



Half-yearly report 2012



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Performance highlights

Our performance for the six months to 30 September 2012

Steady NAV growth

Total return of £30.9 million, or 3.0% on shareholders' equity

Strong performance in European portfolio

Growth in EBITDA of underlying operational investments (including those held in the 3i India infrastructure Fund) of 3.1% over the prior corresponding six-month period

Portfolio income in line with expectations

Portfolio income of £30.8 million

Interim dividend meets target distribution

Interim dividend of 2.97p (or £26.2 million in aggregate) represents 2.5% of opening equity

The numbers above are presented according to the investment basis of preparation and are not presented in accordance with International Financial Reporting Standards.

Our business

Our strategy is to invest in infrastructure businesses, making equity and junior or mezzanine debt investments. We invest in companies with stable underlying performance: asset-intensive businesses, providing essential services over the long term, often on a regulated basis, or with significant contracted revenues.

Our objective is to provide shareholders with a total return of 12% per annum over the long term, to be achieved by building and managing a balanced portfolio of infrastructure investments. Within this overall objective we target an annual distribution yield of 5% of opening net asset value.

Our **market focus** is on core infrastructure in Europe, principally in the utilities and transportation sectors. We also have investments in social infrastructure, as well as in hybrid infrastructure through our commitment to the 3i India Infrastructure Fund. The infrastructure asset class offers the opportunity to diversify investments across the risk/return spectrum.

Social infrastructure/ PPP/PFI

Typically **government-backed concessions**, mainly in education, healthcare and accommodation. These investments tend to provide returns between 8–12%, mostly through yield, as well as high inflation correlation.

11%

£96m portfolio value at
30 September 2012

Core infrastructure

Also known as **“economic” infrastructure**; these investments typically provide returns between 10–16%. Key characteristics include **low volatility across economic cycles** and **strong market positions** through favourable competitive dynamics or regulatory protection. An in-depth operational understanding is key to driving value from these investments, as these tend to be dynamic businesses, not concessions with a finite life.

77%

£680m portfolio value at
30 September 2012

Hybrid infrastructure

These investments have **higher risk characteristics**, usually through exposure to greater market or geopolitical risk, and as such tend to provide returns above 15% over the long term.

12%

£110m portfolio value at
30 September 2012

Yield

Capital growth

A closer look at our business

Financial highlights for the six months to 30 September 2012

	Investment basis ⁽¹⁾		Consolidated IFRS basis ⁽²⁾	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
Total return	£30.9m	£15.9m	£30.5m	£15.9m
Total return on shareholders' equity ⁽³⁾	3.0%	1.6%	2.9%	1.6%
Interim dividend per share	2.97p	2.97p	2.97p	2.97p
Net asset value ("NAV")/share ⁽⁴⁾	121.6p	119.4p	121.9p	119.9p
NAV after deducting interim dividend	118.6p	116.4p	118.9p	116.9p
Portfolio value	£885.8m	£715.8m	£1,172.8m	£979.8m
Cash balances	£169.9m	£310.1m	£179.2m	£318.7m

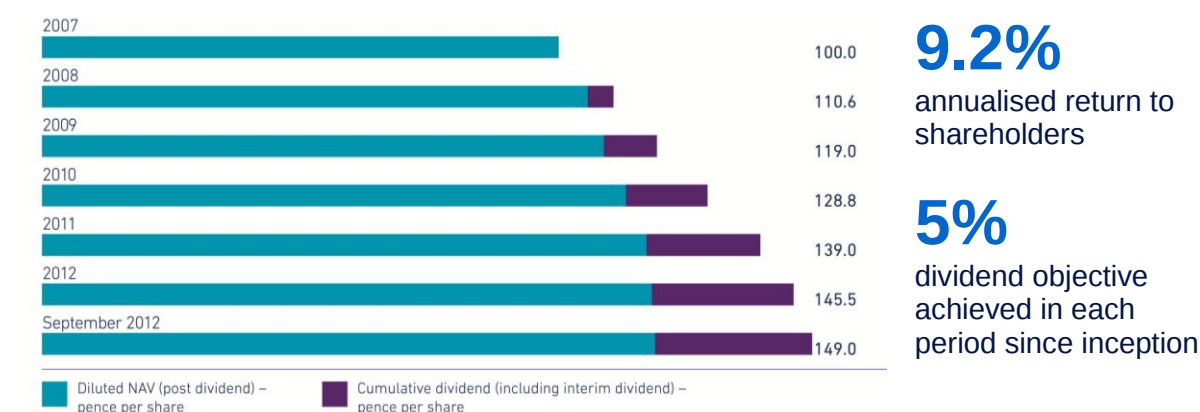
(1) The investment basis accounts for majority investments and subsidiaries formed specifically for investment purposes in the same way as minority investments and does not consolidate these entities as required by International Financial Reporting Standards ("IFRS").

(2) For the consolidated IFRS basis, the total return in this measure is the total comprehensive income attributable to equity holders of the parent and does not include minority interests. The gross consolidated total return for the six months to 30 September 2012 was £36.0 million (September 2011: £20.3 million).

(3) In the six months to 30 September 2011, shareholders' equity is the time-weighted average of (i) opening shareholders' funds, less the final prior-year dividend paid and (ii) the equity proceeds raised through the conversion of warrants.

(4) The NAV as at 30 September 2011 was diluted to take into account the warrants that were outstanding at that date. The warrants expired on 13 March 2012 and no further dilutive securities are outstanding.

Our track record – growth in shareholder returns

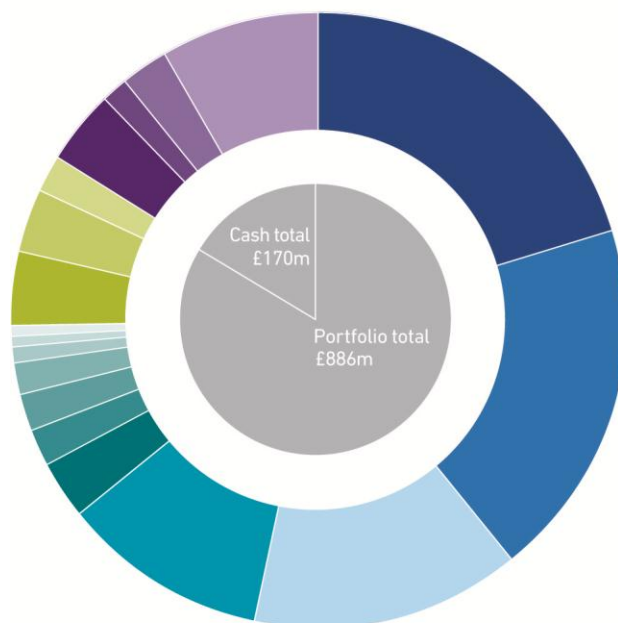


Our portfolio

15
assets

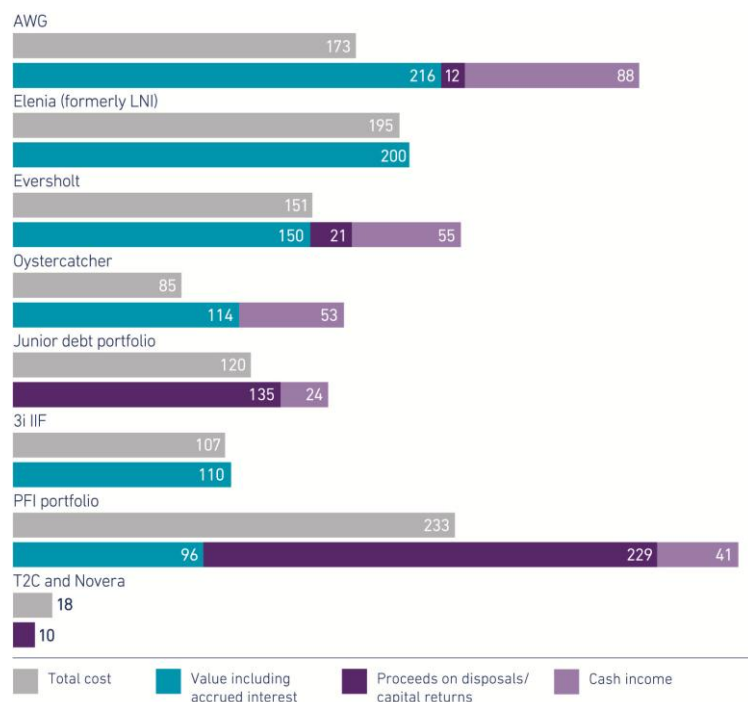
£886m
portfolio
value

£170m
cash
balances



	£m
Anglian Water Group	216
Elenia (formerly LNI)	200
Eversholt Rail Group	150
Oystercatcher	114
3i India Infrastructure Fund	
Krishnapatnam Port	32
Adani Power	21
GVK Energy	20
KMC Roads	16
Soma Enterprise	10
Ind-Barath Utkal	6
Supreme	5
PFI portfolio	
Elgin	43
Octagon	34
Alpha Schools	19
T2C	nil
Total portfolio value	886
Cash	
Cash committed to India	41
Cash to be committed to Dalmore	15
Cash committed to interim dividend	26
Free cash	88
Total cash	170

Our track record – value creation from the portfolio



16%

annualised asset
IRR since inception
to 30 September
2012

The calculation of the IRR (Internal Rate of Return) uses cash flows generated from the assets to work out the annualised effective compound rate of return. The calculation uses closing values for assets that have not been sold. Note: the Junior debt portfolio is now fully realised, and the PFI portfolio includes assets that have now been realised. All data on this page is presented according to the investment basis of preparation.

Chairman's statement



“In a volatile market and macroeconomic environment, the Board and Investment Adviser have remained focused on driving value from the Company’s existing portfolio to deliver consistent returns to shareholders. Our investments have continued to perform well in the period, building on our robust track record of returns.”

Peter Sedgwick, Chairman, 7 November 2012

3i Infrastructure plc (“3i Infrastructure” or “the Company”) delivered a stable financial performance for the six months to the end of September 2012, growing net asset value through good income generation and the consistent performance of the European portfolio. This growth was partly offset by the weaker performance of the 3i India Infrastructure Fund and foreign exchange losses from the exposure to the Indian rupee.

Performance

The total comprehensive income attributable to the equity holders of the parent (the “total return”), on a consolidated IFRS basis, totalled £30.5 million in the six months to 30 September 2012. On an investment basis, which the Board also uses to monitor investment performance, the total return totalled £30.9 million, or 3.0% on shareholders’ equity. This return was supported by value growth across the European portfolio assets, which, in the period, also generated income of £30.8 million.

The performance of the 3i India Infrastructure Fund continued to suffer from macroeconomic uncertainty in that market, reflected in the weakness of the Indian rupee against sterling (our exposure to the rupee is unhedged), and from issues affecting power producers in the country, which resulted in the decline in the mark-to-market valuation of Adani Power Limited.

Dividend

Based on the good levels of income generated in the period, the Board proposes an interim dividend of 2.97 pence per share (September 2011: 2.97 pence per share), which represents a 2.5% return on shareholders’ equity, in line with the Company’s objective of paying an annual dividend of 5% on shareholders’ equity.

Activity in the period

The Investment Adviser assessed a number of investment opportunities in the period. The Company added one asset to the portfolio in the six months to the end of September 2012: the £4.9 million investment, through the 3i India Infrastructure Fund, in a portfolio of road build-operate-transfer companies of Supreme Infrastructure India Limited.

There was no realisation activity in the period, however the Company received proceeds of £6.6 million from Eversholt Rail Group from the partial repayment of a shareholder loan.

In October, after the period end, the Company announced that it had made a commitment of £15 million to the Dalmore Capital Fund ("Dalmore"), £10 million of which has already been drawn to fund Dalmore's £89.5 million acquisition of a 49.9% stake in a portfolio of UK PFI assets from Interserve plc. Dalmore is managed by Dalmore Capital Limited ("Dalmore Capital") which is run by key members of the team that managed I², a secondary PFI fund in which 3i Infrastructure previously held an investment and which generated an IRR for the Company of 23.8% on full exit.

