

3i Infrastructure Limited



Interim report 2007



# Financial highlights

For the period to 30 September 2007

	Investment basis <sup>1</sup>	Consolidated IFRS basis
Total return	<b>£33.3m</b>	£40.2m
Total return on opening shareholders' equity <sup>2</sup>	<b>4.8%</b>	4.2%
Investment return	<b>£40.3m</b>	£50.4m
Diluted net asset value per share	<b>103.1p</b>	102.6p
Interim dividend per share	<b>2.0p</b>	2.0p
Diluted net asset value per share after deducting dividend	<b>101.1p</b>	100.6p
New investment	<b>£412.7m</b>	£534.7m
Total portfolio value	<b>£426.4m</b>	£671.1m

<sup>1</sup> The investment basis accounts for subsidiaries formed specifically for investment purposes in the same way as minority investments and therefore does not consolidate these entities as is required under International Financial Reporting Standards ("IFRS"). A detailed explanation of the investment basis of reporting is set out on page 6.

<sup>2</sup> Opening shareholders' equity is defined specifically for this period as total funds raised at IPO less formation costs. For the consolidated basis, the total return in this measure is the profit attributable to equity holders of the parent only and does not include minority interests.

## Board of Directors

**Peter Sedgwick** Non-executive Chairman

**Phil Austin** Non-executive Director

**Martin Dryden** Non-executive Director and Chairman of Audit Committee

**Peter Wagner** Non-executive Director

**Paul Waller** Non-executive Director

**Steven Wilderspin** Non-executive Director

The interim report of 3i Infrastructure Limited for the period to 30 September 2007 has been drawn up and presented in accordance with and in reliance upon applicable English law and the liabilities of the Company in connection with that report shall be subject to the limitations and restrictions provided by such law. The interim results for the period to 30 September 2007 are unaudited.

This report may contain certain statements about the future outlook for 3i Infrastructure Limited. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

This report is intended solely for current shareholders of 3i Infrastructure Limited and should not be distributed in the United States or to a US person.

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### Interim report online



To receive shareholder communications electronically in future, including your annual and half yearly reports and notices of meetings, please go to [www.3i-infrastructure.com/e-comms](http://www.3i-infrastructure.com/e-comms) for details of how to register.

## Chairman's statement



“With the outlook for the infrastructure sector remaining positive, current portfolio assets performing well and a good pipeline of investment opportunities, I believe the Company is well placed to deliver, in the medium term, the return objectives set out at our IPO.”

3i Infrastructure Limited has made good progress in terms of financial performance and strategic development during the period from incorporation on 16 January 2007 to 30 September 2007. The Company, which is now a component of the FTSE 250 index, has delivered a return of £33 million over the period or 4.8% on opening shareholders' equity.

This performance has been achieved against a backdrop of more volatile equity markets and deteriorating credit conditions. The Company has invested £413 million over the period, or 60% of the net proceeds raised at IPO, including the £234 million acquisition of the initial portfolio from 3i Group plc. This has been invested in a portfolio of geographically diversified assets which, as outlined in more detail in the Investment Adviser's review, are performing in line with our expectations. The Board monitors the performance of the portfolio through regular updates and detailed reviews received from the Investment Adviser. The Board has approved the valuations of each investment and is encouraged by the performance of the assets.

The Company's performance owes much to the breadth and depth of 3i Investments plc's relationships with both financial and industrial partners internationally. Investments such as the acquisition – financed with both equity and debt – of a 45% interest in three subsidiaries of Oiltanking GmbH, based in Amsterdam, Malta and Singapore, as well as the US\$250 million commitment to the 3i India Infrastructure Fund (“the Fund”), demonstrate the benefit of the Company's association with 3i's international network. This, I believe, is a significant competitive advantage for 3i Infrastructure.

The commitment to the Fund, whose first closing was announced by 3i Group plc on 27 September 2007, is a significant development for the Company. The Fund has already completed its first investment, drawing down commitments from 3i Infrastructure of £56 million. India offers great growth opportunities for infrastructure investment, and the Investment Advisory team on the ground has developed a strong pipeline of potential opportunities.

The Company held an Extraordinary General Meeting to obtain shareholders' approval for its commitment to the Fund, which was a related party transaction. The resolution to participate in the Fund was approved by shareholders at the EGM, with 3i Group plc not taking part in the vote.

The Company's corporate governance model is working well. The Board has been responsible for the development and implementation of the Company's operating procedures and controls. In August, the Company held its first Annual General Meeting. In September the Board was delighted to welcome Steven Wilderspin as a non-executive Director. Steven has joined the Audit Committee and is a former director of GED Long Short Equity Fund Limited and of Wake Alternative Investment SPC. His extensive experience in the financial services sector will be a valuable addition to the Board.

September also saw the inclusion of 3i Infrastructure in the FTSE 250 and FTSE All-Share indices. This was a positive development for the Company, which was followed by an increase in the volume traded in its shares.

Despite testing conditions in the capital markets and a deterioration in the availability and conditions of credit, the infrastructure market is continuing to experience healthy levels of activity, as evidenced by the volume of potential investments currently being reviewed by our Investment Adviser. The Board is confident that the market opportunity for infrastructure investment on a global scale remains strong, with private sector financing becoming increasingly important in the funding mix of infrastructure projects around the world.

I am pleased to report that the Directors have approved an interim dividend of 2.0p per share, which will be paid on 19 December 2007 to shareholders on the register at 30 November 2007.

With the outlook for the infrastructure sector remaining positive, current portfolio assets performing well and a good pipeline of investment opportunities, I believe the Company is well placed to deliver, in the medium term, the return objectives set out at our IPO.

**Peter Sedgwick**  
Chairman  
21 November 2007

## About 3i Infrastructure Limited

3i Infrastructure Limited (“3i Infrastructure” or “the Company”) is a Jersey-incorporated, closed-ended investment company that invests in infrastructure businesses and assets and is regulated by the Jersey Financial Services Commission.

3i Infrastructure listed on the London Stock Exchange on 13 March 2007, raising in total £703 million in its initial public offering (“IPO”) from a diverse range of international institutions and retail investors. The Company is a component of the FTSE 250 index.

3i Investments plc (“3i Investments”), a wholly-owned subsidiary of 3i Group plc (“3i Group”) acts as investment adviser to the Company. The Company has a non-executive board and no employees. A full list of the Company’s advisers and agents is set out on page 25.

