and realised capital profits). Income, other portfolio company cash distributions and capital profits generated for shareholders are used to meet the operational costs of the Company and distributions to shareholders
- The dividend yield, measured as a percentage, is calculated against the opening net asset value, net of the final dividend for the previous year and adjusted to take into account any equity issued in the year

Performance in the period

- Total dividend declared for the half year of £29.8 million, or 3.38 pence per share, in line with the annual objective
- Income generated from the portfolio and cash deposits, including non-income cash distributions from portfolio companies, totalled £36.7 million for the period
- Operational costs totalled £9.8 million in the period

Portfolio balance
% of portfolio



Target

At least 75% of the portfolio invested in Core infrastructure

Outcome

82% of the portfolio invested in Core infrastructure at 30 September 2014

Rationale and definition

- The Company's strategy is to deliver differentiated access to the infrastructure asset class by investing in a portfolio weighted strongly towards Core infrastructure investments, owning their asset base in perpetuity
- This provides shareholders with a differentiated investment proposition against other UK-listed infrastructure investment vehicles
- The portfolio is measured as the underlying portfolio asset value, including undrawn commitments made to portfolio assets

Performance in the period

- 82% of the portfolio invested in Core infrastructure
- Commitments of £13 million to invest in three new primary PPP investments in the UK and the Netherlands
- Realisation of India portfolio commenced, with sale of approximately 40% of the India Fund's stake in Adani Power

Investment Adviser's review


"The Company delivered a very strong return in the first half, but we remain focused on long-term performance. The Company's portfolio has delivered a 16% annualised asset IRR since IPO, from a combination of capital growth, income generation and profits from realisations. We continue to focus on building a portfolio of Core infrastructure and primary project investments which, together, can deliver attractive returns for shareholders."

Ben Loomes and Phil White
Managing Partners and Co-heads, Infrastructure, 3i Investments plc
5 November 2014

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 execution of new investments, on the management of the portfolio and on realisations, as well as on funding requirements.

The investment advisory team is managed as a separate business line within 3i Group and operates from offices in London, Paris, Stockholm and Mumbai. The team of investment professionals has significant experience of investing in, and managing, infrastructure assets. The investment advisory team can also draw on 3i Group's broader network of investment professionals and relationships to originate infrastructure investment opportunities.

3i Group was among the subscribers to the Company's Initial Public Offering in 2007 and subsequent Placing and Open Offer in 2008 and owns approximately 34% of the equity in the Company.

Market, opportunities and risks

Conditions for investment in Core infrastructure

Competition for Core infrastructure investments continues to increase, driven by the growth in demand for long duration assets in a low interest rate environment. The asset class continues to attract interest from existing specialist financial investors, but also increasingly from investors such as large pension funds, sovereign wealth funds and insurance companies, a number of which have developed direct investment capabilities. Underlying investors have continued to increase their allocations to the infrastructure sector and remain under-invested relative to their target allocations. In addition, fundraising in the infrastructure market has reached pre-crisis levels: in 2013, an estimated £39 billion was raised in the private market, the highest level since 2008.

These trends, combined with the availability of debt finance for infrastructure investment on attractive terms, continue to drive the price of some infrastructure assets higher, and projected returns lower. These conditions have had a positive impact on the value of the Company's Core portfolio investments, which were purchased in a more favourable returns environment. At the same time, these conditions make it challenging for the Company to find investment opportunities in Core infrastructure consistent with its return target. Nevertheless, we continue to believe that, over the long term, Core infrastructure can provide attractive risk-adjusted returns relative to other asset classes, with low volatility.

Core infrastructure investing is the key area of focus for the Company. This focus provides a differentiated investment proposition compared to other UK-listed infrastructure investment companies, which invest principally in operational PPP. We have continued to focus our Core infrastructure origination activity in northern Europe. The key sources of opportunities have not changed: a number of large European utility and energy companies are implementing non-core asset disposal programmes, and some specialist financial investors are beginning to realise assets in existing funds to return capital to investors or prove valuations. We are well positioned to bid for a number of Core infrastructure investments, including in the utilities and transportation sectors in the UK and the Nordic region, in the second half of the year.

Conditions for investment in primary PPP and low-risk energy projects

The primary project markets continue to offer attractive opportunities to invest. Returns offered by this type of investment have remained relatively stable over the last five years.

The market opportunity is healthy, as resource-constrained governments in Europe open up the provision of a number of services through PPP-type transactions. We estimate that the current equity opportunity across Europe has now reached approximately £1 billion per annum and expect it will grow further, as programmes are expanded across a broader spectrum of sectors.

Investments in primary projects are more complex compared to investments in operational projects, requiring the management of construction and execution risk, and in exchange for this tend to provide returns of between 9-12%, higher than the returns typically available for investments in operational projects.

While this is a competitive market, relatively few investors have the skills to manage large portfolios of projects in their construction phase and have the network and relationships to access these opportunities across multiple geographies. The Investment Adviser is one of those investors, following its strategic acquisition of Barclays Infrastructure Funds Management Limited in November 2013. That platform acquisition brought critical mass, a long track record and specialist skills in primary project investment.

The enhancement of the Investment Adviser's PPP and low-risk energy investment team has resulted in a steady flow of new primary project investments for the Company. As outlined on page 13, during the period the Company committed to invest a total of £13 million in three new primary PPP projects in the UK and the Netherlands and has achieved preferred bidder status for a further two primary PPP projects in the Netherlands and France and an OFTO project in the UK, with expected aggregate commitments of approximately £50-60 million.

While Core infrastructure will remain the principal area of focus for 3i Infrastructure, the Company intends to build further exposure to the primary project market over time, where it can access attractive risk-adjusted returns, as the India Fund is realised. We therefore continue to build our pipeline of primary projects, principally in the UK, France, Benelux and the Nordic region, where we see good risk-adjusted returns.

India

We continue to manage the India Fund's portfolio and to prepare the investments for sale. As set out on page 14, we were able to take advantage of positive market momentum around the Indian general election to sell approximately 40% of the India Fund's holding in Adani Power, a listed company, between April and May this year.

The performance of the assets in the India Fund's portfolio was weak in the period despite the expectation of an improved political and market outlook following the announcement of the general election results. The value of the Indian rupee against sterling has stabilised, resulting in lower foreign exchange losses compared to the last financial year.

Outlook

We are continuing to see returns compression in the infrastructure market and particularly in Core infrastructure, driven by a broadening of the investor universe and an increase in asset allocations to this sector, as investors seek yield in a low interest rate environment.

Notwithstanding the compression of market returns, we continue to believe that Core infrastructure can offer attractive risk-adjusted returns over the long term, not only in absolute terms, but also relative to other asset classes. Our pipeline of investment opportunities has improved over the past six months, and the Company is expecting to bid for several Core infrastructure investments in the second half. The primary project market continues to prove a fertile ground for new investment activity. We have a pipeline of three investments at preferred bidder status and are working to add to the future pipeline.

While busy on building the investment pipeline, we have continued to drive value from the existing portfolio. Following the refinancing activity at Elenia and Eversholt Rail last year, we have taken advantage of positive debt market conditions, completing the refinancing of the debt in Oystercatcher, extending the maturity of the debt and reducing interest costs. This refinancing completed since the period end.

The Company delivered a very strong return in the first half, but we remain focused on long-term performance. The Company's portfolio has delivered a 16% annualised asset IRR since IPO, from a combination of capital growth, income generation and profits from realisations. We continue to focus on building a portfolio of Core infrastructure and primary PPP and low-risk energy project investments which, together, can deliver attractive returns for shareholders.

Portfolio

Table 1 summarises the valuation and movements in the portfolio, as well as the return for each investment, for the period. Charts 1, 2 and 3 below illustrate the distribution of the portfolio by geography, sector and maturity at 30 September 2014. As a result of the adoption of new accounting standards, described in detail in our latest Annual Report, “Investments at fair value through profit and loss”, as reported in the Consolidated balance sheet includes, in addition to the portfolio asset valuation, the cash and other net assets held within intermediate unconsolidated holding companies. These amounts are set out at the foot of the table below, to provide a reconciliation between the Directors’ valuation of the portfolio assets and “Investments at fair value through profit and loss” reported in the Consolidated financial statements. The basis of the portfolio information set out below is consistent with analyses in previous periods.

Table 1 **Portfolio summary** (30 September 2014, £m)

Portfolio assets	Directors’ valuation 31 March 2014	Investment in the period	Divestment in the period	Value movement	Foreign exchange translation	Directors’ valuation 30 September 2014	Profit/ (loss) on disposal	Underlying portfolio income in the period	Asset total return in the period
Core infrastructure									
Eversholt Rail Group	**160.3**	-	(3.9)	84.4	-	**240.8**	-	7.8	**92.2**
Anglian Water Group	**234.5**	-	-	2.1	-	**236.6**	-	8.1	**10.2**
Elenia	**235.7**	-	(8.2)	4.4	(14.1)	**217.8**	(0.1)	10.3	**0.5**
Oystercatcher	**119.8**	-	-	(5.1)	(6.0)	**108.7**	-	-	**(11.1)**
Cross London Trains	**64.0**	-	-	29.2	-	**93.2**	-	2.4	**31.6**
	814.3	**-**	**(12.1)**	**115.0**	**(20.1)**	**897.1**	**(0.1)**	**28.6**	**123.4**
Primary PPP									
NMM	**2.8**	-	-	0.1	(0.2)	**2.7**	-	-	**(0.1)**
Mersey Gateway Bridge	**-**	-	-	-	-	**-**	-	0.2	**0.2**
Ayrshire College	**-**	-	-	-	-	**-**	-	0.4	**0.4**
A12	**-**	-	-	-	-	**-**	-	-	**-**
RIVM	**-**	-	-	-	-	**-**	-	-	**-**
	2.8	**-**	**-**	**0.1**	**(0.2)**	**2.7**	**-**	**0.6**	**0.5**
Operational PPP									
Elgin	**46.8**	-	-	(0.5)	-	**46.3**	-	1.5	**1.0**
Octagon	**42.6**	-	-	0.2	-	**42.8**	-	1.4	**1.6**
Dalmore	**15.6**	-	-	1.6	-	**17.2**	-	0.5	**2.1**
	105.0	**-**	**-**	**1.3**	**-**	**106.3**	**-**	**3.4**	**4.7**
India									
3i India Infrastructure Fund	**73.9**	-	(6.5)	(5.3)	(0.3)	**61.8**	0.9	-	**(4.7)**
Total portfolio	**996.0**	-	(18.6)	111.1	(20.6)	**1,067.9**	0.8	32.6	**123.9**
Cash and other net assets held in unconsolidated subsidiaries	**0.6**	-	-	-	-	**0.6**	-	-	**-**
Income statement adjustments related to unconsolidated subsidiaries[1]						**-**	-	(2.1)	**(2.1)**
Reported in the Consolidated financial statements	**996.6**	**-**	**(18.6)**	**90.5**		**1,068.5**	**0.8**	**30.5**	**121.8**

1 Income statement adjustments are explained in Table 3 in the Financial review

Chart 1 **Portfolio by geography**

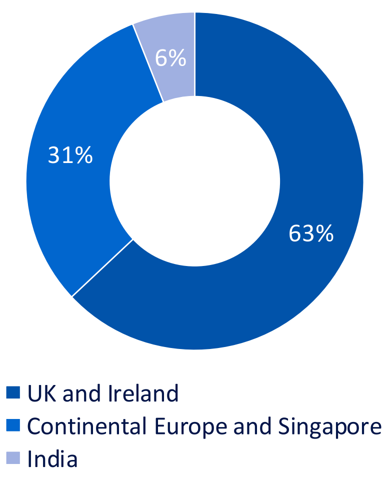


Chart 2 **Portfolio by sector**

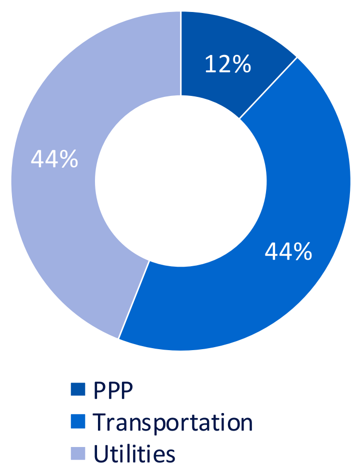
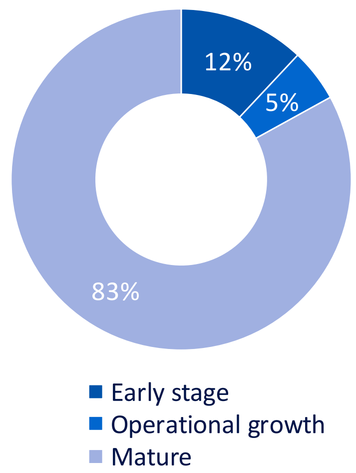


Chart 3 **Portfolio by maturity**



Note: Charts 1 to 4 show the distribution of portfolio value, including undrawn commitments to primary PPP projects.

Chart 4 **Asset distribution by type of market (30 September 2014)**

Core infrastructure

- Five investments
  - **Eversholt Rail**: one of the three leading rail rolling stock companies in the UK
  - **Anglian Water Group**: the fourth largest water supply and water recycling company in England and Wales
  - **Elenia**: owns the second largest electricity distribution network and a district heating business in Finland
  - **Oystercatcher**: holding company through which 3i Infrastructure invests in stakes in three oil storage facilities
  - **XLT**: the company established to finance and purchase new Desiro City trains from Siemens and lease them to the operator of the Thameslink rail franchise

82%

£897m

Primary projects

- Five investments:
  - **NMM**: project to design, build, finance and maintain a military museum facility in the Netherlands
  - **Mersey Gateway Bridge**: project to design, build, finance, operate and maintain a 1km tolled bridge across the Mersey river, as well as 9km of approach roads
  - **Ayrshire College**: project to design, build, finance, operate and maintain a new college campus in Kilmarnock, Scotland
  - **RIVM**: project to build the premises (including office accommodation and laboratories) for the Dutch National Institute for Public Heath and the Medicines Evaluation Board in Utrecht
  - **A12**: project to refurbish, widen and maintain an 11km section of the A12 motorway in the Netherlands, as well as the maintenance of an additional 8km section

Operational PPP projects

- Three investments, including 62 underlying projects
  - **Elgin:** a portfolio of 16 school and community healthcare projects in Scotland and the north of England
  - **Octagon**: concession company to build, operate and maintain the Norfolk and Norwich University Hospital
  - **Dalmore Capital Fund:** invests in secondary PFI projects (45 underlying projects)

12%

£137m

India infrastructure

- Seven investments:
  - three in the power sector
  - four in the transportation sector
- The India Fund is now closed to new investment and its investments will be realised over time
- During the period, the India Fund sold approximately 40% of its investment in Adani Power (see page 14)

6%

£62m

Investment activity

3i Infrastructure committed to invest £12.6 million in three new primary PPP projects in the period. As these commitments will be drawn at the completion of the construction phase, the initial cash equity investment in these projects totalled less than £16,000.