The investment in Dalmore builds on the Company's strong track record in social infrastructure and provides it with access to the specialist investment skills of the team at Dalmore Capital in the secondary PFI market. The investment is also consistent with the Company's objective of maintaining a degree of exposure to PFI/PPP, following last year's repayment of the residual I² loan notes.

Cash balances

At 30 September 2012 the Company had cash balances of £170 million, broadly flat compared to £173 million at the end of March 2012. Of this amount, £15 million has since been committed to Dalmore and £26 million will be paid in January 2013 as interim dividend.

Outlook

As outlined in more detail in the Investment Adviser's review, the market for infrastructure investment remains competitive. Against this backdrop, the Board and the Investment Adviser have ensured that investment discipline is maintained and that any new investment is priced at a level consistent with maintaining the Company's good track record. In the meantime, we will remain focused on driving value from the existing portfolio to deliver consistent returns to our shareholders.

Investment Adviser's review



“Investing in assets at the appropriate price point remains key to maintaining a track record of strong returns. We continue to seek opportunities where we have a competitive advantage over other bidders, where we can engage at an early stage or leverage our relationships in the market to ensure that the level of returns to shareholders is maintained.”

Cressida Hogg, Managing Partner, Infrastructure, 3i Investments plc, 7 November 2012

About the Investment Adviser

3i Investments plc (“3i Investments”), a wholly-owned subsidiary of 3i Group plc (“3i Group”), acts as the investment adviser (the “Investment Adviser”) to the Company through its infrastructure investment team (the “investment advisory team”). The investment advisory team provides advice to the Company on the origination and completion of new investments, on the realisation of investments and on funding requirements, as well as on the management of the investment portfolio. The investment advisory team is managed as a separate business line within 3i Group and operates from hubs in London and India.

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

Market and opportunities

Europe

While there have been attractive assets changing hands in the infrastructure market over the last six months, relative price points for many deals have been high. This reflects the strong competition for some types of assets from investors keen to build exposure in the infrastructure asset class, for example sovereign wealth funds and specialist infrastructure investment funds.

Most of the transactions completed over the last six months originated from the disposal of non-core activities by large corporates seeking to deleverage and refocus their business, or secondary sales by other infrastructure investors. The promised drive by governments to use infrastructure investment as an engine for growth, however, has not yet resulted in many opportunities for the private sector, but we continue to believe that it could in the future.

The Company’s investment in Dalmore (described in more detail on page 18) emerged from the Investment Adviser’s relationships in the infrastructure market. Dalmore is managed by key members of the team that managed I², one of the investments that comprised the Company’s seed portfolio at IPO which has since been realised. Since the I² exit we have maintained a strong relationship with the Dalmore team. The Board and Investment Adviser believe that the team can replicate its success at I² in delivering value enhancements across the portfolio and use its market presence to source further attractive opportunities. This investment is consistent with the Company’s intention of maintaining some exposure to the PFI/PPP market, and has the advantage of diversifying risk through an investment in portfolios, rather than single projects.

India

Transaction activity has declined in India over the past two years, as a result of a number of factors, including lower GDP growth rates, a growing fiscal deficit, currency volatility, persistently high inflation and high interest rates. While the fundamental case for infrastructure development (and for private involvement in this) remains unaltered, there are challenges in this market at present. In addition, the Indian power sector generally has suffered from adverse factors, including a shortfall in domestic coal production and sharp rises in the cost of imported fuel.

The 3i India Infrastructure Fund (the “Fund”) made a new investment in the period, in the build-operate-transfer road portfolio of Supreme Infrastructure India Limited. 3i Infrastructure contributed £4.9 million towards that investment. The Fund is nearing the end of its investment period, and we do not expect significant new investment activity from the Fund for the remainder of the year.

Pipeline and outlook

We are currently assessing a number of investment opportunities for the Company. As part of the XLT consortium (which also includes Siemens and Innisfree), we continue to progress negotiations with the Department for Transport to achieve financial close for the Thameslink procurement project, for which the consortium is preferred bidder.

Investing in assets at the appropriate price point remains key to maintaining a track record of strong returns in the future, and in this competitive environment the Board and the Investment Adviser have maintained their pricing discipline, withdrawing from sale processes on a number of occasions. The Investment Adviser continues to seek opportunities where it has a competitive advantage over other bidders, where it can engage at an early stage or leverage market relationships to ensure that the level of returns to shareholders is maintained.

Portfolio

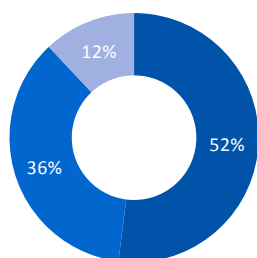
Table 1 below summarises the valuation and movements in the portfolio, as well as the return per asset, for the six months to 30 September 2012, on an investment basis. Charts 1, 2 and 3 below illustrate the breakdown of the portfolio by geography, sector and maturity at 30 September 2012. Chart 4 illustrates the distribution of the portfolio in the risk/return framework presented on page 4.

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

Portfolio assets	Directors' valuation 31 March 2012	Investment in the period	Divestment in the period	Value movement	Foreign exchange translation	Directors' valuation 30 September 2012	Profit on disposal	Income in the period	Asset total return in the period
Anglian Water Group	209.4	-	-	6.3	-	215.7	-	7.5	13.8
Elenia	201.0	-	-	7.6	(8.5)	200.1	-	-	(0.9)
Eversholt Rail Group	154.2	-	(6.6)	2.3	-	149.9	-	9.0	11.3
Oystercatcher	118.2	-	-	1.1	(5.1)	114.2	-	11.2	7.2
3i India Infrastructure Fund	114.2	4.9	-	(7.9) ¹	(1.1)	110.1	-	-	(9.0)
Elgin	42.0	-	(0.2)	0.8	-	42.6	-	1.3	2.1
Octagon	33.3	-	-	0.5	-	33.8	-	1.0	1.5
Alpha Schools	18.5	-	-	0.9	-	19.4	-	0.8	1.7
T2C	-	-	-	-	-	-	-	-	-
	890.8	4.9	(6.8)	11.6	(14.7)	885.8	-	30.8	27.7

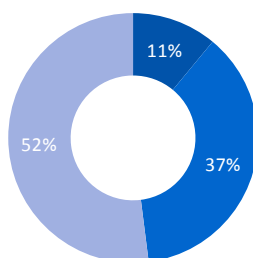
¹ Includes a £3.8 million negative impact from US\$/rupee exchange movements.

Chart 1
Portfolio by geography



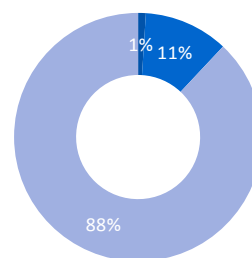
■ UK and Ireland
■ Continental Europe
■ Asia

Chart 2
Portfolio by sector



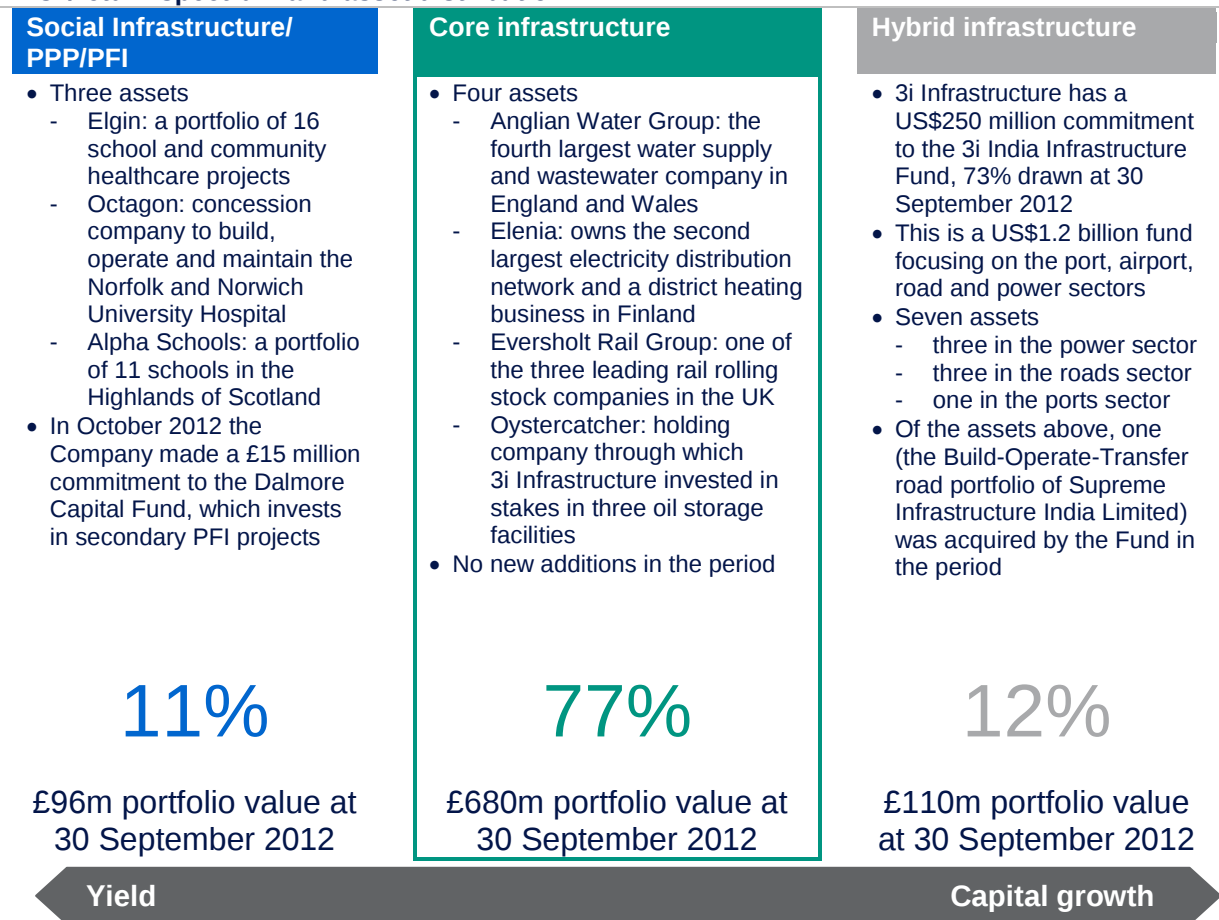
■ Social Infrastructure
■ Transportation
■ Utilities

Chart 3
Portfolio by maturity



■ Early stage
■ Operational growth
■ Mature

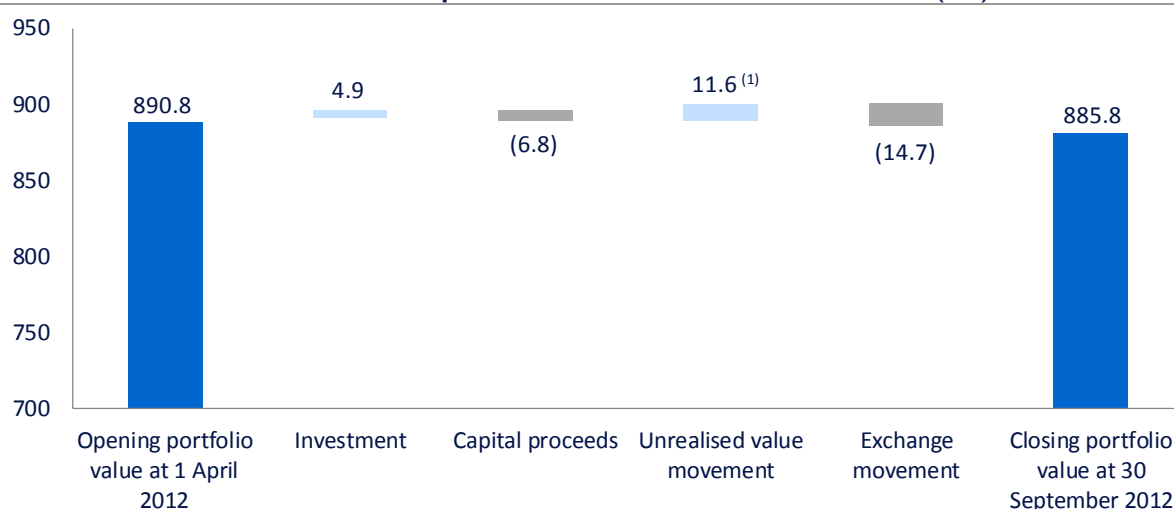
Chart 4
Risk/return spectrum and asset distribution



Movements in portfolio value

As set out in Chart 5, the portfolio was valued at £885.8 million at 30 September 2012, compared to £890.8 million at 31 March 2012. The value of the portfolio remained broadly flat due to low levels of investment and divestment activity, and as value growth of £11.6 million was more than offset by reported foreign exchange losses of £14.7 million.