### Objectives

#### Returns

3i Infrastructure’s overall objective is to provide its shareholders with **a total return of 12% per annum on net IPO proceeds**, to be achieved over the long term.

Within this overall objective, the Company will also target an **annual distribution yield**, on full investment of the net IPO proceeds, of approximately **5% of the net IPO proceeds**, to be achieved through a combination of regular dividends and capital returns.

#### Portfolio

3i Infrastructure aims to invest the net IPO proceeds within **two years** from listing.

The Company intends to make equity, or equivalent, investments in infrastructure businesses and most will be of a size sufficient to obtain **board representation**.

Infrastructure businesses and assets are defined by 3i Infrastructure as **asset-intensive** businesses, providing **essential services** over the long term, often on a **regulated basis**, or with a significant component of revenues and costs that are subject to **long-term contracts**.

### Risks and uncertainties

The principal risks and uncertainties faced by the Company are set out in the Risk Factors section of the Company’s IPO prospectus. The principal external and strategic investment risks faced by the Company relate to the performance of underlying investment assets and market and transaction risks relating to the time taken to deploy the Company’s capital. The Company is also highly dependent on 3i Investments and its Infrastructure investment team.

## Investment Adviser's review

"The opportunity for infrastructure investment in both mature and emerging markets is significant. The defensive characteristics of the asset class make it even more attractive in the current turbulent market. Competition for high-quality assets is likely to remain high and we therefore remain focused on a selective approach to investment."

**Michael Queen,**

Managing Partner, Infrastructure, 3i Investments plc

### About the Investment Adviser

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

The infrastructure investment team operates as a separate business line within 3i Group and at 30 September 2007 was staffed by 19 dedicated infrastructure investment professionals, of whom 12 are based in London, two in Frankfurt and five in Mumbai. All have significant experience in investing in, or advising on, infrastructure or private equity assets. Plans are being formalised to establish a team based in 3i's New York office. The team can also draw on 3i's network of more than 250 investment professionals, based in 14 countries, to source infrastructure investments.

3i Group was among the subscribers to 3i Infrastructure's initial public offering and owns 46% of the equity in the Company.

### Investment activity

As shown in Table 1, investments during the period to 30 September 2007 totalled £412.7 million,

representing 60% of the net proceeds raised by 3i Infrastructure at its IPO.

The balance of IPO proceeds, plus income received and net of costs paid, of £296.7 million, is currently held in cash or cash equivalents.

An initial portfolio of infrastructure assets was acquired by the Company from 3i Group at the IPO, for a total consideration of £234.4 million. This initial portfolio includes minority investments in Anglian Water Group Limited, Infrastructure Investors ("I<sup>2</sup>"), Octagon and Alpha Schools. Three additional new investments totalling £147.4 million were made after the initial portfolio acquisition. Follow-on investments and draw downs of existing commitments amounted to £30.9 million.

An asset-by-asset review of our portfolio, including a strategic update, valuation methodology and developments in the period, can be found on pages 8 to 11.

The Company's largest investment during the period, after the purchase of the initial portfolio at IPO, was the acquisition, through Oystercatcher Luxco 2, of a 45% interest in three subsidiaries of Oiltanking GmbH which provide petroleum and chemical storage facilities in Amsterdam, Malta and Singapore.

In August, the Company purchased a 16.7% holding from 3i Group in Thermal Conversion Compound Industriepark Höchst GmbH ("T2C"), a company established to develop, own and operate a waste to energy plant in Germany, for a consideration of £6.5 million.

Following approval from its shareholders at an Extraordinary General Meeting held on 10 September 2007, 3i Infrastructure also committed US\$250 million to the 3i India Infrastructure Fund ("the Fund"), established by 3i Group to invest in infrastructure opportunities in India. At 30 September 2007, the Fund had completed one investment, a power station development in the port of Mundra in Gujarat, drawing down commitments from 3i Infrastructure of £56.4 million.

**Table 1 - Summary of investment activity in the period to 30 September 2007 (£m)**

Portfolio asset (investment basis)	Sector	Initial portfolio	Further investment	New investment	Total investment	Undrawn commitments
Anglian Water Group Limited <sup>1</sup>	Utilities – Water	140.0			<b>140.0</b>	
Infrastructure Investors Limited Partnership ("I <sup>2</sup> ")	Social Infrastructure – PFI fund	82.0	29.9		<b>111.9</b>	25.5
Octagon Healthcare Limited	Social Infrastructure – PFI Hospital	12.2	1.0		<b>13.2</b>	
Alpha Schools (Highland) Holdings Limited	Social Infrastructure – PFI Schools	0.2			<b>0.2</b>	7.6
T2C	Utilities – Power			6.5	<b>6.5</b>	
Oystercatcher Luxco 2 S.a.r.l	Transportation – Oil Storage			84.5	<b>84.5</b>	
3i India Infrastructure Holdings Ltd <sup>2</sup>	Power and Transport fund			56.4	<b>56.4</b>	67.0
<b>Total</b>		<b>234.4</b>	<b>30.9</b>	<b>147.4</b>	<b>412.7</b>	<b>100.1</b>

<sup>1</sup> Formerly known as Osprey Jersey Holdco Limited.

<sup>2</sup> The Fund currently holds only one investment, which is in the power sector.

## Investment Adviser's review continued

### Portfolio performance

#### Portfolio value and returns

The value of 3i Infrastructure's portfolio at 30 September 2007 was £426.4 million.

All assets are performing in line with expectations. The Investment Adviser, through board representation, is working with the management and shareholders of each of the investee companies to deliver improvements in their operational performance.

The performance of the Company's investment assets is measured on the basis of the investment return. The investment return attributable to the assets for the period to 30 September 2007 is £40.3 million, 5.8% of opening shareholders' equity.

The Company generates returns on the assets either through the yield – from dividends or interest – earned from the assets, from asset revaluation, or from any realised capital profits from the sale or partial sale of the asset. Interest income is earned on treasury assets, cash and cash equivalents.