Ayrshire College On 5 June 2014, 3i Infrastructure announced it had committed to invest £4.6 million in a 100% holding in a primary PPP project to build a new campus for Ayrshire College in Kilmarnock, Scotland. The project, procured by Ayrshire College, involves the design, build, finance, operation and maintenance of a new college campus, against availability-based payments over a concession period of 25 years. The commitment is expected to be drawn at the completion of construction, expected in May 2016.

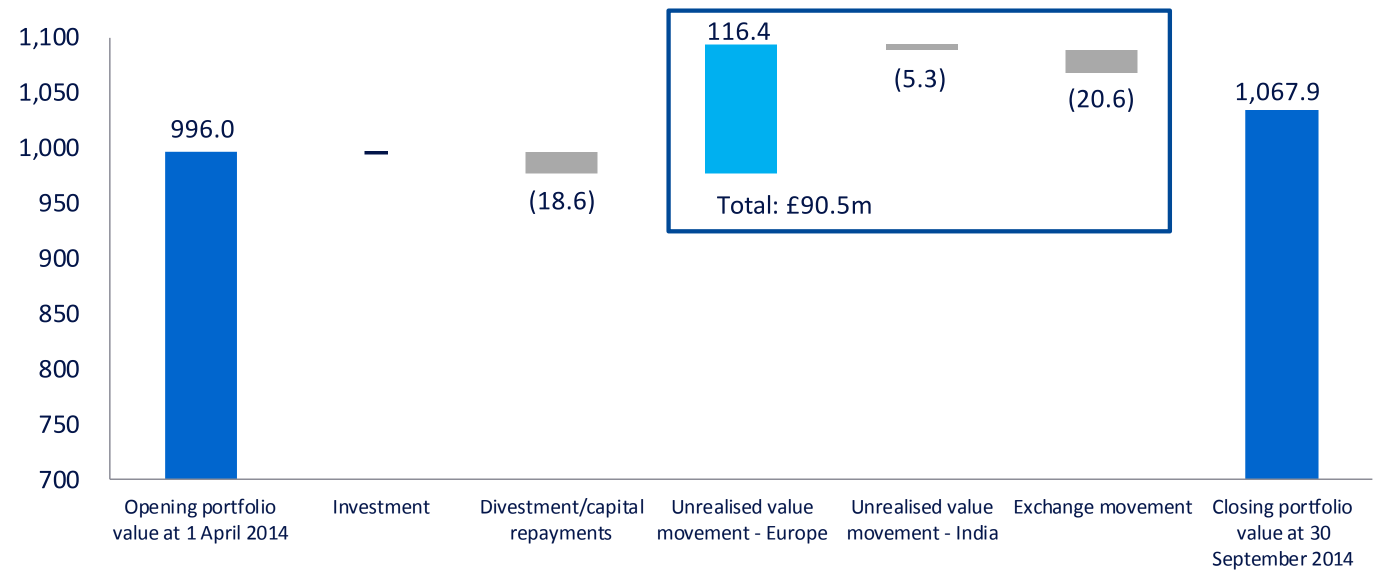
RIVM On 28 August 2014, the Company announced it had committed to invest €5.1 million (£3.9 million) for a 28% holding in the RIVM project, a primary PPP project to build the new premises of the National Institute for Public Health and the Environment and the Dutch Medicines Evaluation Board in Utrecht, the Netherlands. The project was procured under a typical PPP framework by the State of the Netherlands. The project scope comprises the design, build, finance, maintenance and operation of a 70,000m^2 facility comprising an office building and laboratories on the site of Utrecht Science Park. The commitment is expected to be drawn at the completion of construction, expected in November 2018. The project is held through Heijmans Capital BV, a joint venture with the construction contractor, Heijmans NV, in which 3i Infrastructure has an 80% interest.

A12 On 26 September 2014, the Company announced it had committed to invest €5.3 million (£4.1 million) to acquire an 80% holding in the A12 PPP project in the Netherlands. The project was procured under a typical PPP framework by the State of the Netherlands and comprises the refurbishment, widening and maintenance of an 11km section of the motorway, as well as the maintenance of an additional 8km section. The commitment is expected to be drawn at the completion of construction, expected by the end of 2016. The project is held through Heijmans Capital BV. This is the third investment completed by 3i Infrastructure alongside the Heijmans Group, after RIVM and the National Military Museum.

Movements in portfolio value

As set out in Chart 5, the portfolio assets were valued at £1,067.9 million at 30 September 2014, compared to £996.0 million at the beginning of the financial year. The increase in portfolio value was attributable principally to significant value growth for some of the Company's Core portfolio investments, offset in part by foreign exchange losses.

Chart 5 Reconciliation of the movement in portfolio value (£m)



Realisation activity and other proceeds

The Company received aggregate proceeds of £19.3 million in the period.

During April and May, the India Fund sold approximately 40% of its shares in Adani Power, a listed company. This resulted in a distribution of proceeds from the India Fund of £7.4 million, at a premium to the opening value of the shares divested of £0.9 million. The sale was achieved at an average price of 55.1 rupees per share, compared to the closing price at 30 September 2014 of 43.4 rupees per share.

In addition, the Company received proceeds of £8.0 million from Elenia relating to income capitalised in the previous financial year and a £3.9 million partial shareholder loan repayment from Eversholt Rail.

Unrealised value movement

The unrealised value movement in the period totalled £90.5 million (September 2013: loss of £18.1 million). Unrealised value movement represents the change in the portfolio valuation within a measurement period. Changes to portfolio valuations arise due to several factors as shown in the table below.

Value movement component	Value movement in the period (£m)	Description
Planned value growth	28.4	Net value movement resulting from the passage of time, consistent with the discount rate at the beginning of the period less distributions received in the period.
Asset performance	40.1	Net movement arising from actual performance in the period and changes to future cash flow projections, including financing assumptions.
Discount rate movement	57.1	Value movement relating to changes in the discount rate applied to the valuations.
Macro economic assumptions	(14.5)	Value movement relating to changes to macro economic out-turn or assumptions, eg inflation, interest rates on deposit accounts and taxation rates. This includes changes to regulatory returns that are directly linked to macro economic variables.
Total value movement before exchange	**111.1**	
Foreign exchange retranslation	(20.6)	Movement in value due to currency retranslation to period-end rate.
Total value movement	**90.5**	

Asset performance, principally from the strong performance of Eversholt Rail, was a key driver of value movement in the period. Discount rates were reduced in the cases of Eversholt Rail, XLT and the Dalmore Capital Fund (see page 17).

Core portfolio

The Core portfolio generated a strong unrealised value gain of £115.0 million (excluding exchange movements) in the period. This was driven by the continued robust operational performance of the underlying investments, but principally by the revaluation of our rail rolling stock investments, Eversholt Rail and XLT.

Eversholt Rail was valued at £240.8 million at the end of September 2014 (March 2014: £160.3 million), net of proceeds of £3.9 million received in respect of the partial repayment of a shareholder loan. The increase in valuation reflects two positive developments for Eversholt Rail in the period: (i) the business was successful in securing extended leases for a number of its key fleets, as the UK's refranchising programme has gathered momentum, reducing cash flow uncertainty in the near term; and (ii) evidence of very competitive pricing and consequent return compression in a number of recent bids to finance the procurement of new train fleets. These positive developments resulted in a reduction of the discount rate used to value Eversholt Rail. Our increased valuation of Eversholt Rail is on a basis consistent with our approach in the past. Although Eversholt Rail is a real business with core competences and inherent competitive advantages that position it well for the long term, we have valued Eversholt Rail on the basis of the cash flows we expect it to derive from only its existing fleets. We have not included incremental cash flows such as those which might arise through major fleet life extension projects and new fleet purchases, the value of which is inherently more uncertain. However, this would be an upside to our current valuation and is something a potential buyer of such a business might place value upon.

XLT was valued at £93.2 million at the end of September 2014 (March 2014: £64.0 million). The investment is performing well and the manufacturing of the trains is proceeding ahead of schedule. The increase in valuation was due to the reduction in the discount rate used to value the investment, in light of evidence of returns compression in the market for the provision of finance for the procurement of new rail fleets (see above). At 31 March 2014, XLT was valued at little above its investment cost, which was based on historic assumptions on returns.

AWG was valued at £236.6 million at the end of September 2014 (March 2014: £234.5 million). The increase in valuation reflects the continued robust operational performance of the core water and waste water business and the progress achieved on the implementation of a broad range of efficiency initiatives in the current regulatory period. Anglian Water received its Draft Determination for the 2015-2020 regulatory period from Ofwat on 29 August 2014 and submitted its response in early October. Ofwat's Final Determination is expected to be published in December 2014.

Elenia was valued at £217.8 million at the end of September 2014 (March 2014: £235.7 million). The decline in valuation in the period reflects the receipt of proceeds of £8.0 million from Elenia relating to income capitalised in the previous financial year and foreign exchange losses of £14.1 million as the euro weakened against sterling. The business, however, continues to perform well both operationally and financially and, on a like-for-like basis, the valuation increased by £4.4 million, as detailed in Table 1, supported by the positive impact of regulatory developments. The effect of these was offset in part by lower forecast return assumptions, as Elenia's regulatory allowed return is determined annually with reference to the 10-year Finnish government bond yield, which remains very low.

Oystercatcher was valued at £108.7 million at the end of September 2014 (March 2014: £119.8 million), including net foreign exchange losses of £6.0 million. The three terminals continue to perform well both operationally and financially, with capacity substantially let and a good level of throughput. The decline in valuation reflects the impact on near-term cash flows of the implementation of a programme of facilities upgrades at the Amsterdam terminal to accelerate compliance with new standards being applied to the oil products storage sector in the Netherlands, which has increased levels of capex and tank maintenance downtime beyond the businesses' previous estimates and has also resulted in a decline in throughput levels.

PPP portfolio

The PPP portfolio was valued at £109.0 million at the end of September 2014, compared to £107.8 million six months earlier, reflecting the continued robust operational performance of the portfolio, offset in part by income receipts in the period.

3i India Infrastructure Fund

The India Fund was valued at £61.8 million at the end of September 2014, compared to £73.9 million six months earlier, after the disposal of approximately 40% of the Fund's holding in Adani Power (£6.5 million of opening value), as described on page 14. The negative value movement was due to a number of factors, including continued delays in project execution and funding constraints for the road projects, and the pricing and availability of fuel for the investments in the power sector. The Indian rupee closed the period broadly flat against sterling, resulting in marginal foreign exchange losses, as shown in Table 2.

Foreign exchange impact

As shown in Table 2, the reported net foreign exchange loss on investments of £8.1 million mainly related to euro and Singapore dollar exchange movements, as the rupee remained stable in the period.

In March, the Board extended the Company's existing hedging policy to partially cover the Singapore dollar exchange rate risk that arises from the underlying investment in Oiltanking Singapore.

The euro spot exchange rate, which is used to translate the euro-denominated assets, depreciated by 6.2% against sterling in the period, leading to a significant reduction in the value of euro-denominated assets. Against this, movements in the overall hedging programme contributed to a total value gain for the period of £12.5 million, providing some protection against these exchange losses, but less than the level targeted by the Company's euro hedging programme. The euro element of the hedging programme is valued using euro forward exchange rates which only partly benefited from the spot exchange rate depreciation as a result of decreases in Eurozone interest rate expectations relative to the UK. In addition, the valuation of Oiltanking Singapore is influenced by euro/Singapore dollar forward rates over the long term, while the Company's hedging programme only provides protection against forward exchange rate movements over a shorter time frame.

Following the period end, the position improved and the net loss at the end of October had reduced to £2.8 million.

Table 2 Impact of foreign exchange movements on portfolio value (six months to 30 September 2014, £m)

	£/rupee	£/€/SGD	Net impact
Translation of assets £/rupee	(0.3)		(0.3)
Translation of assets £/€/SGD		(20.3)	(20.3)
Reported foreign exchange losses on investments	**(0.3)**	**(20.3)**	**(20.6)**
Movement in the fair value of derivative financial instruments (£/€/SGD hedging)		12.5	12.5
Net foreign exchange losses	**(0.3)**	**(7.8)**	**(8.1)**

Portfolio risks

The portfolio was affected by a number of specific regulatory and market risks during the period, which are expected to continue to have an impact over the second half of the financial year.

Regulatory/political risks

The UK water sector is undergoing a regulatory review which will determine the allowed return for industry participants for the 2015–2020 regulatory period. The review is ongoing and Ofwat's Draft Determination for Anglian Water was published on 29 August 2014. Anglian Water submitted its response to Ofwat in early October and the Final Determination is not expected until December 2014.

Oystercatcher's Amsterdam terminal is implementing a major programme of facilities upgrades to accelerate compliance with higher standards being applied to the oil products storage sector in the Netherlands. This programme resulted in an increase in capex and tank maintenance downtime and a reduction in throughput levels, impacting the Company's valuation of its holding in Oystercatcher.

The UK government's review of the passenger rail refranchising programme, and the resulting new refranchising timetable, had delayed the opportunities for Eversholt Rail and the other rolling stock companies to invest in both existing and new fleets. However, during the period the refranchising programme has gained momentum and Eversholt Rail was able to secure extended leases for a number of its key fleets. This had positive value implications for Eversholt Rail in the period, as outlined on page 14.

Market risks

Interest rates remained low throughout the period. This had positive implications for some of the portfolio assets, including Elenia and Oystercatcher, which have been able to continue to raise debt on attractive terms. However, Elenia's regulatory allowed return is determined annually with reference to the 10-year Finnish government bond yield. There is continued downward pressure on Finnish 10-year government bond yields, driven by anticipated stimulus measures from the European Central Bank in response to the low growth, low inflation environment across Europe, as well as by continued macroeconomic and geopolitical uncertainty, which has led some investors to seek the safety of Finnish sovereign debt.

Inflation also remained low in the period, continuing to impact the assets with inflation-linked revenues. However, cost inflation has also been low across the portfolio.

India

The India Fund's portfolio continued to be affected by a number of specific risks, which are set out in the asset review on pages 37 to 39.

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; and
- regulated asset base multiples.

Chart 6 shows the movement in the weighted average discount rate applied to the portfolio at the end of each year since the Company's inception. The weighted average discount rate reduced from 11.8% at the beginning of the period to 10.9% at 30 September 2014.

As noted previously, the discount rates for Eversholt Rail and XLT were reduced in the period. The Dalmore Capital Fund reduced the discount rate it uses to value its portfolio and this was reflected in the Company's valuation of its LP interest in that fund. This discount rate is now in line with that used to value the Company's other operational PPP investments. In addition to these reductions, there were small increases in the discount rates used to value assets within the India Fund.