Chart 5
Reconciliation of the movement in portfolio value on an investment basis (£m)



(1) Includes a £3.8 million negative impact from US\$/rupee exchange movements. Exchange movements are described in Table 2 on page 15.

Investment

There was limited investment activity in the period. At the end of January 2012, the 3i India Infrastructure Fund entered into an agreement to acquire a minority stake in a portfolio of road build-operate-transfer ("BOT") companies of Supreme Infrastructure India Limited. The transaction closed on 3 July 2012, with the Fund investing US\$35.9 million. 3i Infrastructure invested US\$7.5 million (£4.9 million) through the Fund as its share in this transaction.

Divestment

There was no realisation activity in the period. However the Company received proceeds of £6.6 million from Eversholt Rail Group from the partial repayment of a shareholder loan. In addition, £0.2 million was received from Elgin following a partial repayment of a shareholder loan.

Unrealised value movement

As shown in Table 1, overall the portfolio generated a total unrealised value gain of £11.6 million (September 2011: £18.1 million loss), with the European portfolio achieving robust returns in the period, increasing in value by £19.5 million. This positive performance was partially offset by weaker performance in India. The valuation of the Company's holding in the 3i India Infrastructure Fund declined by £7.9 million in the period.

Core portfolio

The core portfolio generated a good value uplift in the period, with unrealised value growth of £17.3 million, driven by the continued strong operational performance of the underlying investments. This was offset in most cases by income receipts.

The valuation of Anglian Water Group (£215.7 million at the end of September 2012, compared to £209.4 million six months earlier) benefited from a number of positive factors, including the end of drought conditions following a period of intense rainfall and the successful refinancing of new debt at attractive rates. AWG is performing in line with its regulatory settlement, and is making good progress in the implementation of its capital expenditure programme.

Elenia (formerly Lakeside Network Investments) was valued at £200.1 million at 30 September 2012 compared to £201.0 million six months earlier. While the value decreased marginally in sterling terms, the underlying value of the business increased by £7.6 million in the period, reflecting the resolution, post acquisition, of a number of outstanding matters with the vendor. Pending the finalisation of a post-acquisition corporate restructuring, the Company has not yet accrued or received income from Elenia, which has resulted in a higher valuation while undistributed cash is retained within the business. These positive factors were, however, more than offset by an £8.5 million foreign exchange loss, as the investment is denominated in euro. The Company's euro exposure is nearly fully hedged, as set out in more detail on page 15 and in Table 2.

Eversholt was valued at £149.9 million at the end of September, which after a loan repayment of £6.6 million is broadly flat compared to the March valuation of £154.2 million. The valuation benefits from Eversholt's continued strong operational performance in the period, which has been balanced by distributions of income.

The valuation of Oystercatcher (£114.2 million, compared to £118.2 million six months earlier) reflects a modest value uplift of £1.1 million, which was more than offset by income paid to 3i Infrastructure in the period, and by foreign exchange losses of £5.1 million. The three terminals continue to perform well, in line with expectations.

PFI portfolio

The PFI portfolio achieved unrealised value growth of £2.2 million in the period (September 2011: £1.6 million). As in previous periods, this was driven by the continued robust operational performance of the assets, offset by the income paid to 3i Infrastructure in the period.

3i India Infrastructure Fund

The valuation of the Company's investment in the 3i India Infrastructure Fund declined from £114.2 million at the end of March 2012 to £110.1 million at 30 September 2012, after new investment of £4.9 million. This movement was driven principally by a further reduction in the valuation of Adani Power Limited, following a 23% decline in its share price. In addition to losses from the depreciation of the rupee, the valuation of the power sector assets in the portfolio declined in the period, due to factors including the availability and pricing of fuel, the terms of power purchase agreements with State Electricity Boards and other market factors. These losses were partially offset by continued progress in the development of the Fund's port and road assets (some of which began tolling), which contributed to a net value increase of £2.4 million in the period. The performance of the assets in the 3i India Infrastructure Fund is described in more detail in the asset review on page 29.

Foreign exchange impact

As shown in Table 2, the reported foreign exchange loss on investments of £14.7 million reduced to a net £5.9 million loss after the impact of other foreign exchange related movements, including the impact of the foreign exchange hedging programme.

The Indian rupee depreciated by 4.4% against sterling in the period, resulting in aggregate foreign exchange losses of £4.9 million for the Company, as its exposure to the Indian rupee through the 3i India Infrastructure Fund remains unhedged. The Board monitors both the rupee exposure and the cost/benefit of hedging that exposure on a regular basis.

During the period, the euro also depreciated by 4.2% against sterling, but the losses were almost entirely offset by the impact of the foreign exchange hedging programme undertaken to provide mitigation from movements in that exchange rate, resulting in a net negative impact of only £1.0 million.

Table 2			
Impact of foreign exchange movements on portfolio value six months to 30 September 2012 (£m)			
	£ / rupee	£ / €	Net impact
Translation of assets £ / US\$	(1.1)		(1.1)
Translation of assets £ / €		(13.6)	(13.6)
Reported foreign exchange losses on investments			(14.7)
Asset valuation US\$ / rupee ⁽¹⁾	(3.8)		(3.8)
Movement in the fair value of derivative financial instruments (£ / € hedging)		12.6	12.6
Other foreign exchange movements			8.8
Net foreign exchange losses	(4.9)	(1.0)	(5.9)

(1) Contained within Unrealised profits/(losses) on revaluation of investments in Table 3 on page 32.

Underlying asset performance

The fully operational assets owned by the Company performed robustly in the period.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") across the portfolio increased by 3.1% for the six months to 30 September 2012 compared to the prior comparable six-month period. This figure is calculated on a weighted average basis and the assets included in this analysis are those that have been operational and held by the Company for one year or more: AWG, Eversholt, Oystercatcher, Elgin, Octagon, Alpha Schools, and within the 3i India Infrastructure Fund, Adani Power, Krishnapatnam Port and Soma Enterprise. KMC Roads is excluded from this analysis, as a direct period-to-period comparison is not possible.

The core investments performed well in the six months. AWG's EBITDA increased by 3.1%, as the performance of Morrison Facilities Services (a non-regulated subsidiary) improved. Eversholt's EBITDA increased by 4.1% supported by the delivery of a new fleet during the last financial year and Oystercatcher's by 9.9%, due to the impact of contract renewals at improved rates and benefits from foreign exchange rate movements.

For the Indian assets overall, aggregate profitability was lower due to macroeconomic and market issues affecting their performance. These are described in more detail in the 3i India Infrastructure Fund review on page 29.

Summary of valuation methodology

Investment valuations are calculated at the half year and at the financial year end by the Investment Adviser and then reviewed and approved by the Board. Investments are reported at the Directors' estimate of fair value at the reporting date.

The valuation principles used are based on International Private Equity and Venture Capital valuation guidelines, generally using a discounted cash flow ("DCF") methodology (except where a market quote is available), which the Board considers to be the most appropriate valuation methodology for unquoted infrastructure equity investments.

Where the DCF methodology is used, the resulting valuation is checked against other valuation benchmarks relevant to the particular investment, including for example:

- earnings multiples
- recent transactions
- quoted market comparables
- regulated asset base multiples

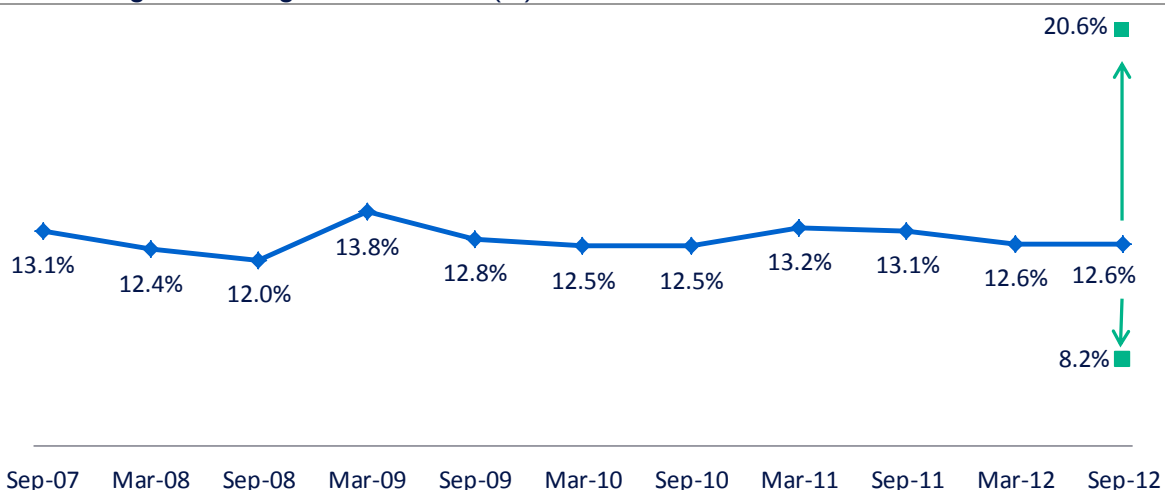
The UK government is currently undertaking a review of the methodology used for calculating RPI. As at the end of September 2012, 37.0% of the portfolio had revenues directly linked to UK inflation. The Board and Investment Adviser will continue to monitor the outcome of the RPI review, as ongoing RPI is a key factor in some asset valuation models.

Discounted cash flow and discount rates

As at 30 September 2012, 96.7% of the portfolio was valued on a DCF basis. The weighted average discount rate applied at that date was 12.6% (September 2011: 13.1%), deriving from a range of 8.2% (for an operational PFI asset) to 20.6% (for a project within the 3i India Infrastructure Fund). There were no changes to individual discount rates in this six-month period. The decrease in the weighted average discount rate compared to September 2011 is due principally to the addition of Elenia to the portfolio.

Chart 6 shows the movement in the weighted average discount rate applied to the portfolio at the end of each six-month period since inception.

Chart 6
Portfolio weighted average discount rate (%)



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

Risk-free rates (equating to 10/30-year government bond yields) have declined moderately since March 2012. In light of current market conditions and asset specific factors, reflected in our assessment of risk premia and of current market pricing, the discount rates used to value the assets since the last valuation at 31 March 2012 have remained unchanged.

3i India Infrastructure Fund

The Company’s investment in the 3i India Infrastructure Fund was valued as the Company’s share of net assets held by the Fund. Within the Fund valuation, Adani Power, which has been a listed company since August 2009, was valued on a mark-to-market basis using closing bid prices. All other assets were valued on a DCF basis, with the exception of a portion of Soma Enterprise’s valuation, which was calculated using earnings multiples, and a small element of the Krishnapatnam Port valuation, derived from the value attributable to a put option, which provides downside valuation protection.