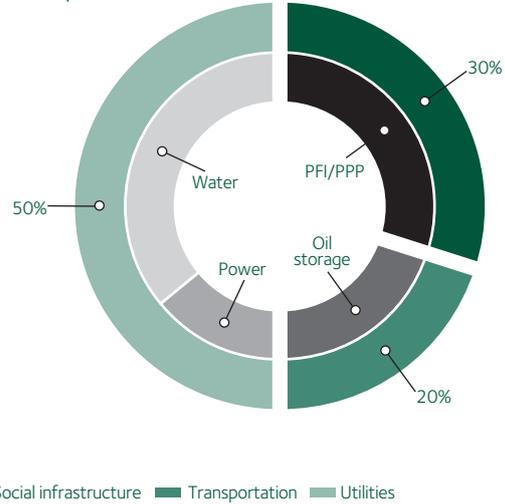
#### Portfolio composition

3i Infrastructure's aim is to build a portfolio of assets which is diversified by sector, maturity and geography. Charts 1, 2 and 3 opposite illustrate the breakdown of the portfolio by sector, maturity and geography as at 30 September 2007.

The portfolio is invested across a range of asset maturities from mature, typically high-yielding assets to early-stage development projects, which would generally provide a lower yield, but higher capital growth potential. Diversification of the portfolio across this maturity spectrum aims to deliver a balance of income returns and capital growth, as well as to balance the portfolio's risk profile.

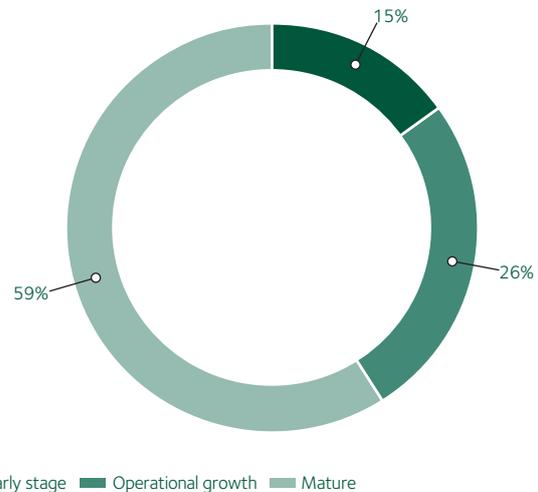
**Chart 1 – Asset portfolio by sector**

as at 30 September 2007



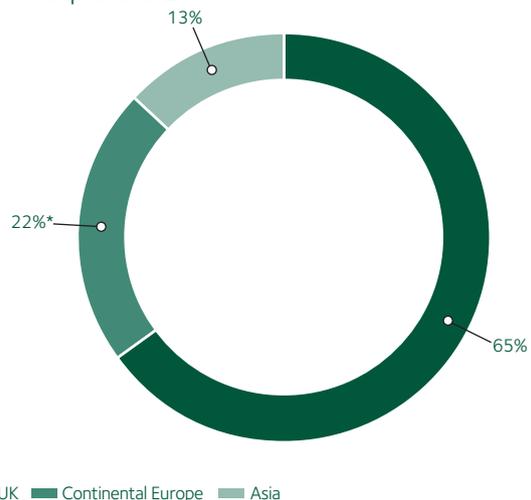
**Chart 2 – Asset portfolio by maturity**

as at 30 September 2007



**Chart 3 – Asset portfolio by geography**

as at 30 September 2007



\*Includes investment in Oystercatcher 2, with operations in Amsterdam, Malta and Singapore.

## Valuation

### 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 of Directors. 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 (IPEVC) valuation guidelines, generally using a discounted cash flow (DCF) methodology, which the Board considers to be the most appropriate valuation methodology for infrastructure investments.

All valuations are based, in part, on information provided by the project companies or other investment vehicles in which the Company has invested. The Investment Adviser evaluates all such information and data. Where the financial reports provided by the project companies or other investment vehicles are provided only on a quarterly basis, the most up to date financial model will be used and adjusted for material events at the reporting date.

Generally, the process of estimating the fair value of an investment involves using the DCF methodology to derive the present value of an investment's expected future cash flows. Cash flow projections are based on reasonable macro-economic, industry-specific and company-specific financing and operating estimates or assumptions. An appropriate discount rate is then applied.

The discount rate for each investment will vary according to the underlying risks of that investment. The Investment Adviser exercises its skill and judgment to assess the most appropriate discount rate which will be derived from a risk premium, applied for each individual asset, in excess of the risk-free rate. Other market information available to the Investment Adviser, both specific to the Company's investment or the market sector, may also be incorporated into the discount rate.

The DCF basis will be used as the primary valuation methodology for the Company's portfolio, except for the following cases:

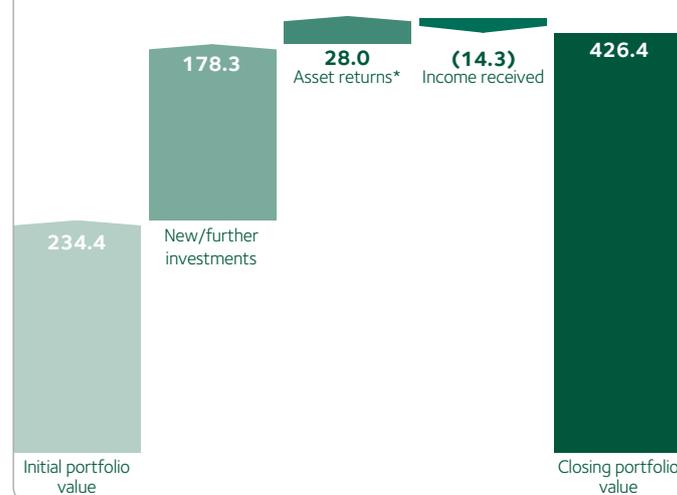
- investments in other infrastructure funds where the Company will value its limited partnership share of the net asset value of the fund. It can generally be assumed, however, that most infrastructure funds will value their underlying assets on a DCF basis. The underlying fund valuation may be adjusted to incorporate discount rates consistent with the Company's assessment of the most appropriate discount rate for the nature of the assets held in the fund;
- quoted assets which will be valued at closing bid price; and
- assets close to sale, which will be valued on the basis of expected sale proceeds from offers received as part of a sale process, less an appropriate marketability discount.

A provision will be made against any investment in a company that has failed or is expected to fail within the next 12 months.

### Portfolio value

Chart 4 illustrates the effects of new investment, asset returns and income received during the period on portfolio value. In valuing the portfolio, the weighted average discount rate applied at 30 September 2007 was 13%.

**Chart 4 – Reconciliation in movement in portfolio value (£m)**  
for the period to 30 September 2007



\*Includes £2.4 million of unrealised exchange gains.