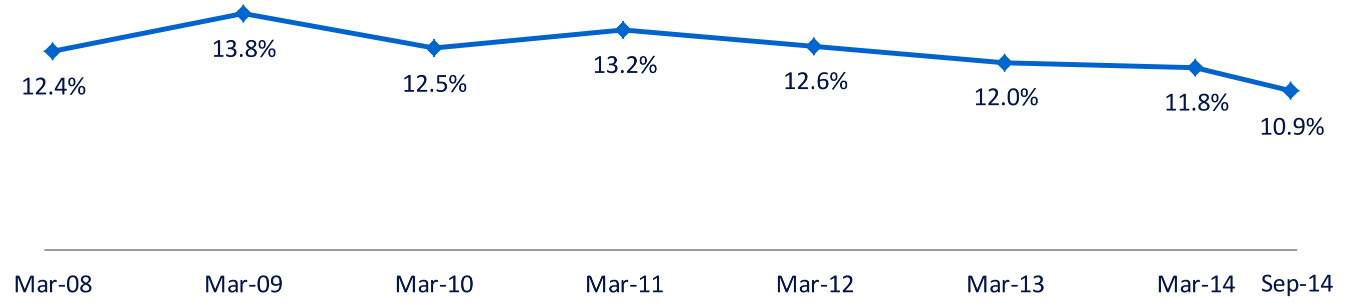
3i India Infrastructure Fund and Dalmore Capital Fund

The Company's investments in the India Fund and in the Dalmore Capital Fund were valued as the Company's share of net assets held by those funds.

Within the India 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 and Krishnapatnam Port was valued on the basis of consideration due under a put option. All other investments were valued on an underlying DCF basis.

All of Dalmore's underlying investments were valued on a DCF basis.

Chart 6 Portfolio weighted average discount rate



Note: the lowest discount rate used to derive the portfolio valuations was 8%, applied to a number of operational PPP assets.

Investment track record

As shown in Chart 7, since its launch in 2007, 3i Infrastructure has built a portfolio that has provided:

- significant income, supporting the consistent delivery of the Company's annual dividend objective;
- strong capital profits from realisations; and
- an element of capital growth.

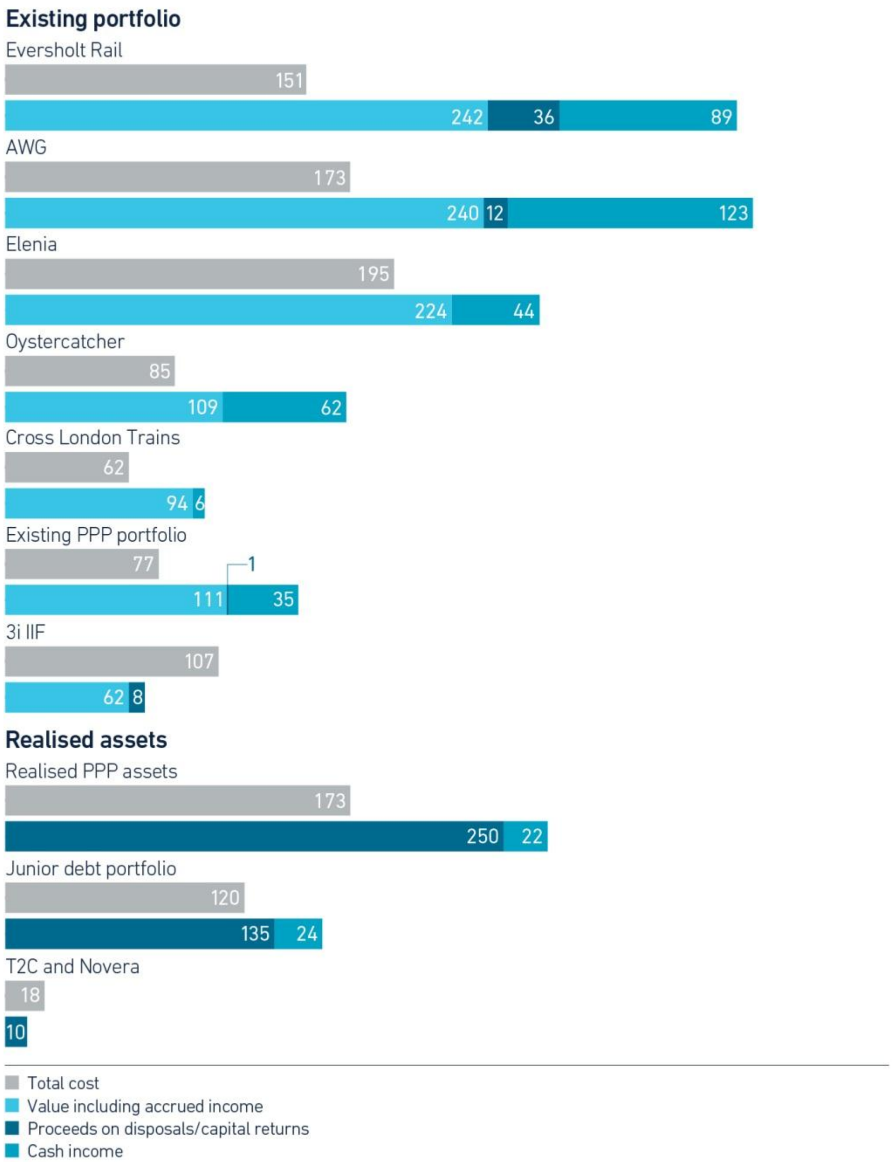
These have underpinned a 16% annualised IRR since the Company's inception. The Core infrastructure and PPP portfolios, in particular, have generated strong returns, in line with, or in many cases ahead of, expectations.

These returns were underpinned by substantial cash generation in the form of income or capital profits. Indeed, most investments have returned a significant proportion of their cost through income in a relatively short period of time.

The value created through this robust investment performance was crystallised in a number of instances through well managed realisations, shown as "Realised assets" in Chart 7 below. While the Company is structured to hold investments over the long term, it has sold assets on an opportunistic basis, where compelling offers have generated additional shareholder value, as was the case with Alma Mater in 2008, I^2 in 2009, the junior debt portfolio in 2011–12 and Alpha Schools in 2013, generating an aggregate IRR of 19.3%.

The valuation of the India Fund has, however, been volatile, and has continued to be affected by currency and macroeconomic issues, as well as a number of issues related to specific investments.

Chart 7 Portfolio asset returns throughout holding period (since inception, £m)



16%

Annualised asset IRR from inception to 30 September 2014

Financial review

Key financial measures

	Six months to 30 September 2014	Six months to 30 September 2013 restated
Total return	**£117.4m**	**£5.9m**
Net asset value per share	**136.3p**	**122.3p**
Portfolio income	**£32.6m**	**£31.0m**
Portfolio asset value[1]	**£1,067.9m**	**£964.4m**
Cash balances[1]	**£98.6m**	**£93.7m**
Total liquidity[2]	**£288.2m**	**£292.4m**

1 Reconciliation of measure to the Financial statement balances is set out in Table 4 on page 23.

2 Includes cash balances and £192 million undrawn balances available under the £200 million revolving credit facility less outstanding commitments to portfolio assets.

Returns

The Company's performance is assessed by the Board based on the following measures:

- capital return: unrealised value movements due to changes to the carrying valuation of assets across the period (or since acquisition, if shorter) including the impact of foreign exchange translation; or realised capital profits generated from the sale or partial sale of portfolio assets above their carrying valuation;
- movement in fair value of derivatives for foreign currency hedging;
- total income: interest and dividends from underlying portfolio assets, interest on cash holdings and transaction fees receivable; and
- costs: advisory and performance fees, Board and other net operating costs, other transaction fees payable and finance costs relating to the Company's revolving credit facility.

Table 3 below shows the underlying aggregate returns from portfolio assets for each of these elements of returns and costs. As set out in detail in the Company's Annual report and accounts 2014, following the adoption of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), the Financial statements' classification of these components of total return includes transactions within unconsolidated subsidiaries which, in previous financial years, were consolidated on a line-by-line basis. The comparative numbers for the six months to 30 September 2013 have been restated to reflect the Company's adoption of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

Total return

3i Infrastructure generated a total return for the period of £117.4 million, representing a 10.8% return on opening shareholders' equity (September 2013: £5.9 million, 0.6%).

The return was driven by strong value growth in the Company's rolling stock assets, steady value growth in the remainder of the European portfolio, as well as by income receipts, offset in part by foreign exchange losses and a value reduction in the India Fund.

Table 3 Summary total return (six months to 30 September 2014, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries	Financial statements
Capital return	91.3	-	91.3
Movement in fair value of derivatives	12.5	-	12.5
Total income	32.8	(2.1)[1]	30.7
	136.6	**(2.1)**	**134.5**
Costs	(19.2)	2.1[1]	(17.1)
Total return	**117.4**	**-**	**117.4**

1 £2.1 million of costs incurred within unconsolidated subsidiaries, comprising principally fees paid directly to 3i Group and operating expenses and transaction fees. These are reflected in income as they reduced the income distributed from these subsidiaries.

Capital return

Total capital return for the period was £91.3 million (September 2013: loss of £17.9 million), of which £0.8 million was a realised return (September 2013: £0.2 million) and £90.5 million was an unrealised value gain (September 2013: loss of £18.1 million).

Realised return

3i Infrastructure generated a realised capital gain of £0.8 million in the period (September 2013: £0.2 million) predominantly from its share of the India Fund's sale of approximately 40% of its holding in Adani Power. That sale resulted in a distribution of proceeds to the Company of £7.4 million, against an opening value of the shares divested of £6.5 million. The gain on Adani Power was partially offset by a small £0.1 million realised exchange loss on the partial repayment of capitalised income in Elenia.

Unrealised value movement, including foreign exchange movements

The portfolio generated an unrealised value gain of £90.5 million in the six months to 30 September 2014 (September 2013: loss of £18.1 million). This comprised a £111.1 million value increase (September 2013: loss of £9.8 million) and a loss of £20.6 million foreign exchange movement (September 2013: £8.3 million loss).

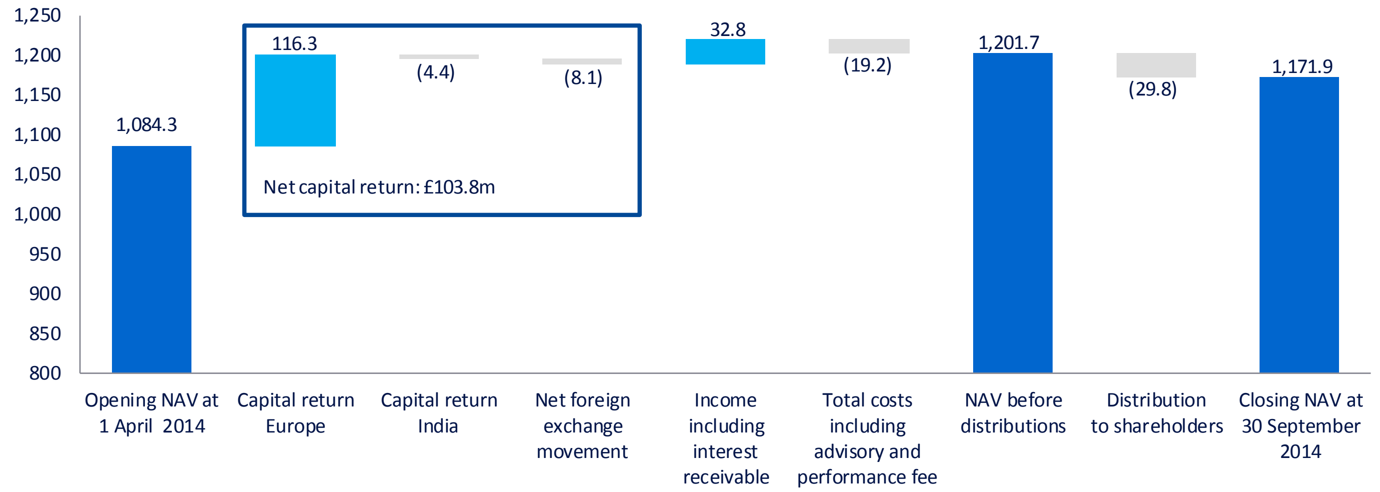
The European portfolio achieved very strong returns, driven by the valuation uplift for the rail rolling stock assets. This was offset by an unrealised value loss of £5.6 million for the India Fund. These value movements are described on pages 13 to 16.

Net capital return

Net capital return, including the £12.5 million movement in the value of foreign currency hedging derivatives, was £103.8 million (September 2013: loss of £15.4 million), as shown in Chart 8 below.

Movements in the fair value of derivatives of £12.5 million (September 2013: £2.5 million) represent the fair value movements of the euro and Singapore dollar hedging programme.

Chart 8 Reconciliation of the movement in net asset value (six months to 30 September 2014, £m)



Income

Total income

Total income comprises portfolio income of £32.6 million (September 2013: £31.0 million) and interest receivable on cash balances of £0.2 million (September 2013: £0.3 million).

Portfolio income

The portfolio generated income of £32.6 million in the period (September 2013: £31.0 million), of which £7.4 million was through dividends (September 2013: £15.8 million) and £24.6 million through interest on shareholder loans (September 2013: £14.1 million). In addition, upfront arrangement fees were received by the Company for the Mersey Gateway Bridge and Ayrshire College investments, totalling £0.6 million (September 2013: XLT, £1.1 million).

AWG paid a dividend of £5.7 million; the Company also accrued interest of £2.4 million (September 2013: £8.5 million, £2.4 million). The dividend was lower than the dividend received in the comparable period last year as a prudent approach was taken in light of the ongoing regulatory review.

The Company accrued interest of £10.3 million from Elenia in the period. No interest or dividends were paid in the same period last year. Elenia resumed distributions and interest payments to its shareholders following the completion of the refinancing of its acquisition debt in November 2013.

Eversholt Rail continues to generate strong cash flows. The Company accrued interest of £7.8 million from Eversholt Rail (September 2013: £8.8 million). The interest payments declined marginally in the period compared to the prior comparable six-month period as a result of the partial repayment of the shareholder loan in March 2014. However, as set out on page 14, Eversholt Rail made a further cash distribution of £3.9 million in the period from excess cash flow.

The Company did not accrue any income from Oystercatcher in the period (September 2013: dividends of £6.2 million), as a result of the impact on expected cash flows of the implementation of a significant capex programme at the Amsterdam terminal, described on page 15. Since the period end, the Investment Adviser has concluded a successful refinancing of the debt in Oystercatcher, which is expected to resume distributions to the Company in the second half of the year.

The Company received interest payments of £2.4 million from XLT (September 2013: £1.2 million) higher than the same period last year, as at 30 September 2013 the investment had been held for just over three months.

The PPP investments generated income of £4.0 million (September 2013: £2.8 million), of which £1.7 million was through dividends (September 2013: £1.1 million) and £1.7 million was through interest (September 2013: £1.7 million). In addition £0.6 million of arrangement fees were received on the completion of new primary projects.

Interest receivable

Interest income from cash and cash equivalents totalled £0.2 million (September 2013: £0.3 million), following the reduction in the average cash balances held during the period compared to the first six months of last year. The Company's cash balances generated interest at an average rate of 0.4% in the period (September 2013: 0.4%).

Costs

Advisory fees and performance fees

During the six months to 30 September 2014, the Company and its unconsolidated subsidiaries incurred advisory fees of £7.1 million (September 2013: £6.8 million). The increase is due to the growth in portfolio value and to new investment. 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 or commitments made during the period. Since the adoption of the amendments to the Investment Advisory Agreement on 8 May 2014, the fee for new primary PPP transactions has been reduced to 1.0%. For non-primary PPP transactions the advisory fee reduces from 1.5% to 1.25% for any proportion of an asset held for more than five years. As several of the Company's investments have now been held for more than five years, the advisory fee rate chargeable has reduced for those investments (eg AWG, Oystercatcher, Octagon, Elgin, Adani Power, Soma Enterprise and Krishnapatnam Port).