Activity since the period end

Investment activity

On 4 October 2012 the Company made a commitment of £15.0 million to the Dalmore Capital Fund (“Dalmore”). Of this commitment, £10.0 million was advanced in October 2012 to finance Dalmore’s £89.5 million acquisition from Interserve plc of a 49.9% stake in two vehicles that together hold 19 UK PFI assets, including hospitals and schools.

3i Infrastructure’s commitment to Dalmore will not result in the Company incurring fees above the level normally due to the Company’s Investment Adviser under the Investment Advisory Agreement.

More details on the strategic rationale for the investment are provided in the Market and Opportunities section on page 9.

Investment Advisory Agreement

In November 2012 the Company signed an amendment to its Investment Advisory Agreement, extending it to give the Company further exclusivity with the Investment Adviser to cover the cash balances available for investment at 30 September 2012. There were no other amendments to the terms of the agreement.

Review of investments

Anglian Water Group



Cost	£161.9m
Opening value	£209.4m
Closing value	£215.7m
Equity interest	10.3%
Income in the period	£7.5m
Asset total return in the period	£13.8m
Valuation basis	DCF

The value on an IFRS basis is £314.9 million.

Description

Anglian Water Group Limited (“AWG”) is the parent company of Anglian Water, the fourth-largest water supply and wastewater company in England and Wales as measured by regulatory capital value. The majority of the group’s revenue is earned through tariffs regulated by Ofwat and linked to RPI. The group also includes Morrison Facilities Services, a support services business focused on the local authority and social housing sectors and a small property business.

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

Investment rationale

AWG 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 it 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 supply and wastewater treatment;
- 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 relatively modern asset base; and
- operations in a geographic region with high population growth and relatively low industrial exposure, limiting cyclical correlation.

What has been achieved in the period of ownership

AWG has flourished under private ownership. It has refocused on its core business, selling Morrison Utilities Services and much of its property portfolio. The company has been able to adopt a more efficient 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 (“RCV”) 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 rather than short-term 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.

Developments in the period

AWG has continued to perform robustly during the period. Anglian Water is making good progress in the implementation of its regulatory settlement, with a strong focus on its wide-ranging efficiency programme.

The key issue facing Anglian Water at the end of March 2012, when the Company last reported, was the drought which followed two unusually dry winters. In response to this situation, AWG had obtained drought permits from the Environment Agency to allow increased abstraction from waterways, and started the implementation of incremental capital expenditure to improve the resilience of water supply and encourage water conservation. In addition, a hosepipe ban was imposed on 5 April 2012, just at the start of an extended period of very wet weather. The heavy rains seen between April and June have relieved the drought conditions, water resources have been replenished, and the hosepipe ban was lifted on 14 June 2012. However, the incremental capital expenditure implemented as a result of the drought has meant that the income received by the Company from AWG in the period was lower than for the first six months of last year.

Anglian Water continues to perform strongly against its peers, ranking second in Ofwat’s Service Incentive Mechanism survey for the year ending March 2012 and first across the last three quarterly periods to June 2012.

Following the publication of its Water White Paper in December 2011, the Government published its draft Water bill in July 2012, setting out a number of changes to the structure of the industry, including the extension of competition for business customers, changes to the abstraction regime to encourage more efficient use of water resources and measures to help the industry manage bad debts. Anglian Water remains pro-active across the broad range of issues and will continue to engage widely to ensure that it influences, and is well placed to respond to, the changes that will ensue.

The performance of Morrison Facilities Services, a subsidiary of AWG active principally in the provision of repairs and maintenance services to the social housing sector, has stabilised during the period. A number of measures were implemented by management to respond to lower demand levels from local authorities and restore profitability.

Elenia (formerly Lakeside Network Investments)



Cost	£194.8m
Opening value	£201.0m
Closing value	£200.1m
Equity interest	39.3%
Asset total return in the period ⁽¹⁾	£(0.9)m
Valuation basis	DCF
(1) Includes an unrealised foreign exchange loss of £8.5 million.	

Description

Elenia holds 100% of two companies: Elenia Verkko Oy (“Elenia Verkko”) and Elenia Lämpö Oy (“Elenia Lämpö”).

Elenia Verkko is the second-largest electricity distribution network in Finland. Headquartered in Tampere, it serves around 400,000 customers in South West Finland, and has a 12% market share. The business is regulated on a four-year cycle, delivering a set return on its regulated asset base.

Elenia Lämpö operates 17 local district heating networks, with strong market shares in their areas, and owns the seventh longest network in Finland. District heating, which involves the pumping of hot water directly into homes from central hubs for heating and general purposes, is not regulated in Finland.

The investment is held through 3i Networks Finland LP, an intermediary limited partnership with one other third party and which is managed separately by 3i Investments.

Investment rationale

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

Elenia has strong infrastructure characteristics:

- Elenia Verkko 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.

Developments in the period

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, including a new Finance Director for Elenia Verkko.

The businesses, supported by the consortium, have made progress in the implementation of a post-acquisition corporate reorganisation and merger. This process is set to complete by the end of the current financial year, which should allow for distributions to commence from the holding company to shareholders, including 3i Infrastructure.

The consortium has also engaged with the management team of Elenia Verkko to update and enhance its capital expenditure plans. A number of acquisition opportunities were also examined, with the first bolt-on acquisition completed in August 2012. This was a small distribution company in which Elenia already owned a 50% holding. Elenia purchased the remaining 50% of the shares from Lahti Energia. This acquisition reinforces the Company's thesis on consolidation opportunities in the sector.

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

Eversholt Rail Group



Cost	Closing: £129.7m	Opening: £136.4m
Opening value	£154.2m	
Closing value	£149.9m	
Equity interest	33.3%	
Capital repayment in the period	£6.6m	
Income in the period	£9.0m	
Asset total return in the period	£11.3m	
Valuation basis	DCF	

Description

Eversholt Rail Group (“Eversholt”) is one of the three leading rail rolling stock companies in the UK, and owns approximately 29% of the current UK passenger train fleet. Its 19 fleets, predominantly weighted towards electric trains, are leased to 12 Train Operating Companies (“TOCs”). Although its primary revenue stream consists of lease payments from TOCs, it 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

3i Infrastructure, in consortium with Morgan Stanley Infrastructure Partners and STAR Capital Partners, acquired 100% of Eversholt in December 2010.

Eversholt is a well established infrastructure business and fits well with 3i Infrastructure’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.

What has been achieved in the period of ownership

The consortium has strengthened Eversholt'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's technical, legal and financial resources, positioning it well to manage the significant increase in workload during the next two to three years of rail franchise tendering.

Eversholt's capital structure was de-risked 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.

The consortium has engaged closely with the management team 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.

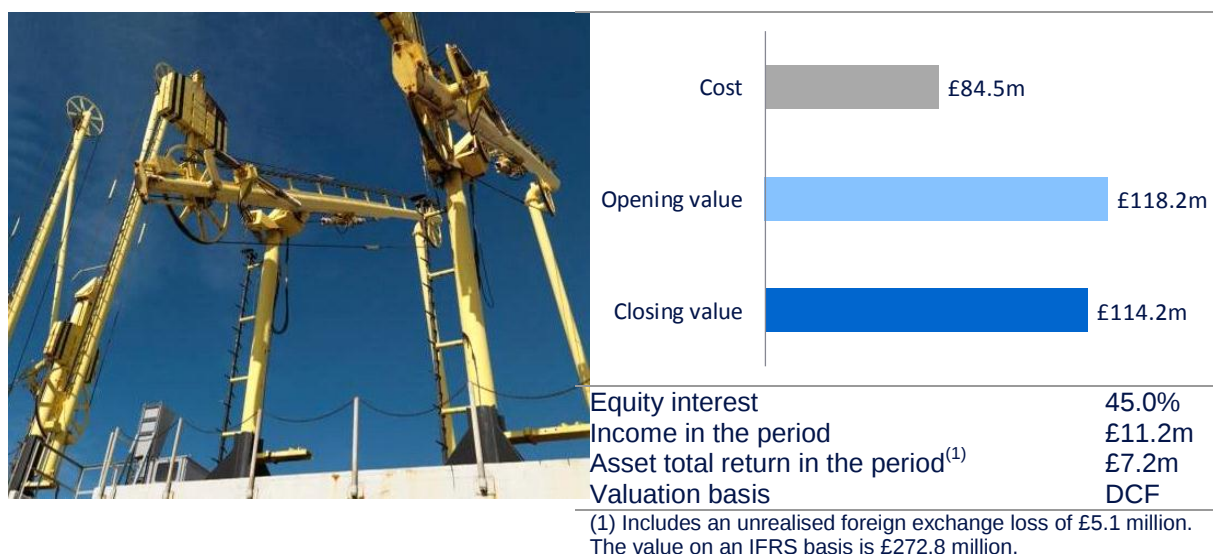
Developments in the period

Eversholt has continued to perform strongly in the period, with its EBITDA increasing by 4.1% compared to the prior comparable six-month period. This has allowed Eversholt to repay an additional £6.6 million of its shareholder loan as described on page 13. The Company also accrued regular interest payments of £9.0 million. The proceeds of £6.6 million account for the difference between opening and closing cost in the chart on the previous page.

The key issue currently affecting the business is the refranchising and re-leasing of current fleets. In August 2012, the Department for Transport announced that it had selected FirstGroup to run the new 15-year Intercity West Coast franchise. Following an internal assessment of the process, the Department for Transport revoked the award of that franchise and suspended a number of other refranchising processes, pending a review. While Eversholt does not currently have rolling stock on lease for the Intercity West Coast franchise, it does have assets on lease to the other affected franchises. The delays in the refranchising programme are unfortunate, but should not have a material impact on Eversholt's valuation or short-term profitability.

Market developments have provided a number of asset management opportunities for Eversholt. The company signed Heads of Terms to provide asset management services to the Cross London Trains ("XLT") consortium, the preferred bidder for the Thameslink rolling stock procurement programme, and is seeking a similar role for Crossrail.

Oystercatcher



Description

Oystercatcher Luxco 2 S.à r.l. (“Oystercatcher”) is the holding company through which 3i Infrastructure invested in 45% stakes in three subsidiaries of Oiltanking GmbH (“Oiltanking”), located in the Netherlands, Malta and Singapore. These businesses provide over 3.6 million cubic metres of oil, petroleum and other oil-related 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 73 terminals in 22 countries with a total storage capacity of 19.7 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 dominant player in the oil storage market, with a strong operational reputation.

What has been achieved 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 slowdown, 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 23%, while annual throughput has increased by 21%.

Developments in the period

All three terminals have performed in line with expectations in the period.

Market conditions have not been as favourable as in previous years, as trading margins remain squeezed by a shallower forward curve, as well as by lower volatility in oil prices. Despite this, all storage capacity has continued to be fully let throughout the period, with strong contract renewal rates, and throughput levels have remained high.

In Malta, the construction of an LPG pipeline to transport LPG imports from Oiltanking’s jetty to a new storage facility (owned by GASCO Energy Ltd) was completed within budget, and the first cargo was received in June. Completion of this pipeline is important, as a smooth supply of LPG is vital to the Maltese economy.

In March 2012, the Company increased the discount rate used to value its holding in Oystercatcher to reflect an increase in the refinancing risk and greater sensitivity to interest rate and exchange rate movements, as the acquisition facility and associated hedging instruments approach maturity in 2014. The Investment Adviser has commenced the process to refinance the acquisition facility and expects to complete the refinancing significantly before maturity.

PFI portfolio



Cost	£67.6m
Opening value	£93.8m
Closing value	£95.8m
Equity interest	
Elgin	49.9%
Octagon	36.8%
Alpha Schools	50.0%
Income in the period	£3.1m
Asset total return in the period	£5.3m
Valuation basis	DCF

Description

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 subcontracted 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 subcontracts the provision of facilities services to Serco.