## Investment Adviser's review continued

### Basis of preparation

In the following section, the Investment Adviser has presented the Company's net asset value and key financial statements to show the return on a pro-forma investment basis, in addition to the consolidated financial statements as shown on pages 13 to 22 as required under International Financial Reporting Standards ("IFRS"). The Investment Adviser considers this pro-forma investment basis presentation provides a more meaningful representation of the Company's net asset value, shows the Company's cash utilisation for investment and differentiates between non-recourse borrowings held within asset specific acquisition companies and borrowings which may be made at the Company level. The investment basis accounts for subsidiaries formed specifically for investment purposes in the same way as minority investments and therefore does not consolidate these entities as is required under IFRS.

Two adjustments have been made.

3i Infrastructure holds 55.7% of 3i Osprey LP, the vehicle through which 3i Group also holds its investment in Anglian Water Group Limited. 3i Infrastructure is required under IFRS to consolidate the results and balance sheet of this LP into its accounts on a line-by-line basis. The remaining 44.3% of this entity is held by 3i Group and a third party. In the investment basis presentation, 3i Infrastructure has recognised only its share of the income and balance sheet of 3i Osprey LP.

During the period to September the Company invested in Oystercatcher Luxco 1 and Luxco 2 S.a.r.l.s, two wholly-owned subsidiaries, to fund the minority investment into three Oiltanking GmbH subsidiaries. External borrowings were also made by Oystercatcher Luxco 2 to fund the investments. These borrowings are non-recourse to 3i Infrastructure. Under IFRS, the results and balance sheets of the Oystercatcher Luxco 1 and Luxco 2 subsidiaries are required to be consolidated into 3i Infrastructure's financial statements on a line-by-line basis. In the investment basis presentation these subsidiaries are not consolidated but are accounted for as a portfolio asset held for investment purposes.

### Returns

A commentary covering the key features of the return on an investment basis is provided below.

3i Infrastructure achieved a total return of £33.3 million for the period. The diluted net asset value at 30 September 2007 (before deducting the interim dividend) was 103.1p per share, a 4.6% increase over proceeds raised at IPO (less initial expenses) of 98.6p per share.

**Table 2 – Total return for the period between 16 January 2007 and 30 September 2007**

	£m
Unrealised profits on the revaluation of investments	11.3
Exchange gains on portfolio assets	2.4
	13.7
Portfolio income	
Dividends	10.6
Income from loans and receivables	3.7
Fees (payable)/receivable	(0.7)
Interest receivable	13.0
<b>Investment return</b>	<b>40.3</b>
Advisory and performance fee payable	(3.8)
Operating expenses	(3.2)
<b>Profit for the period "Total return"</b>	<b>33.3</b>

The investment return was £40.3 million, of which £28.0 million was generated directly from portfolio assets and £13.0 million was interest on financial assets. The return comprises dividends and interest yield from the portfolio of £14.3 million, as well as an unrealised value uplift and exchange gains of £13.7 million recognised on the revaluation of certain assets in the portfolio. This is net of fees arising from investment activity and costs payable to advisers of £(0.7) million.

During the period, 3i Infrastructure incurred costs of £16.8 million, the majority of which were professional fees relating to the IPO of the Company. Of these costs, £9.8 million have been charged directly against the share premium account and are not reflected in the total return shown in the table above.

Other expenses include the running costs of the Company, exchange losses on non-investment assets and the advisory fee payable to 3i Investments, which is calculated as 1.5% of the Gross Investment Value (further explanation is provided on page 22).

### Balance sheet and net asset value

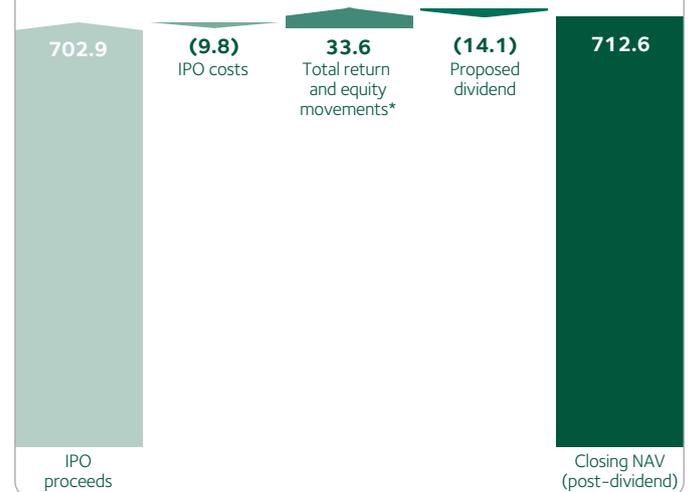
As at 30 September 2007, the cash balance stood at £296.7 million and there were no external borrowings on a recourse basis to the Company.

**Table 3 – Balance sheet** as at 30 September 2007

	£m
<b>Assets</b>	
<b>Non-current assets</b>	
Investment portfolio	426.4
<b>Current assets</b>	
Other current assets	11.7
Cash and cash equivalents	296.7
<b>Total current assets</b>	<b>308.4</b>
<b>Total assets</b>	<b>734.8</b>
<b>Current liabilities</b>	
Trade and other payables	(8.1)
<b>Total current liabilities</b>	<b>(8.1)</b>
<b>Total liabilities</b>	<b>(8.1)</b>
<b>Net assets</b>	<b>726.7</b>
<b>Equity</b>	
Issued capital	693.1
Translation reserve	0.3
Retained reserve	33.3
<b>Total shareholders' equity</b>	<b>726.7</b>

The net asset value at 30 September 2007 was £726.7 million, which reduces to £712.6 million after the deduction of the proposed interim dividend, which will be paid in December 2007.

**Chart 5 – Reconciliation of movements in net asset value (£m)**  
for the period to 30 September 2007



\*Equity movements of £0.3 million relate to exchange differences on translation of foreign operations.

## Portfolio

### The initial portfolio

The initial portfolio comprises the four assets that were purchased from 3i Group at IPO for a total consideration of £234.4 million. These include a UK regulated asset and three Private Finance Initiative (PFI) projects.

### Anglian Water Group Limited



#### Description

Investment in Anglian Water Group Limited (previously known as Osprey Jersey Holdco Limited), the principal business of which is the water and waste water company Anglian Water. Anglian Water is the fourth largest water supply and waste water company in England and Wales, measured by regulatory capital value, and is regulated by Ofwat. The group also includes Morrison plc, a support services business, and a separate property development business.