An annual performance fee is also payable by the Company, amounting to 20% of returns above a hurdle of 8% of the growth in net asset value per annum. This hurdle was achieved in the first half of the year, following the total return of 10.8% generated for the period. Based on the results for the period, the Company accrued a performance fee payable of £7.6 million. However, this fee will only become payable should the hurdle be met when measured across the full financial year. The performance fee is now subject to a high water mark requirement. For a more detailed explanation of how Advisory and Performance fees are calculated and of the high water mark definition, please refer to Note 9 on page 51.

Fees payable
Fees payable for costs in relation to transactions that did not reach, or have yet to reach, completion totalled £1.8 million (September 2013: £0.1 million), with the increase reflecting a higher number of opportunities which reached, or were, at an advanced stage in the period.

Other operating and finance costs
Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £1.3 million in the period (September 2013: £1.1 million). The increase reflects the costs associated with the Extraordinary General Meeting held to approve the amendments to the Investment Advisory Agreement and one-off costs relating to transferring to a new Corporate Administrator.

Finance costs of £1.4 million (September 2013: £1.8 million) comprise the arrangement, commitment and utilisation fees for the Company's £200 million revolving credit facility. The prior period cost was higher due to the release of capitalised costs following the replacement of the previous facility in May 2013.

Ongoing charges ratio
The Association of Investment Companies defines an Ongoing Charges ratio, which measures the annual operating costs against average net asset value. The Ongoing Charges ratio for the period was 1.45% (September 2013: 1.45%) on an annualised basis.

Balance sheet

The net asset value at 30 September 2014 was £1,201.7 million (September 2013: £1,078.2 million). The principal components of the net asset value are the portfolio assets, cash holdings, the fair value of derivative financial instruments and other net assets and liabilities, principally relating to accrued interest.

Following the adoption of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), "Investments at fair value through profit and loss" requires holding company subsidiaries to be held at fair value. These were previously consolidated on a line-by-line basis. These intermediate unconsolidated holding companies may have cash or other net assets/liabilities which are included within that fair value. The Directors consider that it is helpful for the user of the accounts to be able to consider the valuation of the Company's portfolio assets and the total aggregate cash and net asset/liabilities within the Company and its unconsolidated subsidiaries. The non-material adjustments required to provide this analysis are shown in Table 4.

At 30 September 2014, the Company's net assets totalled £1,201.7 million, or £1,171.9 million after the deduction of the final dividend (September 2013: £1,078.2 million, £1,048.7 million), comprising the asset portfolio, valued at £1,067.9 million (September 2013: £964.4 million), cash and cash equivalents of £98.6 million (September 2013: £93.7 million), other financial assets of £17.8 million (September 2013: nil), net derivative financial instruments assets of £13.5 million (September 2013: £0.5 million) and other current assets of £15.1 million (September 2013: £21.2 million), primarily relating to accrued income from portfolio investments, offset by accrued transaction fees, advisory and performance fees and other operating and financing costs of £11.2 million (September 2013: £1.6 million). A summary balance sheet is included in Table 4.

Table 4 Summary balance sheet (as at 30 September 2014, £m)

	Underlying aggregate portfolio amounts and other balances	Adjustments for transactions in unconsolidated subsidiaries[1]	Financial statements
Portfolio assets	1,067.9	0.6	1,068.5[2]
Cash balances	98.6	(1.1)[3]	97.5
Financial assets	17.8	-	17.8
Derivative financial instruments	13.5	-	13.5
Other net assets/(liabilities)	3.9	0.5	4.4
Net asset value	**1,201.7**	**-**	**1,201.7**

1 "Investments at fair value through profit and loss" includes £1.1 million of unrestricted cash balances and £(0.5) million of net liabilities within intermediate unconsolidated holding companies. These adjustments reclassify these balances to show the underlying value of the portfolio assets, the total cash holdings and the net assets/(liabilities) position, as monitored by the Board.
2 Described as "Investments at fair value through profit and loss" in the Financial statements.
3 Cash balances held in unconsolidated subsidiaries totalled £1.1 million.

Cash and other financial assets

Cash balances at 30 September 2014 totalled £98.6 million (September 2013: £93.7 million), including £1.1 million of unrestricted cash balances held within intermediate unconsolidated holding companies (September 2013: £7.2 million). In addition, an amount of £17.8 million, held on the balance sheet as "Other financial assets", comprises cash held on deposit in a third-party bank account on behalf of the Mersey Gateway Bridge and Ayrshire College projects.

Cash on deposit was managed actively by the Investment Adviser and there were regular reviews of counterparties and their limits by the Board. Cash is principally held in AAA-rated money market funds.

Revolving credit facility

On 2 May 2013, the company entered into a three-year revolving credit facility of £200 million. At 30 September 2014, this revolving credit facility had been used to issue letters of credit for €5.1 million (£3.9 million) for the undrawn commitment to the RIVM primary PPP project and €5.3 million (£4.1 million) for the undrawn commitment to the A12 primary PPP project.

Net asset value per share

The total net asset value per share at 30 September 2014 was 136.3p (September 2013: 122.3p). This reduces to 133.0p (September 2013: 119.0p) after the payment of the interim dividend of 3.38p. There are no dilutive securities in issue.

Dividend and dividend cover

The Board has proposed a dividend for the period of 3.38 pence per share, or £29.8 million in aggregate (September 2013: 3.35 pence; £29.5 million). This is in line with the Company’s target of paying a full year dividend of 5.5% of opening net asset value.

When considering the coverage of the proposed dividend, the Board assesses the income earned from the portfolio, interest received on cash balances and any additional non-income cash distributions from portfolio assets which do not follow from a disposal of the underlying assets, as well as the level of ongoing operational costs incurred in the period. The Board also takes into account any surpluses retained from previous years, and net capital profits generated through previous asset realisations. At the beginning of the period, the Company had retained amounts which the Board considers available for distribution as dividend of approximately £80 million.

For the period to 30 September 2014, total income and interest, including non-income cash distributions from portfolio companies, amounted to £36.7 million (September 2013: £31.3 million). Operational costs relating to advisory fees, operating expenses and financing costs, totalled £9.8 million for the period (September 2013: £9.7 million). The Board is therefore proposing that the dividend payment is made in line with the Company’s dividend target.

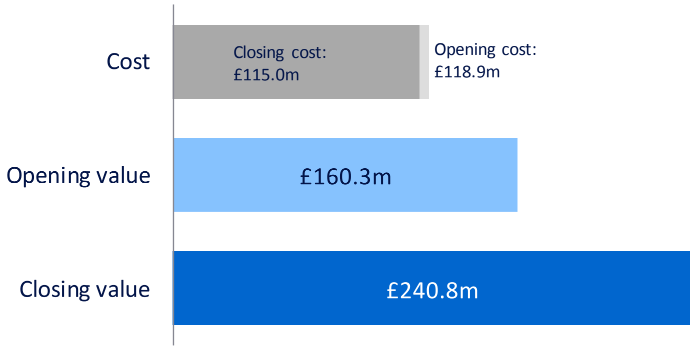
Key financial risks

The principal financial risks faced by the Company in the period were in relation to movements in foreign exchange rates.

There was significant currency volatility in the period; the euro depreciated by 6.2% against sterling in the six months to the end of September. The Company’s objective is to hedge its euro exposure and partially hedge the Singapore dollar exposure (associated with the investment in Oiltanking Singapore within the Oystercatcher valuation). The revaluation of the hedging programme for both the euro and Singapore dollar is impacted by movements in forward exchange rates which are not matched by an equivalent change in the spot exchange rate at which the assets are translated.

Review of investments

Eversholt Rail Group



Equity interest	33.3%
Income in the period	£7.8m
Loan repayment in the period	£(3.9)m
Asset total return in the period	£92.2m
Valuation basis	DCF

Description

Eversholt Rail Group ("Eversholt Rail") is one of the three leading rail rolling stock companies in the UK and owns approximately 28% of the current UK passenger train fleet. Its 19 fleets, predominantly weighted towards electric trains, are leased to 11 Train Operating Companies ("TOCs").

Although its primary revenue stream consists of lease payments from TOCs, Eversholt Rail also owns a freight fleet, which accounts for less than 10% of its total value. The rolling stock companies are not directly regulated and have instead entered into codes of practice, monitored by the Office of Rail Regulation, under which they agree to work fairly and reasonably with their customers.

Investment rationale

The Company, in consortium with Morgan Stanley Infrastructure Partners and STAR Capital Partners, acquired 100% of Eversholt Rail in December 2010.

Eversholt Rail is a well established infrastructure business and fits well with the Company's investment mandate:

- it has strong market fundamentals, with its fully utilised fleets likely to retain value in the long term, due to strong passenger demand and the high cost of new trains;
- it has high quality cash flows contracted for the medium term through lease agreements with the TOCs; and
- it has a defensive fleet portfolio, weighted towards electric trains, with a good operational history, leased to a diversified customer base.

Achievements in the period of ownership

The consortium has strengthened Eversholt Rail's governance through the appointment of several highly experienced non-executive directors to the Irish and UK boards and the establishment of audit and remuneration committees with investor representation.

Further executive appointments were made to the Irish and UK businesses to bolster Eversholt Rail's technical, legal and financial resources, positioning it well to manage the significant increase in workload as the pace of rail franchise re-tendering accelerates.

Eversholt Rail's capital structure was de-risked in the financial year ended March 2011 through the issuance of three long-dated public bonds for a total of £1.1 billion, priced on attractive terms and attracting strong demand from public market investors, significantly reducing the ongoing debt servicing costs and refinancing risks. A further private placement of £150 million was completed in December 2012. The residual acquisition debt was refinanced in November 2013, on attractive terms.

The consortium has engaged closely with the management team to support the business in the current re-franchising programme and to assess a range of capital investment opportunities, both to add further trains to the overall fleet and to invest in upgrading existing assets to provide better passenger experience and improved reliability, at good value for money for operators.

The drivers underpinning the investment case have so far been broadly proven: passenger demand, particularly in the south east of England where Eversholt Rail has a strong market share, has grown in the period of ownership; and the electrification of the network is proceeding, potentially creating more cascade opportunities for Eversholt Rail's predominantly electric-powered fleets as diesel trains are removed from the network.

Developments in the period

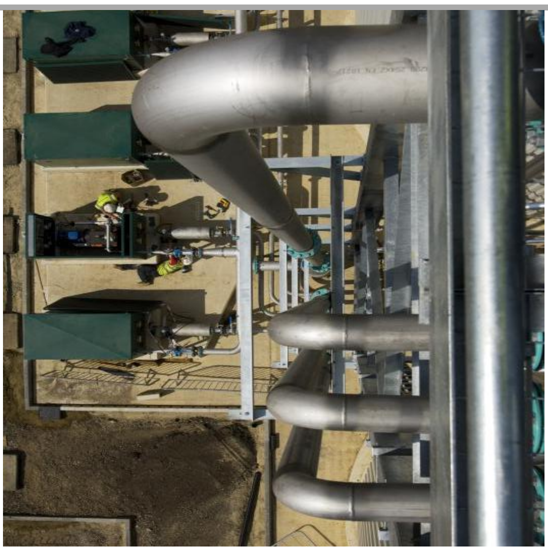
Eversholt Rail continued to perform strongly in the period and to generate strong cash flows. Following the publication of the Brown and Laidlaw reviews (prompted by the Intercity West Coast refranchising failings) the Department for Transport published a new refranchising timetable in March 2013, which staggers the programme over a longer period.

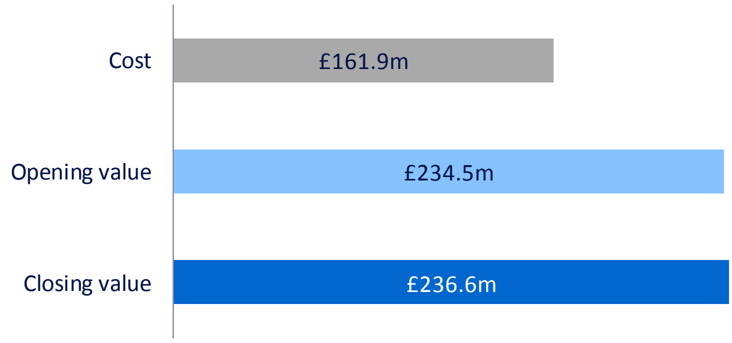
The refranchising programme has gained significant momentum, with several new franchise awards in the period. This momentum is likely to continue over the coming months. During the period, Eversholt Rail was successful in securing extended leases for a number of its key fleets. Eversholt Rail continues to work proactively with current franchise holders and prospective bidders, as appropriate, to provide the best rolling stock solutions for the travelling customer, and is actively working on re-leasing proposals for a number of new franchises expected to be awarded over the next six months.

During the period, Eversholt Rail also submitted bids for the financing of the procurement of a number of new train fleets, which evidenced significant return compression in the market. This compression of return, coupled with the strong business fundamentals and the progress made in the period, led the Company to reduce the discount rate it uses to value its investment in Eversholt Rail, as outlined on page 14.

During the period Keith Ludeman succeeded Graham Love as chairman of the board, bringing significant rail experience from his executive career as chief executive of Go-Ahead and his former position as senior non-executive director at Network Rail. On 4 November 2014, Eversholt Rail announced it was appointing David Stickland as CFO, with effect from 10 November 2014. David was previously CFO of LeasePlan UK Ltd, a member of the LeasePlan Corporation NV Group, the largest vehicle management group in the world.

Anglian Water Group





Equity interest	10.3%
Income in the period	£8.1m
Asset total return in the period	£10.2m
Valuation basis	DCF

Description

Anglian Water Group Limited ("AWG") is the parent company of Anglian Water, the largest water and water recycling company in England and Wales by geographic area and the fourth largest 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 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 managed by the Investment Adviser.

Investment rationale

AWG was taken private in 2006 by a group of investors, including Canada Pension Plan, Colonial First State, Industry Funds Management and 3i Group, which "seeded" part of its AWG holding into 3i Infrastructure when the Company was set up in 2007. The business has strong infrastructure characteristics:

- a regulated near-monopoly position in its geographical area for the provision of water and water recycling services;
- stable and predictable earnings and cash flows through RPI-linked tariffs; and
- largely predictable operating costs.

In addition, AWG has attractive fundamentals:

- a strong management team;
- a well maintained asset base;
- operations in a geographic region with high population growth and relatively low industrial exposure, limiting cyclical correlation; and
- a track record of strong operational performance.

Achievements in the period of ownership

AWG has flourished under private ownership. It has refocused on its core business, selling Morrison Utilities Services, Morrison Facilities Services and much of its property portfolio. The company has been able to optimise its capital structure compared to listed peers and to distribute a higher proportion of cash flows to shareholders, resulting in a strong yield. The regulated capital value has grown steadily, underpinned by a comprehensive capital expenditure programme, which has been maintained for the 2010–2015 regulatory period. A new management incentive scheme was put in place post investment, aligning compensation with long-term value growth, asset quality and customer service rather than short-term earnings and share price performance. The management now balances long-term planning, for example, to respond to the challenges of climate change, with a clear focus on operational efficiency and customer service.