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

Investment rationale

Exposure to social infrastructure through PFI projects provides the Company’s portfolio with lower risk, index-linked cash flows. All assets in the Company’s PFI portfolio are fully operational and deliver a robust yield.

What has been achieved in the period of ownership

All assets in the PFI 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 generated significant value through the sale of the Company's holdings in Alma Mater and I², which were sold at significant uplifts over cost in 2008 and 2009 respectively. The exit from I², which was completed in November 2011 through the repayment of the residual vendor loan notes, generated an IRR of 23.8%.

Developments in the period

All assets in the PFI portfolio performed well operationally during the period, delivering good levels of income.

All 16 projects in the Elgin portfolio are performing in line with the investment case. All service providers are performing well, with no significant operational issues arising at any of the projects during the period.

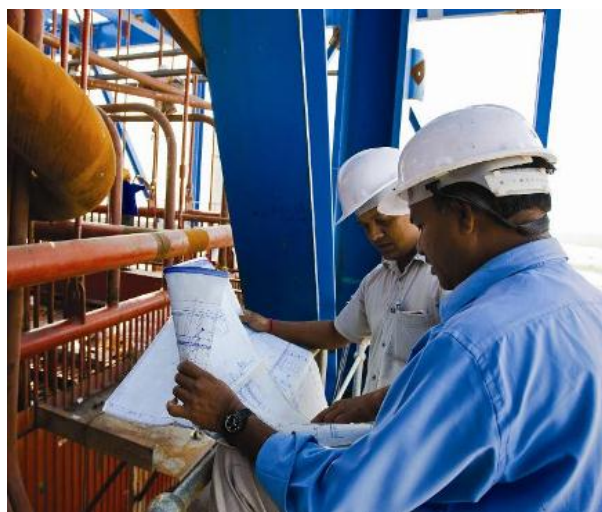
Octagon continues to perform well financially and operationally and has maintained its strong working relationship with the NHS Trust and with Serco. Serco continues to provide a good level of service to the NHS Trust. In July 2012, the hospital received the top "excellent" rating for standards of cleanliness, food and privacy and dignity, according to the results of an annual inspection by patient representatives, members of the public and NHS staff.

All schools in the Alpha Schools portfolio are operating well and are providing high standard facilities to primary and secondary school pupils in the Highland Council region. Financial performance has been in line with expectations. Some performance deductions had been levied last year, relating mostly to a number of construction snagging items which remained outstanding. These deductions were passed through to the contractors. Alpha Schools has worked closely with the Highland Council, the facilities services provider and the building contractor to achieve a successful resolution of these issues. Only one defect remains outstanding, for which a remedy has now been agreed between all parties.

T2C

Thermal Conversion Compound ("T2C") is a special purpose company established to build, operate and maintain a waste-to-energy plant on an industrial park near Frankfurt, Germany. A provision was taken against the value of T2C in March 2010, due principally to significant delays in the completion of construction. The asset remains valued at nil, as no return on the Company's equity investment is foreseen.

3i India Infrastructure Fund



Cost	Opening: £102.0m	Closing: £106.9m
Opening value	£114.2m	
Closing value	£110.1m	
Partnership interest	20.9%	
Investment in the period	£4.9m	
Asset total return in the period ⁽¹⁾	£(9.0)m	
Valuation basis	LP share of funds	

(1) Includes a net foreign exchange loss of £4.9 million (sterling / US\$ loss of £1.1 million, and US\$ / rupee loss of £3.8 million).

Description

The 3i India Infrastructure Fund (the “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, airport, road and power sectors. 3i Infrastructure committed US\$250 million to the Fund. As at 30 September 2012, the Fund was 73% invested in a portfolio of seven assets:

Krishnapatnam Port Company Limited (“Krishnapatnam Port”) has a concession to develop, operate and maintain the port of Krishnapatnam in the state of Andhra Pradesh.

Adani Power Limited (“Adani Power”) focuses on the development and operation of power plants and the sale of power generated. With operational capacity of 4,620MW and a further 4,620MW under construction, it is currently the largest independent private power producer in India in terms of operating capacity. Adani Power achieved a successful IPO in August 2009.

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.

KMC Infratech (“KMC Roads”) is developing a c.1,000 kilometres portfolio of 10 “build-operate- transfer” (“BOT”) road projects, one of the largest portfolios of its kind in India.

Soma Enterprise Limited (“Soma”) is one of the fastest growing infrastructure developers in India. Its order book, valued at over US\$3.2 billion, focuses mainly on BOT road projects, but also comprises projects in the hydro power, irrigation, railways, power transmission and urban infrastructure sectors.

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

Supreme Infrastructure BOT Holdings Private Limited (“Supreme BOTs”), a subsidiary of Supreme Infrastructure India Limited, a new US\$35.9 million investment in the period, is building a portfolio of BOT road projects.

Investment rationale

The investment case can be summarised as follows:

- the fundamentals for infrastructure investment in India are attractive, with the current infrastructure deficit in the country providing much opportunity for private investment;
- the Indian government actively seeks and encourages private investment in infrastructure development and is working to mitigate some of the issues which have affected the sector in recent months;
- the investment in the Fund offers 3i Infrastructure exposure to a diversified pool of assets and larger investments than the Company could access on its own account, at no additional cost to the Company; and
- the Fund is well positioned, with an established presence in its market through its investment manager.

What has been achieved in the period of ownership

The Fund is nearing the end of its investment period, and has now built a diversified portfolio including assets in the power, ports and roads sectors, in line with its mandate.

The construction of all projects continues to progress. Several of the projects, including Adani Power and Krishnapatnam Port, have increased significantly in size since the Fund's investment. Despite this, the financial performance and valuation of the Fund's assets has been affected by a number of market and other external factors.

Overall, the Board is satisfied that appropriate action is being taken to manage the performance of the Fund's assets within the constraints of the macroeconomic and market challenges.

Developments in the period

The performance of the assets in the 3i India Infrastructure Fund has been variable in the period. While the road and port assets have continued to perform in line with expectations and have increased in value in the six months to the end of September, the power assets have continued to be affected by a number of factors, including:

- the availability of domestic coal and gas: Coal India Limited, the largest coal producer in India, and a nationalised company, has been struggling to match its output to demand from power producers, and so have many gas producers;
- the pricing of coal: the domestic coal shortage and the depreciation of the rupee against most currencies have affected the price of coal; and
- the strain on State Electricity Boards' financial position: SEBs have been financially constrained for a number of years and as a result banks are now reluctant to lend to them. This has constrained their ability to enter into new long-term power purchase agreements (PPAs) with power producers.

In February 2011, the Indian government responded to the issues arising from coal shortages by directing Coal India to sign fuel supply agreements with power plants that have a majority of their offtake tied up in long-term PPAs, with a minimum commitment of 80% of the annual fuel requirement of the plant. Since then this directive has been strengthened through the implementation of a more stringent penalty structure for Coal India, should it not honour its commitments. It is hoped that this should alleviate the coal shortage in the medium term.

On the positive side, merchant tariffs have remained relatively buoyant, due to the increasing demand/supply gap, but also due to a reduction in hydro output as a result of below average monsoon rainfall.

The Fund's port asset, Krishnapatnam Port, has continued to be affected by an iron ore export ban, which has been lifted, but the impact of which will affect exports for some time. The company has continued to focus on changing its cargo mix and has performed well in the period, supported by continued increases in its general cargo and container volumes.

The road assets are making progress in line with the investment case. All companies have added to their order books in the period and construction works are broadly progressing according to the agreed timetables. 55kms of new roads have begun tolling in the six months to the end of September.

While macroeconomic and political risk factors remain high, with GDP growth slowing further, it appears that fiscal tightening has eased during the period. While central bank authorities are unlikely to lower interest rates in the medium term, any further tightening is unlikely at present.

Returns and risks

Key performance indicators

Total return		Dividend	
Objective	To provide shareholders with a total return of 12% per annum, to be achieved over the long term.	Objective	To target an annual distribution yield of 5% of the opening NAV ⁽¹⁾ .
Measurement	Total return for the period expressed as a percentage of opening shareholders' equity ⁽¹⁾ .	Measurement	Dividend for the financial year, expressed as a percentage of opening shareholders' equity ⁽¹⁾ .
Status	3.0% total return for the six months to 30 September 2012.	Status	Interim dividend of 2.97p equates to a 2.5% distribution on opening shareholders' equity for the half year.

(1) Opening NAV and opening shareholders' equity are net of the final dividend paid in the prior year and adjusted to take into account any further equity issued in the period.

Table 3
Summary of total return on an investment basis (£m)

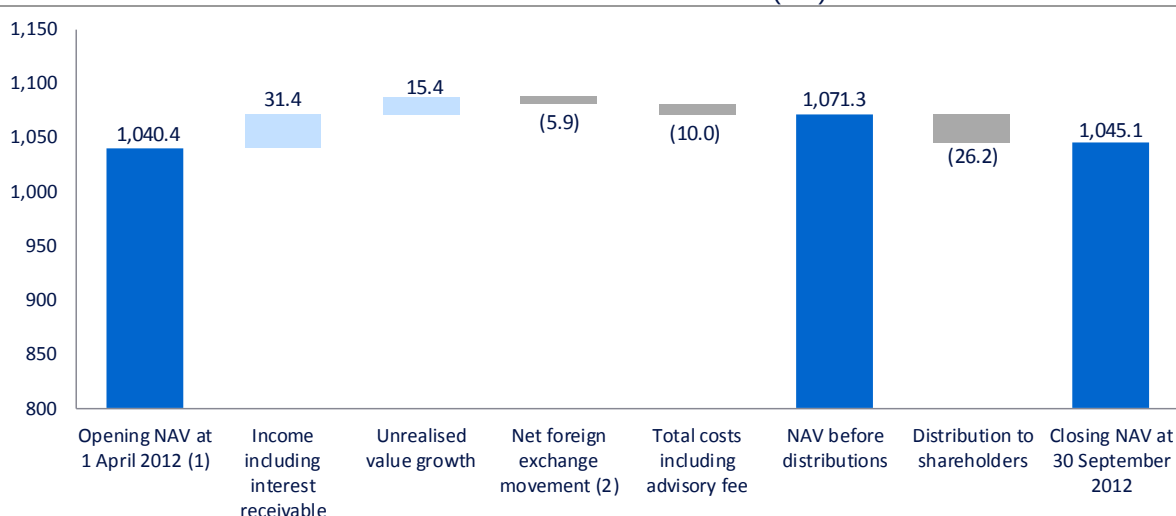
	Six months to 30 Sep 2012	Six months to 30 Sep 2011	Consolidated IFRS basis Six months to 30 Sep 2012
Realised profits over fair value on the disposal of investments	-	2.1	-
Unrealised profits/(losses) on the revaluation of investments	11.6	(18.1)	15.0
Foreign exchange (losses)/gains on investments	(14.7)	0.7	-
Capital (loss)/return	(3.1)	(15.3)	15.0
Portfolio income			
Dividends	17.2	19.4	24.8
Income from loans and receivables	13.6	16.0	14.7
Income from quoted debt investments	-	1.4	-
Fees payable on investment activities	(0.8)	(0.7)	(0.8)
Interest receivable	0.6	0.8	0.6
Investment return	27.5	21.6	54.3
Advisory, performance and management fees payable	(6.3)	(6.2)	(6.9)
Operating expenses	(1.0)	(1.1)	(1.0)
Finance costs	(1.4)	(1.4)	(6.4)
Movements in the fair value of derivative financial instruments	12.6	2.9	12.9
Other net (expense)/income	(0.5)	0.1	(0.4)
Profit for the period	30.9	15.9	52.5
Exchange difference on translation of foreign operations	-	-	(16.5)
Profit attributable to non-controlling interests for the period	-	-	(5.5)
Total comprehensive income ("Total Return")	30.9	15.9	30.5

Returns

The commentary in this section analyses the key drivers of the Company's returns according to the investment basis of preparation, as shown in Table 3. The basis of preparation for the investment basis is shown on page 38, along with an analysis of the key differences in accounting treatment to information prepared in accordance with IFRS.

