12 June 2008

Results for the period from 16 January 2007 to 31 March 2008

3i Infrastructure outperforms targets and raises further equity to continue to invest

For the period from 16 January 2007 to 31 March 2008	
New investment and commitments	**£613m**
New investment and commitments as a % of net IPO proceeds	88%
Total return	**£91m**
Total return as a percentage of opening shareholders' equity [1]	13.1%
Diluted Net Asset Value per share (pre-dividend)	**108.6p**
Total dividend per share (of which final proposed dividend 3.0p)	**5.0p**
Diluted Net Asset Value per share (post-dividend)	**105.6p**

Note: the financial information above has been prepared according to the investment basis of reporting.
[1] Opening shareholders' equity is defined specifically for this period as total funds raised at IPO less formation costs.

Commentary

- Ahead of target to achieve full investment within two years of IPO, with 88% of net IPO proceeds at 31 March invested or committed to invest in a portfolio of assets which is performing well and delivering returns in line with expectations;
- Total return of 13.1% on opening shareholders' equity exceeds the 12% return objective set out at IPO and was achieved ahead of target;
- The Board of Directors has proposed a final dividend of 3.0 pence per share, bringing the total dividend for the year to 5.0 pence per share;
- The market opportunity for infrastructure investment remains strong, and the Investment Adviser has developed a pipeline of high-quality potential investment opportunities;
- The Company has separately announced a placing and open offer to raise approximately £115 million of new equity, at a price of 106 pence per share, which, combined with the £225 million credit facility agreed in March, will allow the Company to take advantage of the strong market opportunity.

Peter Sedgwick, Chairman of 3i Infrastructure Limited, said: "With a good return in the first year, a strong pipeline of opportunities and liquidity to invest, the Board feels confident that 3i Infrastructure is well positioned to build on the strong performance since IPO".

Michael Queen, Managing Partner, Infrastructure, 3i Investments plc, added: "The opportunity for infrastructure investment in both mature and emerging markets remains significant, despite a more challenging market environment. The investment advisory team remains focused on high-quality investment opportunities that offer resilience in the long term."

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For further information, please contact:

Peter Sedgwick, Chairman, 3i Infrastructure	Tel: 01534 711 444
Michael Queen, Managing Partner, Infrastructure, 3i Investments plc	Tel: 020 7975 3572
Stephen Halliwell, CFO, Infrastructure, 3i Investments plc	Tel: 020 7975 3263
Silvia Santoro, investor enquiries	Tel: 020 7975 3258
Jennifer Letki, press enquiries	Tel: 020 7975 3190
Lydia Pretzlik, The Maitland Consultancy	Tel: 020 7379 5151

For further information regarding the announcement of results for 3i Infrastructure Limited please see www.3i-infrastructure.com. The analyst presentation and scripts will be made available on this website during the day.

Notes to editors

3i Infrastructure Limited is a Jersey-incorporated, closed-ended investment company that invests in infrastructure businesses and assets and is regulated by the Jersey Financial Services Commission. The Company listed on the London Stock Exchange on 13 March 2007, raising £703 million in an initial public offering and is a component of the FTSE 250 index.

3i Investments plc, a wholly-owned subsidiary of 3i Group plc, which is regulated in the UK by the Financial Services Authority, acts as Investment Adviser to 3i Infrastructure Limited.

Chairman's statement

3i Infrastructure Limited performed strongly in the period from incorporation on 16 January 2007 to 31 March 2008. The Company achieved a total return, on a Consolidated IFRS basis, of £89 million, representing a 12.9% return on opening shareholders' equity. On an Investment basis, which the Board uses as the primary basis to monitor performance, the Company achieved a total return of £91 million (13.1%), more than its 12% return objective and ahead of the target set out at IPO.

I am also pleased to report that the Directors are proposing a final dividend of 3.0p per share, making a total dividend for the period of 5.0p per share, or 5.1% of net IPO proceeds, which also meets our annual distribution yield objective earlier than targeted.