#### Portfolio detail

Equity interest	9.0%
Date invested	March 2007
Cost	£140.0m
Directors' valuation	£151.6m
Income in the period	£3.2m
Asset total return	£14.8m
Valuation basis	DCF

#### Strategy

AWG aims to deliver a high-quality, reliable service to its customers, through strong operational management and the efficient financing of its capital programme.

#### Developments in the period

The refinancing of the acquisition debt has been completed on favourable terms. The 180-day post-acquisition plan has been completed with management ahead of schedule.

### Infrastructure Investors LP ("I<sup>2</sup>")



#### Description

I<sup>2</sup> makes and manages investments in secondary PFI projects, mainly in the UK and continental Europe. Among the largest equity funds in this market, its 74 assets include the Lewisham DLR extension, HM Treasury and HMRC offices, and HPC Kings College Hospital.

#### Portfolio detail

Equity interest	31.2%
Date invested	March 2007
Cost	£111.9m
Directors' valuation	£112.8m
Income in the period	£7.9m
Asset total return	£8.8m
Valuation basis	LP share of fund

#### Strategy

I<sup>2</sup> aims to develop a diversified portfolio of PFI assets, generating stable returns for investors, through identifying portfolio synergies, optimising operational efficiencies and developing appropriate financial structures.

#### Developments in the period

Two new portfolios were acquired, the most significant being the "take private" of The PFI Infrastructure Company Limited. Income returns have been generated mainly through portfolio restructuring.

## Octagon



### Description

A £229 million project to build and maintain the Norfolk and Norwich University hospital. The hospital was completed in September 2001.

Under the terms of a 35-year PFI contract, Octagon maintains the hospital. The NHS Trust is committed to making RPI-linked payments to cover the use and maintenance of the buildings and is responsible for the provision of all clinical services.

### Portfolio detail

Equity interest	26.3%
Date invested	March 2007
Cost	£13.2m
Directors' valuation	£13.5m
Income in the period	£0.6m
Asset total return	£0.9m
Valuation basis	DCF

### Strategy

The management team, working with close shareholder involvement from the consortium, continue to focus on maintaining the excellent relationship with the NHS Trust and Regional Health Authority. This is achieved through delivery of first-class service levels to the hospital, thereby maintaining income returns which, in turn, continue to deliver a strong shareholder yield.

### Developments in the period

3i Infrastructure has increased its holding in Octagon by 1.3% to 26.3%, by acquiring its pro-rata share of a 5% stake sold by an original consortium member.

## Alpha Schools



### Description

A £134 million project to build and refurbish 11 new schools in Scotland under a 30-year PFI contract with the Highland Council. Construction has started and the target date for completion of all schools is 2008.

The Company has committed to invest a further £7.6 million in loan notes.

### Portfolio detail

Equity interest	50.0%
Date invested	March 2007
Cost	£0.2m
Directors' valuation	£0.2m
Income in the period	–
Asset total return	–
Valuation basis	DCF

### Strategy

To build and/or refurbish 11 schools for the Highland Council ahead of the scheduled delivery date. Once the construction phase is complete, there may be opportunities to refinance the project as well as providing a running yield to shareholders.

### Developments in the period

Five schools (out of 11 projects) have been completed and handed over in the period. Resulting from the high standards of delivery, an excellent relationship continues to develop between the project company and the Highland Council.

### PFI

PFI is a form of public-private partnership in which the public and private sectors join to design, build or refurbish, finance and operate new or improved facilities to the general public.

## Portfolio continued

### New Investments

In the period, the Company actively pursued its strategy to build a portfolio that is diversified by geography, maturity and sector.

The three new investments are all outside the UK, as 3i Infrastructure has benefited from the international reach of the Investment Adviser.

### Oystercatcher



#### Description

3i Infrastructure, through Oystercatcher Luxco 2 S.a.r.l, has a 45% interest in three of Oiltanking GmbH's subsidiaries based in Amsterdam, Malta and Singapore.

Oiltanking is one of the world's largest independent providers of third-party storage facilities for petroleum and chemical products, owning and operating 74 terminals in 21 countries. Oiltanking's clients include private and state oil companies, refiners, petrochemical companies and traders in petroleum products and chemicals.

#### Portfolio detail

Equity interest	45.0%
Date invested	August 2007
Cost	£84.5m
Directors' valuation	£85.4m
Income in the period	£2.5m
Asset total return	£3.4m
Valuation basis	DCF

#### Strategy

To work in partnership with the experienced local management teams, supported by Oiltanking's central management expertise, to help deliver high-value customer service in the strategic locations of Singapore, Amsterdam and Malta, driving strong operational performance to maintain steady capital growth.

#### Developments in the period

Transaction completed in August 2007.

### Thermal Conversion Compound ("T2C")



#### Description

Construction of a new-build waste to energy plant to generate heat and power from refuse-derived fuels. The plant is located near Frankfurt, Germany.

#### Portfolio detail

Equity interest	16.7%
Date invested	August 2007
Cost	£6.5m
Directors' valuation	£6.7m
Income in the period	£0.1m
Asset total return	£0.3m
Valuation basis	DCF

#### Strategy

To monitor and influence the project during the construction period to ensure that the project plan remains on track and delivers the full benefit of the technology being employed. Successful completion of the construction phase should enable refinancing of the project.

#### Developments in the period

The preliminary planning licence was received in the period and construction of the plant commenced.

### Portfolio diversity

Gaining portfolio diversity for 3i Infrastructure can also be achieved through investing in infrastructure funds.

Such funds generally have a geographical or sector mandate.

Such funds typically invest across a spectrum of risk profiles and, dependent on that profile, will generate either income or capital growth.

3i Infrastructure will target investment in funds where the risk/return profile will complement the balance of risk/return sought in the 3i Infrastructure portfolio.

## 3i India Infrastructure Fund



### Description

The 3i India Infrastructure Fund was established by 3i Group to make infrastructure investments in India focusing on ports, airports, roads and power. The first closing of the Fund, at US\$500 million, was announced in September 2007.

3i Infrastructure has committed US\$250 million alongside 3i Group, which has committed the same amount. As 3i Group, a 46% shareholder in the Company, is a related party, the commitment had to be approved by 3i Infrastructure's shareholders at an EGM on 10 September 2007.

### Portfolio detail

Equity interest	50%*
Date invested	September 2007
Cost	£56.4m
Directors' valuation	£56.2m
Valuation basis	LP share of fund

\* 50% of first closing commitments.