3i Infrastructure generated a total return for the six months to 30 September 2012 of £30.9 million, representing a 3.0% return on opening shareholders' equity (September 2011: £15.9 million, 1.6%). The return was driven principally by income generation of £31.4 million and by continued progress across the European assets, but was impacted negatively by the weaker performance of the 3i India Infrastructure Fund and by foreign exchange losses.

Chart 7
Reconciliation of movements in NAV on an investment basis (£m)



(1) Net of prior year final dividend.

(2) Foreign exchange losses are described in detail in Table 2 on page 15.

Capital returns

The combined unrealised value gain and foreign exchange impact for the six months to 30 September 2012 totalled £9.5 million (September 2011: loss of £14.5 million).

The core and PFI investments generated an unrealised value gain of £19.5 million, reflecting their continued track record of robust performance and a good level of distributions.

Macro-economic and political issues have continued to weigh on the performance of the 3i India Infrastructure Fund. The value of the investment in Adani Power Limited declined by £6.1 million (before foreign exchange losses), as a result of a 22.6% decline in its share price. The road and port assets, by contrast, showed a net value increase of £2.4 million following further development.

The valuation movements are described in more detail in the Movements in portfolio value section on pages 13 to 15.

Movements in foreign exchange generated overall net losses of £5.9 million on non-sterling assets (September 2011: net losses of £8.8 million), attributable principally to the losses incurred on the rupee exposure through the 3i India Infrastructure Fund. The foreign exchange losses incurred from euro denominated investments were significantly offset by the hedging programme. This is set out in more detail in Table 2 on page 15.

There were no realised capital returns in the period as the divestments were partial repayments of loans at their carrying values.

Investment return

Portfolio income

The portfolio generated income of £30.8 million in the six-month period (September 2011: £36.8 million), of which £17.2 million was through dividends (September 2011: £19.4 million) and £13.6 million through interest on shareholder loans (September 2011: £17.4 million). The overall level of income was lower than for the comparable period last year, due to changes in the composition of the portfolio (eg the sale of the junior debt portfolio and repayment of the residual I² loan notes), and to the underlying variability of income receivable from the portfolio companies (described below). In addition, no income was accrued from Elenia during the period, as it is still undergoing a corporate reorganisation and merger process. Elenia is expected to contribute to income generation later in the current financial year, following the completion of that process.

AWG paid a dividend of £5.1 million and interest of £2.4 million in the period (September 2011: £10.3 million, £2.4 million). As described in the Company's July Interim Management Statement, the dividend from AWG was lower than last year, mainly as a result of increased spending on measures to mitigate the effect of the drought. Further detail is set out in the AWG asset review on page 19.

Eversholt is performing well and generating good cash flows, which have allowed it to pay down £6.6 million of its shareholder loan. The Company also accrued interest of £9.0 million from Eversholt in the period (September 2011: £10.4 million).

Oystercatcher paid a dividend of £11.2 million in the period (September 2011: £7.9 million), reflecting the stable operating performance of the three oil storage terminals. In the first six months of last year a proportion of dividends received was retained by Oystercatcher in view of the anticipated costs of refinancing its debt. This cash remains available to cover these costs, hence no similar retention was made in this period. This has resulted in an increase in the dividend flow to the Company.

The PFI assets generated income of £3.1 million, of which £0.9 million from dividends and £2.2 million from interest on shareholder loans (September 2011: £4.4 million, £1.2 million, £3.2 million), reflecting their stable operating and financial performance.

Fees payable for transaction costs in relation to deals which did not reach, or have yet to reach, final completion totalled £0.8 million in the period (September 2011: £0.7 million).

Interest receivable

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

Total income

Total income, including interest from cash balances, was £31.4 million (September 2011: £37.6 million) for the six months to 30 September 2012. This more than covers the proposed interim dividend of £26.2 million.

Advisory fees, performance fees and other operating and finance costs

During the six months to 30 September 2012, the Company incurred advisory fees of £6.3 million (September 2011: £6.2 million). The advisory fee, payable to 3i plc, is calculated as 1.5% of the Gross Investment Value, which is based on the opening portfolio value and the cost of any new investments made during the period. The advisory fee reduces to 1.25% for any proportion of an asset held for more than five years. As several of the Company's assets have now been held for more than five years, the advisory fee rate chargeable has reduced for those assets, and the overall advisory fee paid to the Investment Adviser has remained broadly flat in this period, despite the increase in portfolio value.

No performance fees were accrued relating to this period. For a more detailed explanation of how fees are calculated, please refer to Note 9 on page 49.

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £1.0 million in the period (September 2011: £1.1 million).

Finance costs of £1.4 million (September 2011: £1.4 million) comprise the arrangement and commitment fees for the Company's £200 million revolving credit facility.

Movements in the fair value of derivatives of £12.6 million (September 2011: £2.9 million) represent the fair value movements of the euro hedging programme, and included a £1.5 million gain on the settlement of derivatives at their maturity.

Balance sheet and cash flows

At 30 September 2012, the Company's net assets totalled £1,071.3 million, or £1,045.1 million after the deduction of the interim dividend (September 2011: £1,004.2 million), comprising the asset portfolio, valued at £885.8 million (September 2011: £715.8 million), cash and cash equivalents of £169.9 million (September 2011: £310.1 million), net derivative financial instruments of £12.6 million (September 2011: £(1.8) million) and other current assets of £6.4 million (September 2011: £8.8 million), primarily relating to accrued income from portfolio investments and prepayments, offset by accrued operating and financing costs of £3.4 million (September 2011: £3.2 million). A summary balance sheet is included in Table 4.

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

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

Revolving credit facility

At 30 September 2012, and at the time of reporting, the £200 million revolving credit facility held by the Company had not been drawn.

Net asset value per share

The total NAV per share at 30 September 2012 was 121.6p (September 2011: 119.4p). This reduces to 118.6p (September 2011: 116.4p) after the payment of the proposed interim dividend of 2.97p. There are no dilutive securities in issue following the expiry of the Company's warrants in the previous financial year.

Table 4
Summary balance sheet on an investment basis (£m)

	As at 30 September 2012	As at 30 September 2011	Consolidated IFRS basis As at 30 September 2012
Assets			
Non-current assets			
Investment portfolio	885.8	715.8	1,172.8
Derivative financial instruments	9.7	0.4	9.7
Total non-current assets	895.5	716.2	1,182.5
Current assets			
Other current assets	6.4	8.8	9.8
Derivative financial instruments	3.7	0.2	3.6
Cash and cash equivalents	169.9	310.1	179.2
Total current assets	180.0	319.1	192.6
Total assets	1,075.5	1,035.3	1,375.1
Liabilities			
Non-current liabilities			
Borrowings	-	-	(151.7)
Derivative financial instruments	(0.6)	(1.9)	(13.7)
Total non-current liabilities	(0.6)	(1.9)	(165.4)
Current liabilities			
Trade and other payables	(3.4)	(3.2)	(2.6)
Derivative financial instruments	(0.2)	(0.5)	(1.9)
Total current liabilities	(3.6)	(3.7)	(4.5)
Total liabilities	(4.2)	(5.6)	(169.9)
Net assets	1,071.3	1,029.7	1,205.2
Equity			
Stated capital account	181.6	159.3	181.6
Retained reserves	889.7	870.4	874.6
Translation reserve	-	-	18.2
Total shareholders' equity	1,071.3	1,029.7	1,074.4
Non-controlling interests	-	-	130.8
Total equity	1,071.3	1,029.7	1,205.2

Risks and uncertainties

The main elements of 3i Infrastructure's risk management framework, together with a detailed description of the principal risks and uncertainties faced by the Company, as well as its approach to risk mitigation, are set out in the Returns and Risk section of the 3i Infrastructure annual report. There has been no material change to the principal risks and uncertainties faced by the Company, or to the Company's risk management framework, since the publication of that report.

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

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

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

Strategic risks – arising from the analysis, design and implementation of the Company's business model and key decisions on investment growth rates and financing, as well as the impact of the changes to the competitive environment in which the Company operates.

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

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

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

Basis of preparation

Throughout the Investment Adviser's review, the Review of investments and the Returns and risks sections, the Investment Adviser has presented the Company's net asset value and financial results to show the return on a pro forma investment basis. This information is in addition to the consolidated financial statements as shown on pages 39 to 42, as required under International Financial Reporting Standards ("IFRS"). The pro forma investment basis presentation provides an alternative representation of the Company's net asset value, shows the Company's cash utilisation for investment and differentiates between non-recourse borrowings held within asset specific acquisition companies and borrowings which may be made at the Company level. The investment basis accounts for majority investments and subsidiaries formed specifically for investment purposes in the same way as minority investments, by determining a fair value for the investment, and therefore does not consolidate these entities line-by-line as is required under IFRS.

Several adjustments to the consolidated financial statements required under IFRS were made, in order to show returns on an investment basis. The main adjustments are set out below.

3i Infrastructure holds 68.5% of 3i Osprey LP and 87.3% of 3i Networks Finland LP, the vehicles through which it holds its investments in AWG and Elenia respectively. The remaining portions of these entities are held by 3i Group and other third parties. 3i Infrastructure is required under IFRS to consolidate the results and balance sheet of these limited partnerships into its financial statements on a line-by-line basis. In the investment basis presentation, 3i Infrastructure has recognised only its share of the income and balance sheet of 3i Osprey LP and 3i Networks Finland LP. This adjustment has the effect of eliminating the non-controlling interest entitlement shown on the statement of comprehensive income and the balance sheet on an IFRS basis.

One subsidiary of the Company, 3i Primary Infrastructure 2005–06 LP, which holds the investment in Alpha Schools, has investing partners which are entitled to an 8.75% share of profits, once certain cash hurdle criteria are met. Amounts due to these investing partners are treated as a non-controlling interest on a consolidated basis but are accrued as an expense in the investment basis.

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

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

Financials and other information

Consolidated statement of comprehensive income

for the six months to 30 September 2012

		Six months to 30 September 2012 (unaudited) £m	Six months to 30 September 2011 (unaudited) £m	Year to 31 March 2012 (audited) £m
	Notes			
Realised gains/(losses) over fair value on the disposal of investments		-	2.1	(4.7)
Unrealised gains/(losses) on the revaluation of investments		15.0	(21.7)	8.5
Unrealised foreign exchange losses on investments		-	(0.7)	-
		15.0	(20.3)	3.8
Portfolio income				
Dividends receivable		24.8	36.9	68.3
Income from loans and receivables		14.7	17.0	32.5
Income from quoted debt investments		-	1.4	1.8
Fees payable on investment activities		(0.8)	(0.7)	(1.3)
Interest receivable		0.6	0.8	1.5
Investment return	1	54.3	35.1	106.6
Advisory, performance and management fees payable	2	(6.9)	(6.6)	(16.2)
Operating expenses		(1.0)	(1.1)	(2.4)
Finance costs		(6.4)	(6.9)	(13.5)
Unrealised gains/(losses) in the fair value of derivative financial instruments		11.9	(2.6)	(0.6)
Net realised gains over fair value on the settlement of derivative financial instruments		1.0	1.0	1.3
Other income		0.1	0.6	0.7
Other expenses		(0.5)	(0.1)	(0.3)
Profit before tax		52.5	19.4	75.6
Income taxes	3	-	-	(0.3)
Profit after tax and profit for the period		52.5	19.4	75.3
Other comprehensive income				
Exchange (losses)/gains on translation of foreign operations		(16.5)	0.9	(4.4)
Total comprehensive income for the period		36.0	20.3	70.9
Profit after tax and profit for the period attributable to:				
Equity holders of the parent		45.8	15.0	59.6
Non-controlling interests		6.7	4.4	15.7
Total comprehensive income for the period attributable to:				
Equity holders of the parent		30.5	15.9	55.0
Non-controlling interests		5.5	4.4	15.9
Earnings per share				
Basic earnings per share attributable to equity holders of the parent (pence)	6	5.2	1.8	7.0
Diluted earnings per share attributable to equity holders of the parent (pence)	6	5.2	1.8	7.0