The Company invested £442 million over the period, or 64% of the net proceeds raised at IPO, in a portfolio of assets which are performing in line with the Board's expectations. Including undrawn commitments at 31 March 2008, 3i Infrastructure had invested £613 million, or 88% of net IPO proceeds. The investment portfolio has diversified significantly since our flotation, also benefiting from the breadth and depth of the Investment Adviser's international network of financial and industrial partners.

New investments in the period included the acquisition of a 45% interest in three subsidiaries of Oiltanking GmbH, based in the Netherlands, Malta and Singapore and the commitment to the 3i India Infrastructure Fund (the "Fund"), whose final closing, at US$1.2 billion, was announced by 3i Group in April. The commitment to the Fund is of significant strategic importance for the Company, as it allows exposure to a diversified portfolio of infrastructure assets in India at no additional cost in terms of fees payable to the Fund's investment manager.

This good performance was achieved despite a marked downturn in credit markets, which has resulted in a deterioration in both the quantum and terms of debt available for the financing of transactions. It is worth noting that, despite these market conditions, the Company was able to access the debt markets throughout the period, not only to finance and refinance its investments, but also to raise its own £225 million credit facility, signed at the end of March, at terms that are attractive in the current environment. The relationship of our Investment Adviser with the consortium of lending banks was important in arranging the facility.

In addition, the Company intends to raise £115 million through a placing and open offer of new shares to international investors.

The Company's corporate governance model continues to work well. The Board acts as investment committee, monitors the performance of the portfolio through detailed reviews received from the Investment Adviser and has approved the valuation of each investment. All operating controls and procedures set out by the Board were implemented successfully throughout the period and in August the Company held its first Annual General Meeting.

In September, following the AGM, the Board was delighted to welcome Steven Wilderspin as a non-executive Director and a member of the Audit Committee. Thanks to his extensive experience, Steven has proven to be a valuable addition to the Board.

The market environment for infrastructure investment remains attractive for the Company. The challenging capital markets backdrop has reduced the competitive pressure for available assets, which should eventually result in more attractive entry prices. The dislocation in the credit markets, moreover, is creating interesting investment opportunities, which the Company has already taken advantage of through the commitment to acquire three junior debt tranches in Viridian, Thames Water and National Grid Wireless.

The outlook for the Company remains positive. With new equity capital and a debt facility in place, 3i Infrastructure has ample liquidity to continue to invest. With a good return in the first year, the assets in our portfolio performing well, a strong pipeline of investment opportunities and liquidity to invest, the Board feels confident that 3i Infrastructure is well positioned to build on its strong performance since IPO.

Peter Sedgwick
Chairman
11 June 2008

Investment Adviser's review

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 "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 operates as a separate business line within 3i Group and at 31 March 2008 was staffed by 23 dedicated infrastructure investment professionals of whom 13 are based in London, three in Frankfurt, five in Mumbai and two in New York. All have significant experience in investing in, or advising on, infrastructure or private equity assets. The investment advisory team can also draw on 3i Group's network of more than 250 investment professionals, based in 14 countries, to originate infrastructure investments.

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

Market
2007 was a year of considerable volatility in both equity and credit markets. The contraction in credit had a negative impact on equity markets, due to concerns that it could trigger a macroeconomic slowdown in the more mature economies of the US and Europe. High commodity prices and resulting global inflationary pressures put further pressure on equity valuations.

In contrast, the outlook for infrastructure investment remains strong, despite the recent volatility. Global infrastructure spending continues to grow, fuelled by favourable demographic trends in the developing world and by the necessity to upgrade ageing infrastructure and to respond to the challenge of climate change in the developed world. Funding requirements for infrastructure development in both emerging and developed economies are unlikely to be met by government spending alone and significant contributions from the private sector are likely to be needed.