Note: The asset total return is £(0.2) million due to an exchange difference.

Unlike 3i Group and third-party investors, the Company will pay no advisory, management or performance fees in connection with its participation in the Fund, other than those which it is contracted to pay pursuant to the terms of the Company's existing investment advisory agreement with 3i Investments.

### Strategy

The Fund will provide 3i Infrastructure with access to the Indian infrastructure market where economic growth is driving a strong demand for new infrastructure assets. The Board recommended investment through the Fund to the shareholders as it believed this would give exposure to a larger and more diversified portfolio of investments due to the scale of the Fund. It further anticipated that the 3i Investment Advisory team in India would be strengthened given the scale of the Fund and this enhanced team would directly benefit 3i Infrastructure through its co-investment in the Fund.

### Developments in the period

Since first closing, the Fund has announced the completion of its first investment, a minority stake in Adani Power Limited, which will construct and operate a power station in the port of Mundra, in the state of Gujarat. In September, 3i Infrastructure commitments of £56.4 million were drawn down to fund this investment.

## Independent review report

to the members of 3i Infrastructure Limited

We have been engaged by the Company to review the consolidated condensed set of financial statements in the interim financial report for the period 16 January 2007 to 30 September 2007 which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated reconciliation of movements in equity, consolidated balance sheet, consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the interim 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 interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed within the Basis of preparation, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim 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 for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the period 16 January 2007 to 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### Ernst & Young LLP

Jersey

21 November 2007

## Accounting policies

### Basis of preparation

These financial statements are the unaudited interim consolidated financial statements (the "Interim Financial Statements") of 3i Infrastructure Limited, a company incorporated and registered in Jersey, Channel Islands and its subsidiaries (together referred to as the "Group") for the period from 16 January 2007 to 30 September 2007 (the "interim period"). As this is the first period in which the Group has operated, no comparatives are presented. The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34").

The Interim Financial Statements were authorised for issue by the Directors on 21 November 2007.

The Interim Financial Statements do not constitute statutory accounts.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### New standards and interpretations not applied

The International Accounting Standards Board ("IASB") has issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

	Effective for the period beginning on or after
<b>IAS 1</b> Revised – Presentation of Financial Statements	1 January 2009
<b>IAS 23</b> Revised – Borrowing Costs	1 January 2009
<b>IFRS 8</b> Operating Segments	1 January 2009
<b>IFRIC 12</b> Service Concession Arrangements	1 January 2008
<b>IFRIC 13</b> Customer Loyalty Programs	1 July 2008
<b>IFRIC 14</b> IAS 19: The limit on a defined benefit asset, limited funding requirements and their interaction	1 January 2008

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt these early.

### A. Basis of consolidation

**(i) Subsidiaries** – Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**(ii) Transactions eliminated on consolidation** – Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly-controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### B. Exchange differences

**(i) Foreign currency transactions** – Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling using exchange rates ruling at the date the fair value was determined.

**(ii) Financial statements of non-sterling operations** – The assets and liabilities of operations whose functional currency is not sterling, including fair value adjustments arising on consolidation, are translated to sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of these operations are translated to sterling at rates approximating to the exchange rates ruling at the date of the transactions. Exchange differences arising on retranslation are recognised directly in a separate component of equity, the translation reserve, and are released upon disposal of the non-sterling operation.

## Accounting policies continued

### C. Investment portfolio

**(i) Recognition and measurement** – Investments are recognised and de-recognised on a date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investments. The Group manages its investments with a view to profiting from the receipt of interest and dividends and changes in fair value of equity investments. Therefore, all quoted investments and unquoted equity investments are designated as at fair value through profit or loss and subsequently carried in the balance sheet at fair value. All investments are initially recognised at the fair value of the consideration given and held at this value until it is appropriate to measure fair value on a different basis, applying the Group's valuation policies. Acquisition costs are attributed to equity investments and recognised immediately in the income statement.

#### (ii) Income

(a) Realised profits over value on the disposal of investments is the difference between the fair value of the consideration received less any directly attributable costs, on the sale of equity and the repayment of loans and receivables, and its carrying value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal;

(b) Unrealised profits on the revaluation of investments is the movement in the carrying value of investments between the start and end of the accounting period converted into sterling using the exchange rates in force at the end of the period;

(c) Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be an economic benefit and the income can be reliably measured. The following specific recognition criteria must be met before the income is recognised:

- Income from loans and receivables is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value;
- Dividends from equity investments are recognised in the income statement when the shareholders' rights to receive payment have been established to the extent that dividends, paid out of pre-acquisition reserves, adjust the fair value of the equity investment;
- Fee income is earned directly from investee companies when an investment is first made and through the life of the investment. Fees that are earned on a financing arrangement are considered to relate to a financial asset

measured at fair value through profit or loss and are recognised when that investment is made. Fees that are earned on the basis of providing an ongoing service to the investee company are recognised as that service is provided. Fees payable represent fees incurred in the process to make an investment.

### D. Fees

**(i) Advisory fee** – An annual advisory fee is payable to the Investment Adviser based on the Gross Investment Value of the Company. The fee is payable quarterly in advance and is accrued in the period it is incurred;

**(ii) Performance fee** – The Investment Adviser is entitled to a performance fee based on the Adjusted Total Return generated in the period in excess of a performance hurdle. The fee is payable annually in arrears and is accrued in the period it is incurred.

### E. Financial assets and liabilities

Short-term financial assets and short and long-term financial liabilities are used to manage cash flows and overall costs of borrowing. Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument.

**(i) Cash and cash equivalents** – Cash and cash equivalents in the balance sheet comprise cash at bank and in-hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above and other short-term, highly-liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value, net of bank overdrafts.

**(ii) Deposits** – Deposits in the balance sheet comprise longer-term deposits with an original maturity of greater than three months.

**(iii) Bank loans, loan notes and borrowings** – All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

**(iv) Derivative financial instruments** – Derivative financial instruments are used to manage the risk associated with foreign currency fluctuations of the investment portfolio and changes in interest rates on its borrowings. This is achieved by the use of foreign



currency contracts, currency swaps and interest rate swaps. Such instruments shall be used for the sole purpose of efficient portfolio management. All derivative financial instruments are held at fair value.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently re-measured to the fair value at each reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts for contracts with similar maturity profiles. The fair value of currency swaps and interest rate swaps is determined with reference to future cash flows and current interest and exchange rates. All changes in the fair value of derivative financial instruments are taken to the income statement.