Consolidated statement of changes in equity

for the six months to 30 September 2012

for the six months to 30 September 2012 (unaudited)	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Non- controlling interest £m	Total equity £m
Opening balance	181.6	855.0	33.5	1,070.1	127.2	1,197.3
Total comprehensive income for the period	-	45.8	(15.3)	30.5	5.5	36.0
Net capital returned to non-controlling interests	-	-	-	-	(1.9)	(1.9)
Dividends paid to shareholders of the Company during the period	-	(26.2)	-	(26.2)	-	(26.2)
Closing balance	181.6	874.6	18.2	1,074.4	130.8	1,205.2

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

for the year to 31 March 2012 (audited)	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Non- controlling interest £m	Total equity £m
Opening balance	117.2	845.4	38.1	1,000.7	91.3	1,092.0
Total comprehensive income for the year	-	59.6	(4.6)	55.0	15.9	70.9
Non-controlling interest share of investment purchased during the year	-	-	-	-	28.4	28.4
Net capital returned to non-controlling interests	-	-	-	-	(8.4)	(8.4)
Conversion of warrants into ordinary shares	64.4	-	-	64.4	-	64.4
Dividends paid to shareholders of the Company during the year	-	(50.0)	-	(50.0)	-	(50.0)
Closing balance	181.6	855.0	33.5	1,070.1	127.2	1,197.3

Consolidated balance sheet

as at 30 September 2012

		As at 30 September 2012 (unaudited) £m	As at 30 September 2011 (unaudited) £m	As at 31 March 2012 (audited) £m
	Notes			
Assets				
Non-current assets				
Investments				
Unquoted investments	4	946.5	705.5	949.1
Debt investments held at fair value through profit and loss	4	-	30.0	-
Loans and receivables	4	226.3	244.3	233.1
Investment portfolio		1,172.8	979.8	1,182.2
Derivative financial instruments		9.7	0.4	1.8
Total non-current assets		1,182.5	980.2	1,184.0
Current assets				
Trade and other receivables		9.8	13.5	7.1
Derivative financial instruments		3.6	0.2	0.9
Cash and cash equivalents		179.2	318.7	183.6
Total current assets		192.6	332.4	191.6
Total assets		1,375.1	1,312.6	1,375.6
Liabilities				
Non-current liabilities				
Loans and borrowings		(151.7)	(164.3)	(158.3)
Derivative financial instruments		(13.7)	(17.8)	(15.8)
Total non-current liabilities		(165.4)	(182.1)	(174.1)
Current liabilities				
Trade and other payables		(2.6)	(3.5)	(2.4)
Derivative financial instruments		(1.9)	(1.3)	(1.8)
Total current liabilities		(4.5)	(4.8)	(4.2)
Total liabilities		(169.9)	(186.9)	(178.3)
Net assets	1	1,205.2	1,125.7	1,197.3
Equity				
Stated capital account		181.6	159.3	181.6
Retained reserves		874.6	836.0	855.0
Translation reserve		18.2	39.0	33.5
Total equity attributable to equity holders of the parent		1,074.4	1,034.3	1,070.1
Non-controlling interests		130.8	91.4	127.2
Total equity		1,205.2	1,125.7	1,197.3

Directors

7 November 2012

Consolidated statement of cash flows

for the six months to 30 September 2012

	Six months to 30 September 2012 (unaudited) £m	Six months to 30 September 2011 (unaudited) £m	Year to 31 March 2012 (audited) £m
Cash flow from operating activities			
Purchase of investments	(4.9)	-	(231.3)
Proceeds from realisations of investments	6.8	91.2	132.5
Income received from loans and receivables	10.8	17.6	38.9
Income from quoted debt investments	-	1.6	2.1
Dividends received	24.8	36.9	68.2
Fees paid on investment activities	(0.7)	(0.4)	(0.9)
Operating expenses paid	(1.3)	(1.5)	(2.8)
Interest received	0.5	0.8	1.5
Advisory, performance and management fees paid	(6.6)	(9.5)	(19.2)
Carried interest paid	-	-	(1.2)
Income taxes paid	-	-	(0.4)
Other income received	0.2	0.6	0.8
Net cash flow from operations	29.6	137.3	(11.8)
Cash flow from financing activities			
Proceeds from the issue of share capital from conversion of warrants	-	42.1	64.4
Interest paid	(4.6)	(4.9)	(9.7)
Amounts received on the settlement of derivative contracts	1.4	0.1	0.3
Fees paid on financing activities and the settlement of derivative contracts	(2.2)	(2.8)	(4.8)
Dividends paid	(26.2)	(24.4)	(50.0)
Capital contributed by non-controlling interests	-	-	28.4
Net capital paid to non-controlling interests	(1.9)	(4.4)	(8.4)
Net cash flow from financing activities	(33.5)	5.7	20.2
Change in cash and cash equivalents	(3.9)	143.0	8.4
Cash and cash equivalents at the beginning of the period	183.6	176.3	176.3
Effect of exchange rate movement	(0.5)	(0.6)	(1.1)
Cash and cash equivalents at the end of the period	179.2	318.7	183.6

Notes to the accounts

1 Segmental analysis

The Directors of the Company review the financial performance of the Group on the “investment basis” . However, the Directors also review information on a regular basis that is analysed by geography and is consistent with the consolidated accounting basis. In accordance with IFRS 8, the segmental information provided below uses this geographic analysis of results as it is the most closely aligned with IFRS reporting requirements. The Group only operates in one service line, being that of an investment holding company. Therefore no segmental analysis by service line has been produced. The Group is an investment holding company and does not consider itself to have any customers.

The Group received 58% (September 2011: 61%, March 2012: 70%) of its portfolio income in the period from investments held in the UK and 42% (September 2011: 39%, March 2012: 30%) of portfolio income from investments held in Europe. During the period, the Group received income from its investment in Oiltanking of £16.4 million (September 2011: £20.6 million, March 2012: £29.8 million), AWG of £10.9 million (September 2011: £18.5 million, March 2012: £29.6 million) and Eversholt of £9.0 million (September 2011: £10.4 million, March 2012: £33.0 million), which represents 42% (September 2011: 38%, March 2012: 29%), 28% (September 2011: 34%, March 2012: 29%) and 23% (September 2011: 19%, March 2012: 33%) respectively of the total portfolio income. There was no other income entitlement during the period (or in comparative periods) 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 cyclicity that would impact the financial results of the Group during the period or the financial position of the Group at 30 September 2012.

	UK and Ireland ⁽¹⁾	Continental Europe ⁽²⁾	Asia	Total
for the six months to 30 September 2012 (unaudited)	£m	£m	£m	£m
Investment return				
Unrealised gains/(losses) on the revaluation of investments	13.7	9.6	(8.3)	15.0
Portfolio income	22.6	16.1	-	38.7
Interest receivable	0.6	-	-	0.6
Investment return /(loss)	36.9	25.7	(8.3)	54.3
Interest payable	-	(4.6)	-	(4.6)
Other net income/(expenses)	2.9	(0.1)	-	2.8
Profit/(loss) before tax	39.8	21.0	(8.3)	52.5
as at 30 September 2012 (unaudited)				
Balance sheet				
Fair value of investment portfolio	560.6	502.1	110.1	1,172.8
Cash and cash equivalents	168.2	11.0	-	179.2
Derivative financial instruments	13.3	-	-	13.3
Other assets	8.0	1.7	0.1	9.8
Assets	750.1	514.8	110.2	1,375.1
Loans and borrowings	-	(151.7)	-	(151.7)
Derivative financial instruments	(0.8)	(14.8)	-	(15.6)
Other liabilities	(2.2)	(0.4)	-	(2.6)
Liabilities	(3.0)	(166.9)	-	(169.9)
Net assets	747.1	347.9	110.2	1,205.2

(1) Including Channel Islands.

(2) Continental Europe includes all returns generated from and investment portfolio value relating to the Group's investment in Oiltanking, including those derived from its business in Singapore.

1 Segmental analysis (continued)

	UK and Ireland ⁽¹⁾	Continental Europe ⁽²⁾	Asia	Total
for the six months to 30 September 2011 (unaudited)	£m	£m	£m	£m
Investment return				
Realised gains over fair value on the disposal of investments	2.1	-	-	2.1
Unrealised gains/(losses) on the revaluation of investments	7.5	(8.0)	(21.2)	(21.7)
Unrealised foreign exchange losses on investments	-	(0.7)	-	(0.7)
Portfolio income	33.3	21.3	-	54.6
Interest receivable	0.8	-	-	0.8
Investment return/(loss)	43.7	12.6	(21.2)	35.1
Interest payable	-	(5.0)	-	(5.0)
Other net expenses	(5.7)	(5.0)	-	(10.7)
Profit/(loss) before tax	38.0	2.6	(21.2)	19.4
as at 30 September 2011 (unaudited)				
Balance sheet				
Fair value of investment portfolio	539.4	322.3	118.1	979.8
Cash and cash equivalents	305.4	12.3	1.0	318.7
Derivative financial instruments	0.6	-	-	0.6
Other assets	10.4	3.1	-	13.5
Assets	855.8	337.7	119.1	1,312.6
Loans and borrowings	-	(164.3)	-	(164.3)
Derivative financial instruments	(1.8)	(17.3)	-	(19.1)
Other liabilities	(3.0)	(0.2)	(0.3)	(3.5)
Liabilities	(4.8)	(181.8)	(0.3)	(186.9)
Net assets	851.0	155.9	118.8	1,125.7

(1) Including Channel Islands.

(2) Continental Europe includes all returns generated from and investment portfolio value relating to the Group's investment in Oiltanking, including those amounts derived from its business in Singapore.

1 Segmental analysis (continued)

	UK and Ireland ⁽¹⁾	Continental Europe ⁽²⁾	Asia	Total
for the year to 31 March 2012 (audited)	£m	£m	£m	£m
Investment return				
Realised gains/(losses) over fair value on the disposal of investments	2.1	(6.8)	-	(4.7)
Unrealised gains/(losses) on the revaluation of investments	32.7	5.8	(30.0)	8.5
Portfolio income	70.6	30.7	-	101.3
Interest receivable	1.5	-	-	1.5
Investment return/(loss)	106.9	29.7	(30.0)	106.6
Interest payable	-	(9.7)	-	(9.7)
Other net expenses	(15.7)	(5.6)	-	(21.3)
Profit/(loss) before tax	91.2	14.4	(30.0)	75.6
as at 31 March 2012 (audited)				
Balance sheet				
Fair value of investment portfolio	553.6	514.4	114.2	1,182.2
Cash and cash equivalents	171.6	12.0	-	183.6
Derivative financial instruments	2.7	-	-	2.7
Other assets	4.9	2.1	0.1	7.1
Assets	732.8	528.5	114.3	1,375.6
Loans and borrowings	-	(158.3)	-	(158.3)
Derivative financial instruments	(1.3)	(16.3)	-	(17.6)
Other liabilities	(2.3)	(0.1)	-	(2.4)
Liabilities	(3.6)	(174.7)	-	(178.3)
Net assets	729.2	353.8	114.3	1,197.3

(1) Including Channel Islands.

(2) Continental Europe includes all returns generated from and investment portfolio value relating to the Group's investment in Oiltanking, including those amounts derived from its business in Singapore.