Developments in the period

AWG performed well during the period, with operational performance and income levels broadly in line with expectations. The business is implementing its cost efficiency and capital spending programmes and performing well against its targets, driven by several initiatives including changes to working practices, better maintenance, improved sourcing, industrialised construction and lower energy consumption, all underpinned by a focus on customer service.

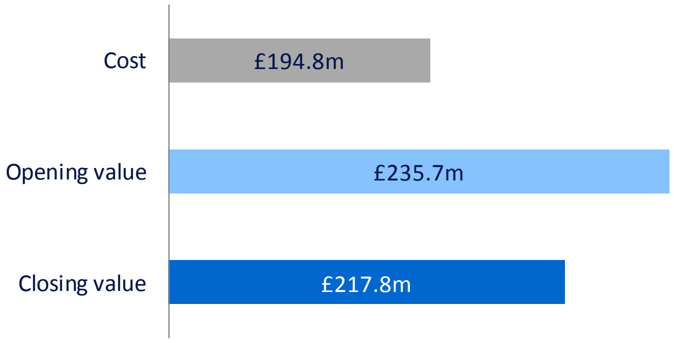
The core water business continues to perform well operationally. Demand from small business customers remained under pressure during the period due to weak economic conditions. This, however, was offset to some extent by an increase in trade effluent and large industrial demand. The company expects that small business demand will recover, albeit slowly.

Anglian Water ranked joint first among the water and water recycling companies in Ofwat's Service Incentive Mechanism (on a combined qualitative and quantitative basis) for the year ending 31 March 2014.

The key issue currently facing AWG is the ongoing regulatory review of the UK water sector, which will determine the business plan for the 2015-2020 regulatory period ("AMP 6"). Ofwat, the UK water regulator, published its Draft Determination for Anglian Water on 29 August 2014 and the business submitted a response in early October. Anglian Water, supported by its shareholders, will continue to engage with the regulator in advance of the Final Determination, which is due to be published in December 2014. More detail on this process can be found on Anglian Water's website (www.anglianwater.co.uk/ourplan).

The Water Act became law in the period and sets out a number of changes to the structure of the industry, including placing water supply resilience at the heart of decision-making in the sector, extending competition for business customers and changing the abstraction regime to encourage more efficient use of water resources. Most of the changes in the Water Act had been well signalled and, as a top performing water and water recycling company, AWG is well placed to accommodate them. However, the structural nature of market liberalisation means that increasing amounts of management time will be consumed over the next few years as AWG works towards the non-household retail market opening in April 2017.

Elenia



Equity interest	39.3%
Income in the period	£10.3m
Asset total return in the period [1]	£0.5m
Valuation basis	DCF

1 Includes an unrealised foreign exchange loss of £14.1 million.

Description

Elenia owns the second largest electricity distribution network in Finland. Headquartered in Tampere, it serves around 412,000 customers in the south west of the country and has a market share of approximately 12%. The business is regulated on a four-year cycle, delivering a set return on its regulated asset base. The electricity distribution business accounts for approximately 85% of Elenia's overall value.

Elenia Lämpö owns and operates 16 local district heating networks, each with strong market shares in their local areas. District heating, which involves the pumping of hot water directly into homes and businesses from central hubs, is not regulated in Finland. This business accounts for approximately 15% of Elenia's overall value.

The investment is held through 3i Networks Finland LP, an intermediary limited partnership which is managed by the Investment Adviser.

Investment rationale

The Company purchased Elenia from Vattenfall AB in January 2012 in a consortium with 3i Group plc, GS Infrastructure Partners and Ilmarinen Mutual Pension Insurance Company.

Elenia has strong infrastructure characteristics:

- the electricity distribution business operates in a stable and transparent regulatory environment, with regulatory incentives providing opportunities for value-accretive growth;
- the businesses are profitable and provide inflation linkage. This is likely to support a robust yield to 3i Infrastructure over the long term; and
- Finland is an attractive market, providing opportunities for consolidation over the medium term.

Achievements in the period of ownership

The businesses were rebranded with the "Elenia" name in May 2012, reinforcing the separation from Vattenfall to domestic audiences.

The business successfully completed the post-acquisition corporate reorganisation in early January 2013. This allowed Elenia to begin distributing dividends to shareholders. In December 2013, Elenia's original acquisition debt was refinanced through a Whole Business Securitisation, the first of its kind to be applied to a non-UK European utility.

Elenia’s governance was enhanced through the appointment of new independent chairmen to the boards of each business, as well as through a number of management appointments to further strengthen the executive teams. In addition, management incentives were put in place to align management incentivisation to the objectives of the shareholders.

The consortium has engaged with the management team of Elenia to update and enhance its capital expenditure plans to improve network reliability. A number of acquisitions have also been examined, with the first bolt-on acquisition of an adjacent network completed in August 2012.

Throughout the period of ownership, the consortium has supported the management team in its dialogue with the regulator. The regulator introduced a new security of supply incentive, aimed at improving the reliability of electricity supply in response to outages caused by severe weather conditions in 2011 and 2012, effective from January 2014, and more recently confirmed a revised approach to asset depreciation. These have had a positive effect on returns.

Developments in the period

Overall, both businesses continued to perform well operationally and financially, despite warmer than average weather conditions.

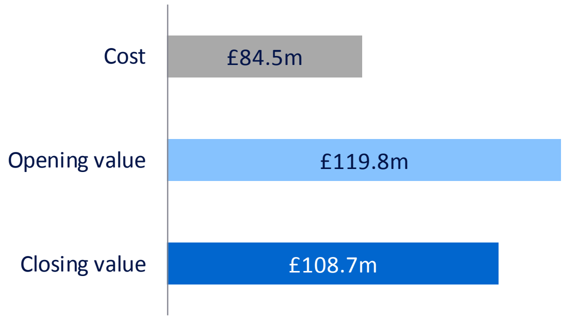
In December 2013, Elenia’s original acquisition debt was fully refinanced on attractive terms through a Whole Business Securitisation. This was an important milestone for the business, with positive implications for value, as it provided a platform for access to the long-term capital markets and reduced the ongoing cost of debt. Secondary market pricing for Elenia’s debt has tightened since issue and, since March, Elenia has been able to take advantage of these positive market conditions to issue new bonds, with maturities from 2026 and 2034, on attractive terms, which it has used to repay bank debt.

Elenia’s regulatory allowed return (WACC) is determined annually with reference to the 10-year Finnish government bond yield in May the preceding year. Since our March 2014 valuation, the 10-year Finnish government bond yield has fallen further, driven by the anticipated measures from the ECB to tackle low growth and low inflation across Europe. Geopolitical tensions have also led some investors to seek the safe haven of Finnish sovereign debt. This has a material negative impact on returns.

In July 2014, Elenia became the first electricity distribution network in Europe and second in the world to receive ISO 55001 certification. ISO 55001 is a set of new international standards establishing best practice for the systems and operations of companies in asset-intensive industries. The award complements the PAS 55 certification Elenia achieved last year.

Elenia, supported by the consortium, continues to monitor potential acquisition opportunities in the fragmented electricity distribution market. Consolidation of the existing network would allow Elenia to leverage its operational expertise.

Oystercatcher



Equity interest	45%
Income in the period	-
Asset total return in the period[1]	£(11.1)m
Valuation basis	DCF

1 Includes an unrealised foreign exchange loss of £6.0 million.

Description

Oystercatcher Luxco 2 S.à r.l. ("Oystercatcher") is the holding company through which the Company invested in 45% stakes in three subsidiaries of Oiltanking GmbH ("Oiltanking"), located in the Netherlands, Malta and Singapore.

These businesses provide over 3.5 million cubic metres of oil, petroleum and other oil-related 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 74 terminals in 23 countries with a total storage capacity of 23.2 million cubic metres.

Investment rationale

The investment was completed in August 2007. The key elements of the investment case were:

- strong projected demand for oil and oil-related products;
- storage capacity is scarce and a key component of the oil and oil product supply chain, resulting in low customer turnover;
- the three terminals are defensively located in key trading hubs in Amsterdam, Malta and Singapore and have a strong market position;
- 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, resulting in reliable cash flows; and
- the transaction allowed 3i Infrastructure to partner with a leading player in the oil storage market, with a strong operational reputation.

Achievements in the period of ownership

The 2007 investment case has largely been confirmed, with the investment performing well. All storage capacity has been fully let throughout the period of investment, and throughput levels have been high. All three terminals have been largely unaffected by the global economic slow-down, even though the "flattening" of the forward curve in recent years has squeezed oil trading margins and increased customers' focus on storage costs during contract renewal negotiations. However, global trade in petroleum products continues to increase, leading to further growth in demand for oil storage.

The Investment Adviser has been actively involved in the assessment of a range of capital expenditure project proposals that have delivered long-term value accretion. In Singapore, a 160,000 cubic metre expansion project was approved in 2008 to accommodate increasing demand from adjacent refineries and petrochemical industries. This was completed in June 2009, with the capacity let on a use-or-pay basis under a long-term contract to an existing customer. In Amsterdam, a 42,000 cubic metre expansion project to provide dedicated storage for biodiesel products for a new production facility adjacent to the site was completed in June 2011. This capacity was pre-let on a use-or-pay basis. Several smaller investments were approved to upgrade throughput and customer service. In Malta, investment in a new 13,000 cubic metre tank was approved in 2011, completed in February 2012, and let on a use-or-pay basis to an existing customer. Since investment, total capacity at the three terminals has increased by 28%.

In March 2013, Oystercatcher's acquisition debt facilities were refinanced, significantly de-risking its financing structure.

Developments in the period

Market conditions for trading customers have remained difficult, as trading margins are squeezed by a shallower forward curve for oil prices. This has increased traders' attention to storage costs during contract renewal negotiations. Together with some reduction in demand for storage in parts of Europe, and increasing competition in Singapore, this is putting some pressure on renewal rates. However, the strong market position of the terminals has continued to ensure that capacity at each terminal remains substantially let and that contract renewals have been agreed on good terms.

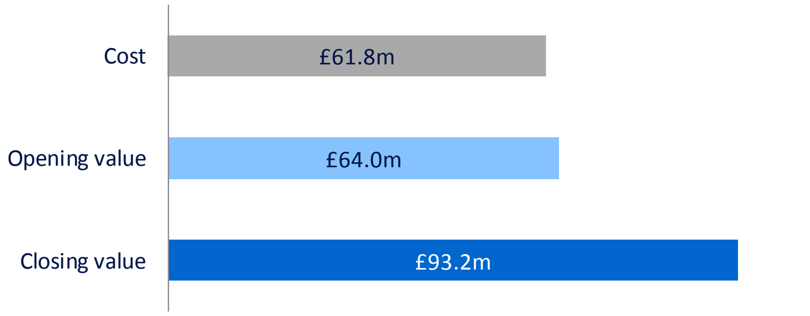
The valuation of 3i Infrastructure's holding in Oystercatcher declined further in the period, as a result of the implementation of a major programme of infrastructure process and safety upgrades at the Amsterdam terminal, to accelerate compliance with new regulations being applied to the oil products storage sector in the Netherlands. This has resulted in increased tank maintenance downtime, as well as in a reduction in throughput levels at the terminal.

The Singapore and Malta terminals are performing in line with expectations and have faced no significant operational issues in the period.

The valuation of Oystercatcher is affected by its exposure to the euro and Singapore dollar exchange rate, which is partially hedged. The Board has broadened the Company's Singapore dollar hedging programme to reduce the net exposure of the Company to exchange rate volatility.

Since the period end, the Investment Adviser completed a refinancing of the debt in Oystercatcher, extending the maturity profile and reducing interest costs.

Cross London Trains ("XLT")



Equity interest	33.3%
Income in the period	£2.4m
Asset total return in the period	£31.6m
Valuation basis	DCF

Description

Cross London Trains is a company established to procure and lease the rolling stock for use on the Thameslink passenger rail franchise. As part of a wider upgrade of the Thameslink rail network, XLT is investing £1.6 billion in a fleet of new Siemens Desiro City commuter rail carriages, manufactured by Siemens, to be leased to the Thameslink rail franchise operator, with the continued leasing of the trains underpinned by the Department for Transport ("DfT") for a period of 20 years (the "s54 period").

Siemens will manufacture and deliver the trains over a period of five years, with the first delivery into service expected in early 2016. The fleet will comprise 1,140 Siemens Desiro City commuter rail carriages, capable of running on both overhead and third rail lines.

The fleet will be maintained by Siemens under a long-term service agreement. Following the initial 20-year s54 period, XLT will retain the ownership of the fleet and will be free to lease the trains for the remainder of their useful life. The Company owns 33.3% of the equity in XLT, in consortium with Siemens Project Ventures GmbH and Innisfree Limited.

Investment rationale

The investment has strong infrastructure characteristics and fits well within 3i Infrastructure's investment mandate as:

- it is a strategic asset, operating in the capacity-constrained London commuter market;
- it will generate high quality, low-risk cash flows, with rentals due on a "hell or high water" basis and lease revenues underpinned for 20 years by the DfT;
- it will retain ownership of the trains following this initial 20-year period, with their residual value supported by favourable market dynamics; and
- it allows the Company to partner with Siemens, a market leader in UK rolling stock manufacture and maintenance.

Achievements in the period of ownership

The manufacture of the trains has commenced and is proceeding according to plan. A senior management team was installed at XLT, comprising a new executive chairman and a managing director with relevant industry experience. Andy Pitt, executive chairman, was previously Managing Director of South West Trains. Charles Doyle, managing director, was previously a commercial principal at Transport for London. They have successfully set up all necessary business functions and built a strong working relationship with Eversholt Rail, which provides technical engineering and administrative services to the business under a long-term management services contract.

XLT, supported by its shareholders, has engaged proactively with a number of stakeholders, including Siemens, the DfT, Network Rail and the new franchise holders.

The Company and Investment Adviser have built a strong working relationship with Siemens and Innisfree, the other shareholders in XLT.

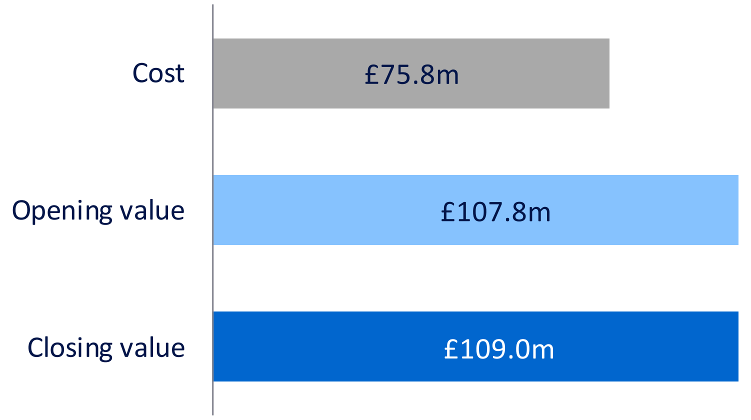
Developments in the period

The business is performing well and Siemens is progressing well with the manufacturing schedule of the new trains. The investment, completed in June 2013, was immediately accretive to the Company through interest payments and a further £2.4 million in loan interest payments was received in the period.