#### **F. Other assets**

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. They are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows. Any change in levels of impairment is recognised directly in the income statement. An impairment loss is reversed at subsequent balance sheet dates to the extent that the asset's carrying amount does not exceed its carrying value, had no impairment been recognised.

#### **G. Other liabilities**

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the balance sheet date.

#### **H. Equity instruments**

Equity instruments issued by the Group are recognised at the proceeds or fair value received with the excess of the amount received over nominal value being credited to the share premium account. Direct issue costs net of tax are deducted from equity.

#### **I. Provisions**

Provisions are recognised when the Group has a present obligation of uncertain timing or amount as a result of past events, and it is possible that the Group will be required to settle that obligation and a reliable estimate of that obligation can be made. The provisions are measured at the Directors' best estimate of the amount to settle the obligation at the balance sheet date, and are discounted to present value if the effect is material. Changes in provisions are recognised in the income statement for the period.

#### **J. Income taxes**

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

The tax currently payable is based on the taxable profit for the period. This may differ from the profit included in the Consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## **Directors' responsibility statement**

The Directors confirm to the best of their knowledge that:

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

The Directors of 3i Infrastructure Limited and their functions are listed on the inside front cover.

By order of the Board

**Peter Sedgwick**

Chairman

21 November 2007

## Unaudited consolidated income statement

for the period from 16 January 2007 to 30 September 2007

	Notes	£m
Unrealised profits on the revaluation of investments		<b>18.8</b>
Exchange gains on portfolio assets		<b>2.4</b>
		<b>21.2</b>
Portfolio income		
Dividends		<b>15.3</b>
Income from loans and receivables		<b>5.4</b>
Fees payable		<b>(4.5)</b>
Interest receivable		<b>13.0</b>
<b>Investment return</b>	1	<b>50.4</b>
Advisory and performance fee payable		<b>(3.8)</b>
Operating expenses		<b>(3.2)</b>
Finance costs	2	<b>(3.2)</b>
<b>Profit for the period</b>		<b>40.2</b>
Attributable to:		
Equity holders of the parent		<b>29.3</b>
Minority interests		<b>10.9</b>
<b>Earnings per share</b>		
Basic (pence)	5	<b>4.2</b>
Diluted (pence)	5	<b>4.2</b>

The amount of dividends proposed are shown in note 6.

## Unaudited consolidated statement of recognised income and expense

for the period from 16 January 2007 to 30 September 2007

	£m
Profit for the period attributable to equity holders of the parent	29.3
Exchange differences on translation of foreign operations attributable to the parent	0.3
<b>Total recognised income and expense attributable to the parent</b>	<b>29.6</b>
Profit attributable to minority interests for the period	10.9
<b>Total recognised income and expense for the period</b>	<b>40.5</b>

## Unaudited consolidated reconciliation of movements in equity

for the period from 16 January 2007 to 30 September 2007

	Notes	£m
<b>Opening total equity</b>		–
Total recognised income and expense for the period attributable to the parent		29.6
Issue of shares	4	693.1
<b>Total equity attributable to equity holders of the parent</b>	4	<b>722.7</b>
Profit attributable to minority interests for the period		10.9
Minority interests	4	111.3
<b>Total equity attributable to minority interests</b>	4	<b>122.2</b>
<b>Closing total equity</b>		<b>844.9</b>

# Unaudited consolidated balance sheet

as at 30 September 2007

	Notes	£m
<b>Assets</b>		
<b>Non-current assets</b>		
Investments at fair value through profit or loss	1	671.1
<b>Total non-current assets</b>		<b>671.1</b>
<b>Current assets</b>		
Other current assets		16.4
Cash and cash equivalents		300.3
<b>Total current assets</b>		<b>316.7</b>
<b>Total assets</b>		<b>987.8</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans and borrowings		(132.7)
Derivative financial instruments		(2.1)
<b>Total non-current liabilities</b>		<b>(134.8)</b>
<b>Current liabilities</b>		
Trade and other payables		(8.1)
<b>Total current liabilities</b>		<b>(8.1)</b>
<b>Total liabilities</b>		<b>(142.9)</b>
<b>Net assets</b>		<b>844.9</b>
<b>Equity</b>		
Share premium	4	693.1
Retained reserves	4	29.3
Translation reserve	4	0.3
<b>Total equity attributable to equity holders of the parent</b>		<b>722.7</b>
Minority interests	4	122.2
<b>Total equity</b>		<b>844.9</b>

## Unaudited cash flow statement

for the period from 16 January 2007 to 30 September 2007

	£m
<b>Cash flow from operating activities</b>	
Purchase of investments	(534.7)
Income received from loans and receivables	1.2
Dividends received	15.3
Fees paid on investment activities	(3.7)
Operating expenses	(3.0)
Interest received	12.8
Advisory and performance fee paid	(2.4)
<b>Net cash flow from operations</b>	<b>(514.5)</b>
<b>Cash flow from financing activities</b>	
Proceeds from issue of share capital	702.9
Fees payable on issue of share capital	(9.8)
Interest paid	(1.1)
Proceeds from long-term borrowings	128.7
<b>Net cash flow from financing activities</b>	<b>820.7</b>
<b>Change in cash and cash equivalents</b>	<b>306.2</b>
Cash and cash equivalents at 16 January 2007	–
Cash in transit	(6.5)
Effect of exchange rate fluctuations	0.6
<b>Cash and cash equivalents at the end of period</b>	<b>300.3</b>

# Notes to the accounts (unaudited)

for the period from 16 January 2007 to 30 September 2007

## 1 Segmental analysis

	UK £m	Europe £m	Asia £m	Total £m
<b>Investment return</b>				
Unrealised profits/(loss) on the revaluation of investments	21.9	(3.1)	–	18.8
Exchange movements	–	2.6	(0.2)	2.4
Portfolio income	12.4	3.8	–	16.2
Interest receivable	13.0	–	–	13.0
	47.3	3.3	(0.2)	50.4
<b>Balance sheet</b>				
Value of investment portfolio	398.7	216.2	56.2	671.1

## 2 Finance costs

	£m
Interest payable	(1.1)
Movement in the fair value of currency swaps	(0.5)
Movement in the fair value of interest rate swaps	(1.6)
	(3.2)

## 3 Share premium

	£m
Issued during the period for cash	702.9
Costs of share issue	(9.8)
	693.1

The ordinary shares have a par value of £nil and all authorised shares are fully paid. On IPO, the shares had a subscription price of £1 per share.