2 Advisory, performance and management fees payable

	Six months to 30 September 2012 (unaudited) £m	Six months to 30 September 2011 (unaudited) £m	Year to 31 March 2012 (audited) £m
Advisory fee	(6.3)	(6.2)	(15.3)
Performance fee	-	-	-
Management fees	(0.6)	(0.4)	(0.9)
	(6.9)	(6.6)	(16.2)

Note 9 provides further details on the calculation of the advisory fee, management fee and the performance 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 2011: 0%, March 2012: 0%). Subsidiaries of the Company have provided for taxation at the appropriate rates that are applicable in the countries in which each subsidiary operates. As the returns of these subsidiaries are largely not subject to tax, in each of these relevant countries, the total tax provided is minimal.

4 Investment portfolio

	As at 30 September 2012 (unaudited)		
	Unquoted investments £m	Loans and receivables £m	Total £m
Opening fair value	949.1	233.1	1,182.2
Additions	4.9	-	4.9
Disposals and repayments	-	(6.8)	(6.8)
Unrealised gains on investments	15.0	-	15.0
Unrealised foreign exchange losses	(22.5)	-	(22.5)
Closing fair value	946.5	226.3	1,172.8

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

	As at 31 March 2012 (audited)			
	Unquoted investments £m	Debt investments £m	Loans and receivables £m	Total £m
Opening fair value	723.6	90.2	279.5	1,093.3
Additions	231.4	-	0.6	232.0
Disposals and repayments	-	(90.2)	(47.0)	(137.2)
Unrealised gains on investments	8.5	-	-	8.5
Unrealised foreign exchange losses	(14.4)	-	-	(14.4)
Closing fair value	949.1	-	233.1	1,182.2

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

The fair value of loans and receivables approximates to the carrying value. All debt investments were held at fair value through profit or loss.

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

5 Issued capital

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

	As at 30 September 2012 (unaudited)		As at 30 September 2011 (unaudited)		As at 31 March 2012 (audited)	
	Number	£m	Number	£m	Number	£m
Issued and fully paid						
Opening balance	881,349,570	887.8	816,911,161	823.4	816,911,161	823.4
Conversion of warrants	2,000 ⁽¹⁾	-	42,133,697	42.1	64,438,409	64.4
Closing balance	881,351,570	887.8	859,044,858	865.5	881,349,570	887.8

(1) Submitted for exercise but not issued at 31 March 2012

The warrants entitled the holder to subscribe for one ordinary share at £1.00 at any time from 13 September 2007 to 13 March 2012. At 13 March 2012, 2,000 warrants were submitted for exercise but not issued until 30 April 2012 and the remaining 281,491 outstanding warrants were cancelled. At 30 September 2012, there were no warrants in issue (September 2011: 22,588,203, March 2012: nil).

Aggregate issue costs of £13.1 million arising from IPO and subsequent share issues have been offset against the stated capital account in previous years. In addition the stated capital account was reduced by Court order on 20 December 2007 with an amount of £693.1 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Therefore as at 30 September 2012 the residual value on the stated capital account was £181.6 million.

6 Earnings and net assets per share

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

	Six months to 30 September 2012 (unaudited)	Six months to 30 September 2011 (unaudited)	Year to 31 March 2012 (audited)
Earnings per share (pence)			
Basic	5.2	1.8	7.0
Diluted	5.2	1.8	7.0
Earnings (£ million)			
Profit after tax for the period attributable to equity holders of the parent	45.8	15.0	59.6
Number of shares (million)			
Weighted average number of shares in issue	881.4	842.5	853.2
Effect of dilutive potential ordinary shares – warrants	-	3.8	-
Diluted shares	881.4	846.3	853.2
	As at 30 September 2012 (unaudited)	As at 30 September 2011 (unaudited)	As at 31 March 2012 (audited)
Net assets per share (pence)			
Basic	121.9	120.4	121.4
Diluted	121.9	119.9	121.4
Net assets (£ million)			
Net assets attributable to equity holders of the parent	1,074.4	1,034.3	1,070.1

7 Dividends

	As at 30 September 2012 (unaudited)		As at 30 September 2011 (unaudited)		As at 31 March 2012 (audited)	
	pence per share	£m	pence per share	£m	pence per share	£m
Interim dividend paid on ordinary shares	-	-	-	-	2.97	25.6
Prior year final dividend paid on ordinary shares	2.97	26.2	2.86	24.4	2.86	24.4
	2.97	26.2	2.86	24.4	5.83	50.0
Proposed/declared dividend on ordinary shares	2.97	26.2	2.97	25.5	2.97	26.2

8 Contingent liabilities

At 30 September 2012, there was no material litigation or contingent liabilities outstanding against the Company or any of its subsidiary undertakings (September 2011: none, March 2012: none).

9 Related parties

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

3i Group plc (“3i Group”) holds 34.1% (September 2011: 35.0%, March 2012: 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 has committed US\$250 million to the 3i India Infrastructure Fund (“the Fund”) to invest in the Indian infrastructure market. 3i Group has also committed US\$250 million of investment capital to this Fund. Commitments of US\$8.1 million or £5.3 million (September 2011: US\$nil, March 2012: US\$11.9 million or £7.4 million) were drawn down by the Fund from the Company during the period. In total, commitments of US\$183.7 million or £113.8 million re-translated (September 2011: US\$163.7 million or £94.7 million, March 2012: US\$175.6 million or £109.7 million) had been drawn down at 30 September 2012 by the Fund from the Company. At 30 September 2012, the Company’s outstanding commitment to the Fund was US\$66.3 million or £41.0 million re-translated (September 2011: US\$86.3 million or £55.4 million, March 2012: US\$74.4 million or £46.5 million).

3i Networks Finland GP Limited, a subsidiary of 3i Group, receives a priority profit share from 3i Networks Finland LP, a subsidiary of the Company. During the period, £0.5 million (September 2011: £nil, March 2012: £nil) was payable to 3i Group, of which £0.4 million was offset against the advisory fee (September 2011: £nil, March 2012: £nil). The net amount of £0.1 million is shown as part of the management fee (September 2011: £nil, March 2012: £nil) in Note 2. As at 30 September 2012, £0.1 million remained outstanding (September 2011: £nil, March 2012: £nil).

3i Osprey GP Limited, a subsidiary of 3i Group, receives a priority profit share from 3i Osprey LP, a subsidiary of the Company. During the period, £1.5 million (September 2011: £1.4 million, March 2012: £2.9 million) was payable to 3i Group, of which £1.0 million was offset against the advisory fee (September 2011: £1.0 million, March 2012: £2.0 million). The net amount of £0.5 million is shown as part of the management fee (September 2011: £0.4 million, March 2012: £0.9 million) in Note 2. As at 30 September 2012, £0.3 million remained outstanding (September 2011: £0.3 million, March 2012: £0.2 million).

3i Investments plc, a subsidiary of 3i Group, acts as the exclusive Investment Adviser to the Company. It also acts as the manager for the 3i India Infrastructure Fund. 3i plc, another subsidiary of 3i Group, together with 3i Investments plc, provides support services to the Company. In November 2012, the Company extended the exclusivity arrangements between the Company and 3i Investments plc, by £47 million, to cover the cash balances available for investment at 30 September 2012.

Under the Investment Advisory Agreement, an annual advisory fee is payable to 3i plc based on the Gross Investment Value of 3i Infrastructure at the end of each financial period. Gross Investment Value is defined as the total aggregate fair 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. 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 2012, £6.3 million (September 2011: £6.2 million, March 2012: £15.3 million) was payable and £0.7 million (September 2011: £0.6 million, March 2012: £0.1 million) remains due to 3i plc.

The Investment Advisory Agreement also provides for an annual performance fee to be payable to 3i plc. This becomes payable when the Adjusted Total Return per ordinary share (being mainly closing net asset value per share aggregated with any distributions made in the course of the financial period and any accrued performance fees relating to the financial period) for the period exceeds the Target Total Return per share, being the Net Asset Value per ordinary share equal to the opening Net Asset Value per ordinary share increased at a rate of 8% per annum (“the performance hurdle”). If the performance hurdle is exceeded, the performance fee will be equal to 20% of the Adjusted Total Return per share in excess of the performance hurdle for the relevant financial period, multiplied by the weighted average of the total number of shares in issue over the relevant financial period. The performance hurdle has not been exceeded for the six months to 30 September 2012, hence no performance fee is payable (September 2011: £nil, March 2012: £nil) and no amounts remain outstanding at 30 September 2012 (September 2011: £nil, March 2012: £nil).

Under the Investment Advisory Agreement, the Investment Adviser's appointment may be terminated by either the Company or the Investment Adviser giving the other not less than 12 months' notice in writing (expiring on or after 13 March 2015, unless 3i Investments plc has previously ceased to be a member of 3i Group), or with immediate effect by either party giving the other written notice in the event of insolvency or material or persistent breach by the other party. The Investment Adviser may also terminate the agreement on two months' notice given within two months of a change of control of the Company.

Pursuant to the UK Support Services Agreement, the Company also pays 3i plc an annual fee for the provision of support services. Such remuneration is payable quarterly in arrears. The cost incurred in the six months to 30 September 2012 was £0.4 million (September 2011: £0.4 million, March 2012: £0.8 million). The outstanding balance payable at 30 September 2012 was £0.2 million (September 2011: £nil, March 2012: £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, a company incorporated and registered in Jersey, and its subsidiaries (together referred to as the “Group”) for the six-month period ended 30 September 2012.

The Half-yearly Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) and should be read in conjunction with the consolidated financial statements for the year to 31 March 2012 (“Report and accounts 2012”), as they provide an update of previously reported information. These Half-yearly Financial Statements have been prepared on the going concern basis.

The Half-yearly Financial Statements were authorised for issue by the Directors on 7 November 2012.

The Half-yearly Financial Statements have been prepared in accordance with the accounting policies set out in the Report and accounts 2012. There were no International Financial Reporting Standards (“IFRS”) or interpretations becoming effective in the period. The Half-yearly Financial Statements do not constitute statutory accounts. The statutory accounts for the year to 31 March 2012, prepared under IFRS, 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. All accounting policies and related estimates used in the preparation of the Half-yearly Financial Statements are consistent with those stated in the Report and accounts 2012.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 and gives a true and fair view of the assets, liabilities, financial position and profit of the Group for the period ended 30 September 2012; and
- b) the Half-yearly report includes a fair review of the information required by the FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

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

By order of the Board

Peter Sedgwick

Chairman

7 November 2012

Board of Directors and their functions

Peter Sedgwick

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

Charlotte Valeur

Non-executive Director

Philip Austin

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

Paul Waller

Non-executive Director

Sir John Collins

Non-executive Director

Steven Wilderspin

Non-executive Director and chairman of the Audit Committee

Florence Pierre

Non-executive Director

Independent review report to the shareholders of 3i Infrastructure plc

Introduction

We have been engaged by 3i Infrastructure plc ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated statement of cash flows, the notes 1 to 9 to the accounts and the accounting policies section. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in 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. 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 financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services 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. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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 financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

Jersey

7 November 2012

Investment policy

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

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

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

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

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

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

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

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

Portfolio valuation methodology

A description of the methodology used to value the investment portfolio of 3i Infrastructure and its subsidiaries (“the Group”) is set out below in order to provide more detailed information than is included within the accounting policies in the Report and Accounts 2012 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

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

General

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

Quoted investments

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

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

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

- Discounted Cash Flow (“DCF”)
- 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 discount rate will be estimated for each investment and is 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 the net assets of the fund based on the most recent reliable financial information available from the fund. Where the underlying investments within a fund are valued on a DCF basis, the discount rate applied may be adjusted by the Company to reflect its assessment of the most appropriate discount rate for the nature of assets held in the fund.

Sales basis

The expected sale proceeds 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 9 January 2013 to holders of ordinary shares on the register on 14 December 2012. The ex-dividend date will be 12 December 2012.

Registrars

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

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

e-mail: registrars@capita.je

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

Website

For full up-to-date investor relations information including the latest share price, recent reports, results presentations and financial news, please visit our 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

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Registered in Jersey No. 95682

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