The Thameslink franchise expired in September 2014 and the DfT appointed Govia Thameslink Railway to replace First Capital Connect as the franchise holder in June 2014. XLT worked with both Govia Thameslink Railway and First Capital Connect to facilitate the transition of the franchise.

The value of the Company's holding in XLT increased significantly in the period, due to the reduction in the discount rate used to value the investment, in light of recent market evidence of returns compression in recent bids to finance the procurement of new rail fleets (see page 15). Previously, XLT was valued marginally above its investment cost, based on historic assumptions on future returns negotiated in different market conditions.

PPP portfolio



Income in the period	£4.0m
Asset total return in the period[1]	£5.2m
Valuation basis	DCF and LP share of funds for Dalmore

1 Includes an unrealised foreign exchange loss of £0.2 million.

Note: In addition to the value of the investments shown above, the Company also has undrawn commitments to primary PPP projects totalling £28.2 million. The total invested and committed portfolio value at 30 September 2014 was £137.2 million.

Description

Primary project portfolio

National Military Museum, a project procured by the Dutch Ministry of Defence comprising the design, build, finance and maintenance of a museum facility on the site of the former Soesterberg Airbase, located c. 60km south east of Amsterdam. The construction of the project was completed in September 2014. The facility showcases military hardware and holds various related events including workshops and symposia on military research. The project is owned by Heijmans Capital BV, a joint venture in which 3i Infrastructure has an 80% interest, with the balance held by Heijmans NV, the Dutch construction group.

Mersey Gateway Bridge, a project involving the design, build, finance, operation and maintenance of a 1km tolled bridge across the river Mersey in Liverpool, as well as 9km of approach roads, against availability-based payments commencing from 2017. Construction commenced in April 2014, with completion expected in the spring of 2017. 3i Infrastructure, alongside partner Fomento de Construcción y Contratas, a Spanish construction company, is invested in a vehicle that holds a 25% interest in the project.

Ayrshire College, a project to build a new campus for Ayrshire College in Kilmarnock, Scotland. The project, procured by Ayrshire College, involves the design, build, finance, operation and maintenance of a new college campus, against availability-based payments over a concession period of 25 years. Completion of construction is expected in May 2016. 3i Infrastructure has a 100% interest in the project.

RIVM, a project to build the new premises of the National Institute for Public Health and the Environment and the Dutch Medicines Evaluation Board in Utrecht, the Netherlands. The project scope comprises the design, build, finance, maintenance and operation of 70,000m^2 facility comprising an office building and laboratories on the site of Utrecht Science Park. Completion of construction is expected in November 2018. 3i Infrastructure has a 28% interest in this project through Heijmans Capital BV.

A12, a project involving the refurbishment, widening and maintenance of an 11km section of the A12 motorway in the Netherlands, as well as the maintenance of an additional 8km section. Construction is expected to be completed by the end of 2016. 3i Infrastructure has an 80% interest in the project, through Heijmans Capital BV.

Operational PPP portfolio

Elgin Infrastructure Limited (“Elgin”) is a portfolio of PFI project investments, comprising five schools projects and 11 community healthcare schemes, all of which are fully operational, under concessions of up to 32 years. The portfolio companies receive inflation-linked payments to cover services and buildings maintenance, which are subject to performance deductions for service failures and unavailability. Facilities services are sub-contracted to Robertson Facilities Management (in 15 projects) and Carillion Facilities Management (in one project).

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 sub-contracts the provision of facilities services to Serco.

Dalmore Capital Fund ("Dalmore") is a 25-year LP fund managed by Dalmore Capital Limited, investing in equity and subordinated debt in secondary PFI transactions which are operational and do not have volume-based payment regimes. The fund can invest across the social infrastructure sector and targets gross returns of 10% for its investors. At 30 September 2014, Dalmore had total commitments of £249 million, 99% of which were drawn.

Investment rationale

Exposure to social infrastructure through PPP projects provides the Company's portfolio with lower risk, index-linked cash flows. Investments in primary projects also tend to generate capital uplifts as the investments are managed from the construction phase through ramp-up.

Achievements in the period of ownership

All assets in the PPP portfolio have performed well through their period of ownership, in line with or ahead of expectations, providing a good return to the Company since inception. This has been due to engaged portfolio management on the part of the Investment Adviser and other shareholders, as well as to more general factors, including higher than expected inflation. The Investment Adviser has a strong track record in managing the development and construction risks for the primary PPP portfolio.

The Investment Adviser generated significant value through the sale of the Company's holdings in Alma Mater, I^2 and Alpha Schools at material uplifts over cost in 2008, 2009 and 2013 respectively, generating an aggregate IRR of 30%.

Developments in the period

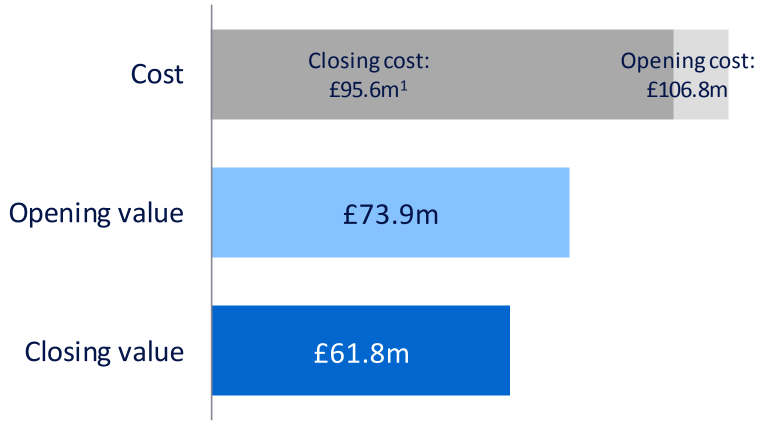
All assets in the operational PPP portfolio performed well operationally during the period, delivering good levels of income:

- All 16 projects in Elgin are performing in line with expectations. All service providers are performing well, with no significant new operational issues arising at any of the projects during the period.
- Octagon continues to perform well financially and operationally and has maintained its strong working relationship with the NHS Trust (despite significant pressures on the Trust as a result of increased budgetary constraints) and with Serco, which continues to provide a good service to the Trust.
- The Dalmore portfolio now comprises 45 investments, all of which are performing well, resulting in cash generation ahead of projections.

The Investment Adviser has been active in sourcing and making investments on behalf of the Company in the primary PPP market, adding to the holdings in the Mersey Gateway Bridge and NMM primary PPP projects acquired last year. During the period, the Company committed to invest a total of £12.6 million in three new primary PPP projects: Ayrshire College in Scotland, and the A12 motorway and RIVM laboratories in the Netherlands. The Company is also part of consortia that have achieved preferred bidder status for two new primary PPP project investments: La Santé Prison in France and the A9 road project in the Netherlands, which are expected to reach financial close in the second half of the financial year. In addition, the Company expects to reach financial close on the West of Duddon Sands offshore transmission ("OFTO") project when it is commissioned in early 2015. The aggregate value of the commitments to these investments is estimated to be £50-60 million.

The Company's primary PPP portfolio is performing well, with construction proceeding to plan and within budget. The construction of the National Military Museum in the Netherlands completed in September 2014. The Company's commitments to the Mersey Gateway Bridge, Ayrshire College, RIVM and A12 projects will be drawn at completion of construction.

3i India Infrastructure Fund



Partnership interest	20.9%
Asset total return in the period[2]	£(4.7)m
Valuation basis	LP share of funds

1 Cost disposed relates to the partial sale of Adani Power.
2 Includes an unrealised foreign exchange loss of £0.3 million.

Description

The 3i India Infrastructure Fund (the "India Fund") is a US$1.2 billion fund which closed in 2008, investing in a diversified portfolio of equity (or equivalent) investments in India, focusing on the port, road and power sectors. 3i Infrastructure committed US$250 million to this fund.

The investment period for the India Fund ended on 30 November 2012 and the Board expects that the Company's remaining commitment of US$37.5 million will not be substantially drawn. As at 30 September 2014, the India Fund was 73% invested in a portfolio of seven assets in the power and transportation sectors.

Transportation
The investments in the Transportation sector accounted for 65% of the India Fund's value at 30 September 2014.

Krishnapatnam Port has a concession to develop, operate and maintain the port of Krishnapatnam in the state of Andhra Pradesh.

KMC Roads is developing a c. 850km portfolio of 8 "build-operate-transfer" ("BOT") road projects, one of the largest portfolios of its kind in India.

Supreme Roads, a subsidiary of Supreme Infrastructure India Limited, is building a portfolio of BOT road projects.

Soma Enterprise is an infrastructure developer in India, which focuses mainly on BOT road projects, but also on projects in the hydro power, irrigation, railways, power transmission and urban infrastructure sectors.

Power
The investments in the Power sector accounted for 35% of the India Fund's value at 30 September 2014.

Adani Power focuses on the development and operation of power plants and the sale of power generated. With operational capacity of 9,780MW, it is currently the largest independent private power producer in India in terms of operating capacity.

GVK Energy is developing a portfolio of power generation projects (4,047MW), diversified by fuel type, stage of development and geography. In addition, GVK Energy is developing two mining projects to supply coal to its own thermal power plants.

Ind-Barath Utkal is building a 700MW coal-fired power plant in the state of Odisha.

Investment rationale

The investment case underpinning the Company's commitment to the India Fund in 2007 can be summarised as follows:

- there was much need for infrastructure investment in India, with the current infrastructure deficit in the country providing opportunity for private investment;
- the Indian Government was actively seeking and encouraging private investment in infrastructure development;
- the investment in the India Fund offered 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; and
- the India Fund was well positioned, with an established presence in its market through its investment manager.

Achievements in the period of ownership

The India Fund reached the end of its investment period in November 2012 and now has a diversified portfolio of assets in the power, ports and roads sectors, in line with its mandate. 3i Investments, which manages the India Fund, is focused on monitoring the portfolio and on realising value from the portfolio over the next two to three years, if market conditions allow.

The valuation of the India Fund's assets has been affected by a number of market and other external factors, including the depreciation of the Indian rupee. At 30 September 2014, the India Fund's net asset value was 0.85x its investment cost in rupee terms, and 0.64x in sterling terms. Overall, the Board is satisfied that appropriate action is being taken to manage the performance of the India Fund's assets within the constraints of the macroeconomic and market challenges.

Developments in the period

Overall, the investments in the India Fund have continued to face challenges in the period. The Indian rupee stabilised against the US dollar and other currencies during the period.

The new government, elected in May 2014, is supportive of investment in the infrastructure sector and has made a number of important policy statements. However it will take time for the effect of these initiatives to be felt in the investments in the India Fund's portfolio.

Transportation
The India Fund's transportation assets were valued in aggregate at £39.9 million at 30 September 2014 (March 2014: £39.4 million).

The road investments continue to be adversely impacted by challenges in project execution, due to delays in land acquisitions and environmental approvals. The road construction companies are also facing cash flow constraints due to an increase in raw material costs and pending claims with the National Highway Authority of India (the concessioning authority), leading to severe working capital constraints. A number of the construction companies have opted to restructure their debt obligations. These pressures are affecting all three of our road assets, Soma Enterprise, KMC Roads and Supreme Roads, and the companies are working hard to overcome them.

Krishnapatnam Port continues to witness strong growth in traffic, led by the increase in coal imports, particularly by power plants located in the immediate vicinity of the port. On 30 September 2013, the India Fund exercised a put option over its holding in the company. The consideration due under the put option has not been paid and the India Fund is seeking to enforce its rights through legal action.

Power
The power sector investments were valued in aggregate at £21.9 million at 30 September 2014 (March 2014: £34.5 million). The factors affecting their performance have remained broadly unchanged, and include:

- the availability of domestic coal: Coal India continues to struggle to match supplies with the contracted demand from power producers and the resulting shortfall is being made up with expensive imports. In addition, at the end of the period, the Supreme Court confirmed the cancellation of over 200 coal licenses awarded to private sector operators, which is expected to exacerbate the problem in the short term;
- the availability of gas: production from India's main gas field has declined dramatically in recent years and today little gas is available for power production.

The Indian government has been working to resolve some of these issues, increasing the regulated price of gas to encourage increased exploration and production and developing a mechanism to allow power producers to pass through increased fuel costs through higher tariffs under existing long-term power purchase agreements (“PPAs”). However, the Supreme Court has ruled against these proposed changes to PPA tariffs, and the Government’s response is awaited.

During the period, the India Fund sold approximately 40% of its holding in Adani Power, a listed company. The sale capitalised on the rally in the share price of that business around the time of the Indian general election. On 24 June, a distribution of proceeds of £7.4 million was received by the Company from the India Fund.

GVK continues to face gas availability issues, further delays in completion of its construction projects and was one of the companies to have a coal mining licence withdrawn by the Supreme Court in a recent ruling covering the historic allocation of India’s coal mining rights. These factors together have increased funding requirements and caused a material reduction in its valuation in the period.