## 4 Equity

	Share premium £m	Retained reserve £m	Translation reserve £m	Sub-total equity* £m	Minority interest £m	Total equity £m
Opening balance	–	–	–	–	–	–
Total recognised income and expense	–	29.3	0.3	29.6	10.9	40.5
Issue of shares	702.9	–	–	702.9	–	702.9
Issue costs	(9.8)	–	–	(9.8)	–	(9.8)
Minority interest	–	–	–	–	111.3	111.3
<b>Closing balance</b>	<b>693.1</b>	<b>29.3</b>	<b>0.3</b>	<b>722.7</b>	<b>122.2</b>	<b>844.9</b>

\*Total equity attributable to equity holders of the parent.



## 5 Share information

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

from 16 January  
to 30 September 2007

### Earnings per share (pence)

Basic	4.2
Diluted	4.2

### Earnings (£m)

Profit for the year attributable to equity holders of the parent	29.3
--	------

from 16 January  
to 30 September 2007  
Number

### Number of shares (m)

Weighted average number of shares in issue	702.9
Effect of dilutive potential ordinary shares-warrants	1.1

### Diluted shares

704.0

Under the initial public offering, for every ten shares purchased, one warrant was issued. Each warrant entitles the holder to subscribe for one ordinary share at £1.00 at any time from 13 September 2007 to 13 March 2012. At 30 September 2007, there were 70,640,980 warrants in issue.

as at  
30 September 2007

### Net assets per share (pence)

Basic	102.8
Diluted	102.6

### Net assets (£m)

Net assets attributable to equity holders of the parent	722.7
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## 6 Dividends

	pence per share	£m
Proposed dividend	2.0	14.1

## Notes to the accounts (unaudited) continued

### 7 Related party transactions

3i Group plc ("3i Group") holds 46.2% of the ordinary shares of the Company and also holds Warrants which give it rights to acquire a further 32.5 million ordinary shares. This classifies 3i Group as a "substantial shareholder" of the Company as defined by the Listing Rules.

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

As stated in the prospectus issued by the Company on 20 February 2007, the Group acquired a portfolio of four infrastructure investments from 3i Group on 13 March 2007 for £234.4 million.

Thermal Conversion Compound Industriepark Höchst GmbH ("T2C"), a company established to develop, own and operate a waste to energy plant in Germany, was purchased by 3i Infrastructure from 3i Group for £6.5 million, in the period. As set out in the prospectus detailing the IPO of the Company, this investment was made by 3i Group shortly before the flotation of 3i Infrastructure. It was not practicable to include it in the initial portfolio of assets acquired from 3i Group at flotation but was made available for acquisition by 3i Infrastructure after the IPO.

3i Infrastructure has committed US\$250 million into the 3i India Infrastructure Fund to invest in the Indian infrastructure market. 3i Group has also committed US\$250 million to this Fund.

#### Transactions between 3i Infrastructure and 3i Investments

3i Investments, a subsidiary of 3i Group, acts as the exclusive investment adviser to the Company through the Investment Team. It will also act as the manager for the 3i India Infrastructure Fund.

Under the Investment Advisory Agreement, an annual advisory fee is payable to 3i Investments plc based on the Gross Investment Value of 3i Infrastructure at the end of each financial period. Gross Investment Value can be defined as the total aggregate value of the investments of the Company as at the start of a financial period plus any investment (excluding cash) made during the period valued at cost (including any outstanding subscription obligations). The applicable annual rate is 1.5% dropping to an annual rate of 1.25% for investments once they have been held by the Group for longer than five years. The advisory fee accrues throughout the year and quarterly instalments are payable in advance 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. In the period from 16 January 2007 to 30 September 2007, £2.4 million was paid and £1.4 million remains due to 3i Group.

The Investment Advisory Agreement entitles a performance fee to be payable to 3i plc. This becomes payable when the Adjusted Total Return (being mainly the add-back of any accrued performance fees relating to the financial period) for the period exceeds the Net Asset Value per Ordinary Share (the "performance hurdle") equal to the opening Net Asset Value per Ordinary Share increased at a rate of 8% per annum. If the performance hurdle is exceeded, the performance fee will be equal to 20% of the Adjusted Total Return 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 period to 30 September 2007, hence no performance fee is payable.

For the provision of support services pursuant to the UK Support Services Agreement, the Company shall pay 3i plc a fee of £0.45 million per annum. Such remuneration is payable quarterly in arrears. The costs incurred in the period to 30 September 2007 and the outstanding balance as at that date was £0.25 million.

## Portfolio valuation methodology

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

### Basis of valuation

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

### General

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

### Quoted investments

Quoted 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. There are currently no quoted investments held in the portfolio of the Group.

### Unquoted investments

Unquoted investments are valued using one of the following methodologies:

- Discounted Cash Flow ("DCF")
- Limited Partnership share of fund net assets
- Expected sales proceeds
- Cost less any provision required

### DCF

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

### LP share of fund net assets

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

### Expected sales proceeds

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

### Cost less provision

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

## Information for shareholders

### Financial calendar

Ex-dividend date for interim dividend	28 November 2007
Record date for interim dividend	30 November 2007
Interim dividend expected to be paid	19 December 2007

### Registrars

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

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

e-mail: [registrars@capita.je](mailto:registrars@capita.je)  
Telephone: +44 (0) 1534 632310 or the  
Shareholder helpline: +44 (0) 8701 6323100

### Website

For full up-to-date investor relations information including the latest share price, recent reports, results presentations and financial news, please visit our investor relations website [www.3i-infrastructure.com](http://www.3i-infrastructure.com)

If you would prefer to receive shareholder communications electronically in future, including your annual and interim reports and notices of meetings, please go to [www.3i-infrastructure.com/e-comms](http://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](http://www.3i-infrastructure.com/e-comms)

### 3i Infrastructure Limited

Registered office:  
22 Grenville Street, St. Helier  
Jersey JE4 8PX  
Channel Islands

Tel: +44(0)1534 609000  
Fax: +44(0)1534 609333

Registered in Jersey No. 95682

An investment company as defined by section 266 of the Companies Act 1985.



### Advisers and agents

#### Investment Adviser and Custodian

3i Investments plc  
16 Palace Street  
London SW1E 5JD  
United Kingdom

#### Administrator to the Company and Company Secretary

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