Financials and other information

Consolidated statement of comprehensive income

for the six months to 30 September 2014

	Notes	**Six months to 30 September 2014 (unaudited) £m**	Six months to 30 September 2013 (unaudited) restated* £m	Year to 31 March 2014 (audited) £m
Realised gains over fair value on the disposal of investments		**0.8**	-	2.0
Net gains/(losses) on investments at fair value through profit or loss	4	**90.5**	(15.2)	7.8
		91.3	(15.2)	9.8
Investment income		**29.9**	24.7	71.5
Fees payable on investment activities		**(1.8)**	(0.1)	(2.0)
Fees receivable on investment activities		**0.6**	1.1	1.1
Interest receivable		**0.2**	0.3	0.4
Investment return		**120.2**	10.8	80.8
Advisory, performance and management fees payable	2	**(12.6)**	(4.7)	(9.6)
Operating expenses		**(1.3)**	(1.1)	(2.2)
Finance costs		**(1.4)**	(1.8)	(3.1)
Unrealised gains on the fair value of derivative financial instruments		**12.0**	2.8	4.9
Net realised gains over fair value on the settlement of derivative financial instruments		**0.5**	(0.3)	-
Other income		**0.3**	0.2	0.2
Exchange movements		**(0.3)**	-	-
Profit before tax		**117.4**	5.9	71.0
Income taxes	3	**-**	-	-
Profit after tax and profit for the period		**117.4**	5.9	71.0
Total comprehensive income for the period		**117.4**	5.9	71.0
Attributable to:				
Equity holders of the Company		**117.4**	5.9	71.0
Earnings per share				
Basic and diluted (pence)	6	**13.3**	0.7	8.1

* Comparative information, including relevant Notes, has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

Consolidated statement of changes in equity

for the six months to 30 September 2014

For the six months to 30 September 2014 (unaudited)	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
Opening balance at 1 April 2014	181.6	932.2	-	1,113.8	-	1,113.8
Total comprehensive income for the period	-	117.4	-	117.4	-	117.4
Dividends paid to shareholders of the Company during the period	-	(29.5)	-	(29.5)	-	(29.5)
Closing balance at 30 September 2014	181.6	1,020.1	-	1,201.7	-	1,201.7

For the six months to 30 September 2013 (unaudited)	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
Opening balance at 1 April 2013 as previously reported	181.6	882.8	45.6	1,110.0	137.7	1,247.7
Impact of change in accounting policy	-	38.9	(45.6)	(6.7)	(137.7)	(144.4)
Restated balance at 1 April 2013*	181.6	921.7	-	1,103.3	-	1,103.3
Total comprehensive income for the period	-	5.9	-	5.9	-	5.9
Dividends paid to shareholders of the Company during the period	-	(31.0)	-	(31.0)	-	(31.0)
Closing balance at 30 September 2013	181.6	896.6	-	1,078.2	-	1,078.2

For the year to 31 March 2014 (audited)	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
Opening balance at 1 April 2013 as previously reported	181.6	882.8	45.6	1,110.0	137.7	1,247.7
Impact of change in accounting policy	-	38.9	(45.6)	(6.7)	(137.7)	(144.4)
Restated balance at 1 April 2013*	181.6	921.7	-	1,103.3	-	1,103.3
Total comprehensive income for the year	-	71.0	-	71.0	-	71.0
Dividends paid to shareholders of the Company during the year	-	(60.5)	-	(60.5)	-	(60.5)
Closing balance at 31 March 2014	181.6	932.2	-	1,113.8	-	1,113.8

* Comparative information, including relevant Notes, has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

Consolidated balance sheet

as at 30 September 2014

	Notes	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) restated* £m	31 March 2014 (audited) £m
Assets				
Non-current assets				
Investments at fair value through profit or loss	4	**1,068.5**	977.7	996.6
Investment portfolio		**1,068.5**	977.7	996.6
Derivative financial instruments	4	**11.1**	2.1	2.5
Total non-current assets		**1,079.6**	979.8	999.1
Current assets				
Trade and other receivables		**14.8**	14.3	12.7
Derivative financial instruments	4	**7.3**	0.9	2.3
Other financial assets		**17.8**	-	13.1
Cash and cash equivalents		**97.5**	86.5	90.7
Total current assets		**137.4**	101.7	118.8
Total assets		**1,217.0**	1,081.5	1,117.9
Liabilities				
Non-current liabilities				
Derivative financial instruments	4	**(2.4)**	(2.5)	(2.1)
Total non-current liabilities		**(2.4)**	(2.5)	(2.1)
Current liabilities				
Trade and other payables		**(10.4)**	(0.8)	(1.9)
Derivative financial instruments	4	**(2.5)**	-	(0.1)
Total current liabilities		**(12.9)**	(0.8)	(2.0)
Total liabilities		**(15.3)**	(3.3)	(4.1)
Net assets	1	**1,201.7**	1,078.2	1,113.8
Equity				
Stated capital account	5	**181.6**	181.6	181.6
Retained reserves		**1,020.1**	896.6	932.2
Total equity attributable to equity holders of the Company		**1,201.7**	1,078.2	1,113.8

* Comparative information, including relevant Notes, has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

Directors
5 November 2014

Consolidated cash flow statement

for the six months to 30 September 2014

	Six months to 30 September 2014 (unaudited)	Six months to 30 September 2013 (unaudited) restated*	Year to 31 March 2014 (audited)
	£m	£m	£m
Cash flow from operating activities			
Purchase of investments	**-**	**(64.0)**	(67.8)
Investment in other financial assets	**(4.6)**	**-**	(13.1)
Proceeds from partial realisations of investments	**19.4**	**-**	25.2
Proceeds from full realisations of investments	**-**	**-**	-
Investment income	**27.5**	**15.2**	56.5
Fees received on investment activities	**0.6**	**1.1**	1.1
Fees paid on investment activities	**(0.9)**	**(0.1)**	(1.0)
Operating expenses paid	**(1.4)**	**(1.2)**	(2.3)
Interest received	**0.2**	**0.3**	0.4
Advisory, performance and management fees paid	**(5.1)**	**(7.2)**	(10.9)
Carried interest paid	**-**	**(1.4)**	(1.4)
Temporary loan (repaid to)/ extended from unconsolidated subsidiaries	**(0.1)**	**2.4**	(7.2)
Other income received	**0.1**	**0.2**	0.2
Net cash flow from operations	**35.7**	**(54.7)**	(20.3)
Cash flow from financing activities			
Amounts received on the settlement of derivative contracts	**2.2**	**0.1**	0.5
Amounts paid on the settlement of derivative contracts	**(0.6)**	**(0.6)**	(0.7)
Fees paid on financing activities	**(1.0)**	**(3.1)**	(4.1)
Dividends paid	**(29.5)**	**(31.0)**	(60.5)
Net cash flow from financing activities	**(28.9)**	**(34.6)**	(64.8)
Change in cash and cash equivalents	**6.8**	**(89.3)**	(85.1)
Cash and cash equivalents at the beginning of the period	**90.7**	**175.8**	175.8
Effect of exchange rate movement	**-**	**-**	-
Cash and cash equivalents at the end of the period	**97.5**	**86.5**	90.7

* Comparative information, including relevant Notes, has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

Notes to the accounts

1 Segmental analysis

The Directors review information on a regular basis that is analysed by geography. 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 Group generated 69% (September 2013 restated*: 91%, March 2014: 61%) of its investment income in the period from investments held in the UK and Ireland and 31% (September 2013 restated*: 9%, March 2014: 39%) of investment income from investments held in continental Europe. During the period, the Group generated income from its investments in Elenia of £9.3 million (September 2013 restated*: nil, March 2014: £23.2 million), Eversholt Rail of £7.8 million (September 2013 restated*: £8.8 million, March 2014: £17.9 million) and AWG of £6.9 million (September 2013 restated*: £9.8 million, March 2014: £15.6 million) which represents 31% (September 2013 restated*: 0%, March 2014: 33%), 26% (September 2013 restated*: 36%, March 2014: 25%) and 23% (September 2013 restated*: 40%, March 2014: 22%), respectively of the total investment income. There was no other income entitlement during the period (or in the comparative period) that represented more than 10% of portfolio income. 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 2014.

For the six months to 30 September 2014 (unaudited)	UK and Ireland[1] £m	Continental Europe[2] £m	Asia £m	Total £m
Investment return				
Realised (losses)/gains over fair value on the disposal of investments	**-**	**(0.1)**	**0.9**	**0.8**
Net movement on investments at fair value through profit or loss	**117.0**	**(20.9)**	**(5.6)**	**90.5**
Investment income	**20.5**	**9.4**	**-**	**29.9**
Net fees payable on investment activities	**(1.2)**	**-**	**-**	**(1.2)**
Interest receivable	**0.2**	**-**	**-**	**0.2**
Investment return/(loss)	**136.5**	**(11.6)**	**(4.7)**	**120.2**
Finance costs	**(1.4)**	**-**	**-**	**(1.4)**
Other net expenses	**(1.4)**	**-**	**-**	**(1.4)**
Profit/(loss) before tax	**133.7**	**(11.6)**	**(4.7)**	**117.4**

As at 30 September 2014 (unaudited)				
Balance sheet				
Investments at fair value through profit or loss	**676.8**	**329.3**	**62.4**	**1,068.5**
Cash and cash equivalents	**97.5**	**-**	**-**	**97.5**
Derivative financial instruments	**18.4**	**-**	**-**	**18.4**
Other assets	**26.3**	**6.3**	**-**	**32.6**
Assets	**819.0**	**335.6**	**62.4**	**1,217.0**
Derivative financial instruments	**(4.9)**	**-**	**-**	**(4.9)**
Other liabilities	**(10.4)**	**-**	**-**	**(10.4)**
Liabilities	**(15.3)**	**-**	**-**	**(15.3)**
Net assets	**803.7**	**335.6**	**62.4**	**1,201.7**

*Comparative information, including relevant Notes, has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

1 Including Channel Islands.
2 Continental Europe includes all returns generated from and investment portfolio value relating to the Group's investments in Oiltanking, including those derived from its underlying business in Singapore.

1 **Segmental analysis** continued

For the six months to 30 September 2013 (unaudited) restated*	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	-	-	-	-
Net movement on investments at fair value through profit or loss	14.0	0.5	(29.7)	(15.2)
Investment income	22.6	2.1	-	24.7
Net fees payable on investment activities	1.0	-	-	1.0
Interest receivable	0.3	-	-	0.3
Investment return/(loss)	37.9	2.6	(29.7)	10.8
Finance costs	(1.8)	-	-	(1.8)
Other net expenses	(3.1)	-	-	(3.1)
Profit/(loss) before tax	33.0	2.6	(29.7)	5.9

As at 30 September 2013 (unaudited) restated*	UK and Ireland[1] £m	Continental Europe[2] £m	Asia £m	Total £m
Balance sheet				
Investments at fair value through profit or loss	551.1	356.8	69.8	977.7
Cash and cash equivalents	86.5	-	-	86.5
Derivative financial instruments	3.0	-	-	3.0
Other assets	14.3	-	-	14.3
Assets	654.9	356.8	69.8	1,081.5
Derivative financial instruments	(2.5)	-	-	(2.5)
Other liabilities	(0.8)	-	-	(0.8)
Liabilities	(3.3)	-	-	(3.3)
Net assets	651.6	356.8	69.8	1,078.2

*Comparative information, including relevant Notes, has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

1 Including Channel Islands.
2 Continental Europe includes all returns generated from and investment portfolio value relating to the Group's investments in Oiltanking, including those derived from its underlying business in Singapore.

1 Segmental analysis continued

For the year to 31 March 2014 (audited)	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	-	2.0	-	2.0
Net movement on investments at fair value through profit or loss	39.7	(7.0)	(24.9)	7.8
Investment income	44.0	27.5	-	71.5
Net fees payable on investment activities	(0.9)	-	-	(0.9)
Interest receivable	0.4	-	-	0.4
Investment return/(loss)	83.2	22.5	(24.9)	80.8
Finance costs	(3.1)	-	-	(3.1)
Other net expenses	(6.7)	-	-	(6.7)
Profit/(loss) before tax	73.4	22.5	(24.9)	71.0

As at 31 March 2014 (audited)	UK and Ireland[1] £m	Continental Europe[2] £m	Asia £m	Total £m
Balance sheet				
Investments at fair value through profit or loss	563.8	358.3	74.5	996.6
Cash and cash equivalents	90.7	-	-	90.7
Other financial assets	13.1	-	-	13.1
Derivative financial instruments	4.8	-	-	4.8
Other assets	5.6	7.1	-	12.7
Assets	678.0	365.4	74.5	1,117.9
Derivative financial instruments	(2.2)	-	-	(2.2)
Other liabilities	(1.9)	-	-	(1.9)
Liabilities	(4.1)	-	-	(4.1)
Net assets	673.9	365.4	74.5	1,113.8

1 Including Channel Islands.
2 Continental Europe includes all returns generated from and investment portfolio value relating to the Group's investments in Oiltanking, including those derived from its underlying business in Singapore.

2 Advisory, performance and management fees payable

	Six months to 30 September 2014 (unaudited) £m	Six months to 30 September 2013 (unaudited) restated* £m	Year to 31 March 2014 (audited) £m
Advisory fee paid directly from the Company	**5.0**	4.7	9.6
Performance fee	**7.6**	-	-
	12.6	4.7	9.6

*Comparative information, including relevant Notes, has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

Total advisory, performance and management fees paid for the period to 30 September 2014 were £14.7 million (September 2013: £6.8 million, March 2014: £14.0 million) which includes, in addition to the fees described above, management fees of £2.1 million (September 2013: £2.1 million, March 2014: £4.4 million) which were paid to 3i Group plc from unconsolidated subsidiary entities. Note 9 provides further details on the calculation of the advisory fee, performance fee and management fee.

3 Income taxes

Profits arising from the operations of the Company are subject to tax at the standard rate in Jersey of 0% (September 2013: 0%, March 2014: 0%). Unconsolidated subsidiaries of the Company have provided for taxation at the appropriate rates that are applicable in the countries in which each subsidiary operates. The returns of these subsidiaries are largely not subject to tax, in each of these relevant countries.

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

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

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

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

At 30 September 2014, the Group held the following classes of financial instruments that are measured at fair value. For all other assets and liabilities their carrying value approximates to fair value. During the period ended 30 September 2014, there were no transfers of financial instruments between levels of the fair value hierarchy (September 2013: none, March 2014: none). There were no non-recurring fair value measurements.

Financial instruments classification

				As at 30 September 2014
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Investments at fair value through profit or loss	**-**	**-**	**1,068.5**	**1,068.5**
Derivative financial instruments		**18.4**	**-**	**18.4**
	-	**18.4**	**1,068.5**	**1,086.9**
Financial liabilities				
Derivative financial instruments	**-**	**(4.9)**	**-**	**(4.9)**

				As at 30 September 2013 restated*
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	-	-	977.7	977.7
Derivative financial instruments	-	3.0	-	3.0
	-	3.0	977.7	980.7
Financial liabilities				
Derivative financial instruments	-	(2.5)	-	(2.5)

				As at 31 March 2014
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Investments at fair value through profit or loss	-	-	996.6	996.6
Derivative financial instruments	-	4.8	-	4.8
	-	4.8	996.6	1,001.4
Financial liabilities				
Derivative financial instruments	-	(2.2)	-	(2.2)

*Comparative information, including relevant Notes, has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

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

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

Level 3 fair value reconciliation	As at 30 September 2014 £m
Opening fair value	**996.6**
Additions	**-**
Disposals and repayment	**(18.6)**
Fair value movement (including exchange movements)	**90.5**
Closing fair value	**1,068.5**

Level 3 fair value reconciliation	As at 30 September 2013 restated* £m
Opening fair value	928.9
Additions	64.0
Disposals and repayment	-
Fair value movement (including exchange movements)	(15.2)
Closing fair value	977.7

Level 3 fair value reconciliation	As at 31 March 2014 £m
Opening fair value	928.9
Additions	83.4
Disposals and repayment	(23.5)
Fair value movement (including exchange movements)	7.8
Closing fair value	996.6

*Comparative information, including relevant Notes, has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

All unrealised movements on investments and foreign exchange movements are recognised in profit or loss in the consolidated statement of comprehensive income during the period.

The holding period of the 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 where any investments may be sold within one year.

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

The Group’s policy is to fair value both the equity and debt investments in infrastructure assets together where they will be managed and valued as a single investment, were invested at the same time and cannot be realised separately. As at 30 September 2014, the fair value of unquoted investments was £1,050.7 million (September 2013 restated*: £949.7 million, March 2014: £980.4 million). Individual portfolio asset valuations are shown within the Portfolio summary on page 11.

The majority of the assets held within Level 3 are valued on a discounted cash flow basis, hence, the valuations are sensitive to the discount rate assumed in the valuation of each asset. Other significant unobservable inputs include the long-term inflation rate assumption and interest rates assumption used to project the future cash flows.
A discussion of the range of discount rates applied can be found in the Summary of valuation methodology. Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £95.8 million (September 2013: £83.8 million, March 2014: £88.1 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £113.8 million (September 2013: £100.8 million, March 2014: £106.0 million).

The majority of assets held within Level 3 have revenues that are linked, partially linked or in some way correlated to inflation. The long-term inflation rate assumptions range from 5.0% (India) to 2.0% (Finland) but with the majority at 2.5% (UK). Changing the inflation rate assumption may result in consequential changes to other assumptions used in the valuation of each asset. The impact of increasing the inflation rate assumption by 1% for the next two years would increase the value of the portfolio by £16.0 million (September 2013: £15.7 million, March 2014: £18.2 million). Decreasing the inflation rate assumption used in the valuation of each asset by 1% for the next two years would decrease the value of the portfolio by £17.2 million (September 2013: £23.5 million, March 2014: £18.4 million).

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

The valuations are sensitive to changes to interest rates, which may result from: (i) unhedged existing borrowings within portfolio companies; (ii) interest rates on uncommitted future borrowings assumed within the asset valuations; and (iii) cash deposits held by portfolio companies. These comprise a wide range of interest rates from short-term deposit rates to longer-term borrowing rates across a broad range of debt products. Increasing the cost of borrowing assumption for unhedged borrowings and any future uncommitted borrowing and the cash deposit rates used in the valuation of each asset by 1% would reduce the value of the portfolio by £65.0 million (September 2013: £49.3 million, March 2014: £44.8 million). Decreasing the interest rate assumption used in the valuation of each asset by 1% would increase the value of the portfolio by £59.3 million (September 2013: £45.9 million, March 2014: £43.1 million). This calculation does not take account of any offsetting variances which may be expected to prevail if interest rates changed, the most significant impact would be in the portfolio assets with regulated returns where the future allowed return may also be influenced by the interest rate.

Unlisted managed funds
The Company invests in one externally managed fund, The Dalmore Capital Fund, which is not quoted in an active market. The Company considered the valuation techniques and inputs used in valuing this fund as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the Net Asset Value (NAV) of this fund may be used as an input into measuring its fair value. In measuring this fair value, the NAV of the fund is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, illiquid nature of the investments and other specific factors of the fund and fund manager. The Company classifies the fair value of this investment as Level 3. As at 30 September 2014, the fair value of unlisted managed funds was £17.2 million (September 2013: £14.7 million, March 2014: £15.6 million). There are no adjustments currently made to the NAV of the fund. A 10% adjustment in the NAV of the fund would result in a £1.7 million (September 2013: £1.5 million, March 2014: £1.6 million) change in the valuation.

Intermediate holding companies
The Company invests in a number of intermediate holding companies that are used to hold the unquoted investments, valued as referred to above. All other assets and liabilities of the intermediate holding companies are held either at fair value or a reasonable approximation to fair value. The fair value of these intermediate holding companies therefore approximates to their NAV and the Company classifies the fair value as Level 3. As at 30 September 2014, the fair value of these investments was £0.6 million (September 2013: £13.3 million, March 2014: £0.6 million).

Over-the-counter derivatives
The Company holds its over-the-counter derivatives at fair value which represents the replacement cost of the instruments at the balance sheet date.

Valuation process for Level 3 valuations
Valuations are the responsibility of the Board of Directors of the Company. The valuation of unquoted investments, debt, managed fund and derivative investments is performed on a half-yearly basis by the valuation team of the Investment Adviser and reviewed by the Investment Committee of the Investment Adviser. The valuations are also subject to quality assurance procedures performed within the valuation team. The valuation team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. On a half-yearly basis, the Investment Committee presents the valuation results to the Board of Directors. This includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with significant fair value changes. The Investment Committee considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen. Any changes in valuation methods are discussed and agreed with the Company's Board of Directors.

5 Issued capital

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

	As at 30 September 2014		As at 30 September 2013		As at 31 March 2014	
	Number	**£m**	Number	£m	Number	£m
Issued and fully paid						
Opening and closing balance	**881,351,570**	**887.8**	**881,351,570**	**887.8**	**881,351,570**	**887.8**

Aggregate issue costs of £13.1 million arising from IPO and subsequent share issues were 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 2014, the residual value on the stated capital account was £181.6 million.

6 Per share information

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

	Six months to 30 September 2014	Six months to 30 September 2013 restated*	Year to 31 March 2014
Earnings per share (pence)			
Basic	**13.3**	0.7	8.1
Diluted	**13.3**	0.7	8.1
Earnings (£m)			
Profit after tax for the year attributable to equity holders of the Company	**117.4**	5.9	71.0
Number of shares (million)			
Weighted average number of shares in issue	**881.4**	881.4	881.4
Diluted shares	**881.4**	881.4	881.4

	As at 30 September 2014	As at 30 September 2013 restated*	Year to 31 March 2014
Net assets per share (pence)			
Basic	**136.3**	122.3	126.4
Diluted	**136.3**	122.3	126.4
Net assets (£m)			
Net assets attributable to equity holders of the Company	**1,201.7**	1,078.2	1,113.8

*Comparative information, including relevant Notes, has been restated to reflect the implementation of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

7 Dividends

	As at 30 September 2014 (unaudited)		As at 30 September 2013 (unaudited)		As at 31 March 2014 (audited)	
Declared and paid during the period	**pence per share**	**£m**	pence per share	£m	pence per share	£m
Interim dividend paid on ordinary shares	**-**	**-**	-	-	3.35	29.5
Prior year final dividend paid on ordinary shares	**3.35**	**29.5**	3.52	31.0	3.52	31.0
	3.35	**29.5**	3.52	31.0	6.87	60.5

The Company proposes paying an interim dividend of 3.38p per share which will be payable to those shareholders that are on the register on 28 November 2014. On the basis of the number of shares issued at 30 September 2014, this would equate to an interim dividend of £29.8 million.

8 Contingent liabilities

At 30 September 2014 the Company had issued €10.4 million in the form of Letters of Credit, drawn against the Revolving Credit Facility, for the investments into the A12 and RIVM PPP projects (September 2013: nil, March 2014: nil).

There was no material litigation outstanding against the Company or any of its subsidiary undertakings.

9 Related parties

Transactions between 3i Infrastructure and 3i Group plc
3i Group plc ("3i Group") holds 34.1% (September 2013: 34.1%, March 2014: 34.1%) of the ordinary shares of the Company. This classifies 3i Group as a "substantial shareholder" of the Company as defined by the Listing Rules.

The Company committed US$250 million to the 3i India Infrastructure Fund ("the India Fund") to invest in the Indian infrastructure market. 3i Group also committed US$250 million of investment capital to the India Fund. No commitments (September 2013: nil, March 2014: nil) were drawn down by the India Fund from the Company during the period. In total, commitments of US$183.7 million or £113.2 million re-translated had been drawn down at

30 September 2014 (September 2013: US$183.7 million or £113.7 million, March 2014: US$183.7 million or £110.4 million) by the India Fund from the Company. As the India Fund has reached the end of its investment period, the Company's outstanding commitment to the India Fund is limited to 15% of the original US$250 million commitment. At 30 September 2014, the outstanding commitment was US$37.5 million, or £23.1 million re-translated (September 2013: US$37.5 million or £23.2 million, March 2014: US$37.5 million or £22.5 million).

3i Networks Finland GP Limited, a subsidiary of 3i Group, receives a priority profit share from 3i Networks Finland LP, an unconsolidated subsidiary of the Company. During the period, £1.1 million (September 2013: £1.1 million, March 2014: £2.2 million) was payable directly to 3i Group, of which the Company's share was £1.0 million (September 2013: £1.0 million, March 2014: £2.0 million) and which was therefore offset against the total advisory fee payable by the Company. As at 30 September 2014, nil remained outstanding (September 2013: nil, March 2014: nil).

3i Osprey GP Limited, a subsidiary of 3i Group, receives a priority profit share from 3i Osprey LP, an unconsolidated subsidiary of the Company. During the period, £1.7 million (September 2013: £1.7 million, March 2014: £3.5 million) was payable directly to 3i Group, of which the Company's share was £1.2 million (September 2013: £1.1 million, March 2014: £2.4 million) and which was therefore offset against the total advisory fee payable by the Company. As at 30 September 2014, £0.4 million remained outstanding (September 2013: £0.3 million, March 2014: £0.3 million).

3i Investments plc, a subsidiary of 3i Group, acts as the exclusive Investment Adviser to the Company and provides its services under an Investment Advisory Agreement ("IAA"). It also acts as the manager for the India Fund. 3i plc, another subsidiary of 3i Group, together with 3i Investments plc, provides support services to the Company.

Under the IAA, an annual advisory fee is payable to 3i plc based on the Gross Investment Value of the Company 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 Group 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 that have been held by the Group for longer than five years. On 8 May 2014 the Company entered into an agreement with the Investment Adviser to amend the IAA (the "Amendment Agreement"), which was subsequently approved by the Company's shareholders at an extraordinary general meeting on 8 July 2014 and by the Jersey Financial Services Commission ("JFSC"). The Amendment Agreement included a new, lower fee of 1% per annum for any future investments in primary PPP and individual renewable energy projects. 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 the Group throughout a financial period. For the period to 30 September 2014, £7.1 million (September 2013: £6.8 million, March 2014: £14.0 million) was payable and £0.8 million (September 2013: £0.8 million, March 2014: £0.8 million) remains due to 3i plc. This amount includes fees of £2.1 million (September 2013: £2.1 million, March 2014: £4.4 million) which were paid directly from unconsolidated subsidiary entities to 3i plc.

The IAA 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. In addition, as part of the Amendment Agreement, from the year commencing 1 April 2014, following approval of the Company's shareholders and the JFSC, the performance fee includes a high water mark requirement so that, before payment of a performance fee, besides the 8% performance hurdle, the return must also exceed the performance level in respect of which any performance fee has been paid in the previous three financial years. The performance hurdle was exceeded for the period to 30 September 2014 and a performance fee of £7.6 million (September 2013: nil, March 2014: nil) has been accrued but is only payable based on the performance measured across the whole financial year.

As part of the Amendment Agreement, the IAA was extended for a period of four years and, 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 (to expire no earlier than 8 May 2019), 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 for the period to 30 September 2014 was £0.4 million (September 2013: £0.4 million, March 2014: £0.8 million). The outstanding balance payable as at 30 September 2014 was £0.2 million (September 2013: £0.2 million, March 2014: £0.2 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 (the "Company"), a company incorporated and registered in Jersey, and its subsidiaries (together referred to as the "Group") for the six-month period ended 30 September 2014.

The Half-yearly Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and the accounting policies set out in the Annual report and accounts 2014. They should be read in conjunction with the consolidated financial statements for the year to 31 March 2014, as they provide an update of previously reported information. The Company has sufficient financial resources to continue in operational existence for the foreseeable future. Accordingly, 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 5 November 2014.

The Half-yearly Financial Statements do not constitute statutory accounts. The statutory accounts for the year to 31 March 2014, prepared under IFRS as adopted by the European Union, and on which the auditors issued a report, which was unqualified, have been filed with the Jersey Financial Services Commission.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. All accounting policies and related estimates used in the preparation of the Half-yearly Financial Statements are consistent with those stated in the Annual report and accounts 2014.

IFRS 10 Consolidated Financial Statements and Investment Entities Amendments
For the year to 31 March 2014, the Group adopted IFRS 10 'Consolidated Financial Statements', including the Amendments, 'Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)'. Under the transitional provisions of IFRS 10, this change in accounting policy is required to be accounted for retrospectively. Therefore, the relevant comparative figures for the period to September 2013, have been restated.

The impact of adopting Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) is the deconsolidation of assets, liabilities, income and expenses of the subsidiary entities which were previously consolidated on a line-by-line basis. The intermediate holding companies are now held at fair value and no longer consolidated.

The total fair value as at 30 September 2013 of the subsidiaries that ceased to be consolidated was £746.4 million. The previous carrying value of these subsidiaries was £889.8 million. The difference of £143.4 million being attributable to the non-controlling interests (£140.9 million) with the remaining £2.5 million attributable to equity holders of the Company, which has been shown through reserves.

The overall impact on profit for the period to 30 September 2013 attributable to equity holders of the Company was a decrease of £8.0 million from £13.9 million to £5.9 million, as foreign exchange losses are now included within 'unrealised losses on the revaluation of investments' rather than in 'other comprehensive income'. There has been an associated impact in Earnings per share which have decreased from 1.6 pence per share to 0.7 pence per share.

Further details on the impact of the adoption of Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27) on the Financial Statements can be found in the Annual report and accounts 2014.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that:

a) the condensed set of financial statements have been prepared in accordance with IAS 34 as adopted by the European Union; and the interim report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance; and

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

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

By order of the Board

Peter Sedgwick
Chairman
5 November 2014

Board of Directors and their functions

Peter Sedgwick
Non-executive Chairman and chairman of the Nominations Committee and the Management Engagement Committee

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

Sir John Collins
Non-executive Director

Ian Lobley
Non-executive Director, appointed on 6 May 2014

Paul Masterton
Non-executive Director

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

Independent review report to the shareholders of 3i Infrastructure plc

Independent Review Report to 3i Infrastructure plc

Introduction

We have been engaged by 3i Infrastructure plc ("the Company") to review the condensed set of financial statements in the Half-yearly report for the six months ended 30 September 2014 which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, notes 1 to 9 to the accounts and the accounting policies section. We have read the other information contained in the Half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

As disclosed in the Basis of preparation section of the Accounting policies, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in the Half-yearly report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of Financial Statements in the Half-yearly report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the Half-yearly report for the six months ended 30 September 2014 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Jersey, Channel Islands
Date: 5 November 2014

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 Board approval. Depending on the size of the relevant investment and the identity of the relevant co-investor, such a co-investment arrangement may be subject to the related party transaction provisions contained in the Listing Rules and may therefore require shareholder consent.

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

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

Portfolio valuation methodology

A description of the methodology used to value the investment portfolio of 3i Infrastructure and its consolidated 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 in compliance with IFRS 13 Fair Value Measurement. Fair value is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.

General

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

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

Quoted investments

Quoted equity investments are valued at the closing bid price at the reporting date. In accordance with International Financial Reporting Standards, no discount is applied for liquidity of the stock or any dealing restrictions. Quoted debt investments will be valued using quoted prices provided by third-party broker information where reliable or will be held at cost less fair value adjustments.

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

- Discounted Cash Flow ("DCF")
- Proportionate share of net assets
- Sales basis
- Cost less any fair value adjustments required

DCF

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

Proportionate share of net assets

Where the Group has made investments into other infrastructure funds, the value of the investment will be derived from the Group's share of net assets of the fund based on the most recent reliable financial information available from the fund. Where the underlying investments within a fund are valued on a DCF basis, the discount rate applied may be adjusted by the Company to reflect its assessment of the most appropriate discount rate for the nature of assets held in the fund. In measuring the fair value, the net asset value of the fund is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, illiquid nature of the investments and other specific factors of the fund.

Sales basis

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

Cost less fair value adjustment

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

Information for shareholders

Note
The interim dividend is expected to be paid on 8 January 2015 to holders of ordinary shares on the register on 28 November 2014. The ex-dividend date will be 27 November 2014.

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
Shareholder helpline: +44 (0)20 8639 3399

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 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

3i Infrastructure plc

Registered office:
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands

Tel: +44 (0)1534 847 410

Registered in Jersey No. 95682

3i Infrastructure plc is regulated by the Jersey Financial Services Commission.