The infrastructure asset class has shown greater resilience than others to the credit contraction. The stable and predictable cash flows typically generated by infrastructure assets remain attractive to debt providers, albeit at less favourable terms than in early 2007. At the same time, lower equity valuations are beginning to have an impact on vendors' expectations. This could result in attractive investment opportunities in the short term.

Investment activity

Performance indicator
Objective: 3i Infrastructure aims to invest the net IPO proceeds within two years from listing.
Status: 64% invested and 88% invested or committed at 31 March 2008.

Investment summary

As shown in Table 1, investments during the period to 31 March 2008 totalled £442.1 million, representing 64% of the net proceeds raised by 3i Infrastructure at its IPO. Including undrawn commitments, the Company has invested or committed £613.1 million, or 88% of the net IPO proceeds.

Throughout the period investments have been made, in accordance with the investment policy, to build a portfolio of assets diversified by geography, sector and maturity. The Investment Adviser has adopted a selective approach to investment, focusing on opportunities where it can add value through the 3i Group network and through the specialist sector knowledge of its investment professionals and on opportunities, such as the recent investments in junior debt assets, arising from the changing market environment. Significant time has also been devoted by the investment advisory team to assist and advise the Company with portfolio management, with the aim of managing the assets to deliver returns in line with the Company's objectives.

An asset-by-asset review of the portfolio, including a strategic update, valuation methodology and developments in the period, can be found in the Portfolio section.

Summary of investment policy

3i Infrastructure's primary objective is to build a diversified portfolio of investments in entities owning infrastructure businesses and assets. The Company aims to invest globally, with an initial focus on Europe, North America and India.

The Company intends to achieve this objective by making equity investments in quoted or unquoted companies (share capital and related shareholder loans), as well as junior or mezzanine debt investments in infrastructure assets. The Company may also invest in infrastructure funds managed or advised by the Investment Adviser or by third parties.

The objective of building a diversified portfolio means that no single investment will represent more than 20% of gross assets (including cash holdings) at the time of commitment. Should the total amount required for an individual transaction exceed 20% of gross assets, the Company may co-invest with other investors (including 3i Group, subject to related party transaction provisions).

Most investments will be of a size sufficient to obtain board representation, which is an important means of influencing and actively managing the portfolio businesses. In cases where the Company acquires a majority equity interest in a business, that interest may also be a controlling interest.

The initial portfolio

As detailed in Table 1, 3i Infrastructure acquired an initial portfolio of infrastructure assets from 3i Group at the IPO for a total consideration of £234.4 million. This initial portfolio included minority investments in Anglian Water Group Limited ("AWG"), Infrastructure Investors Limited Partnership ("I^2"), Octagon Healthcare Limited ("Octagon") and Alpha Schools (Highland) Holdings Limited ("Alpha Schools"). Follow-on investments and drawdowns of existing commitments into these projects during the period amounted to £44.1 million.

Eight additional investments and new commitments were made after the initial portfolio acquisition, for a total consideration of £163.6 million, or £289.9 million including commitments.

Table 1 – Summary of investment activity in the period to 31 March 2008 (£m)

Portfolio asset (investment basis)	Sector	Initial portfolio	Further investment	New investment	**Total investment**	Undrawn commitments	**Total invested or committed**
Equity investments							
AWG[1]	Utilities – Water	140.0			**140.0**		**140.0**
I[2]	Social Infrastructure – PFI fund	82.0	43.1		**125.1**	37.3	**162.4**
Octagon	Social Infrastructure – PFI hospital	12.2	1.0		**13.2**		**13.2**
Alpha Schools	Social Infrastructure – PFI schools	0.2			**0.2**	7.4	**7.6**
T2C	Utilities – Power			6.5	**6.5**		**6.5**
Oystercatcher	Transportation – Oil storage			84.5	**84.5**		**84.5**
3i India Infrastructure Fund[2]	Power and Transport fund			36.4	**36.4**	89.3	**125.7**
Alma Mater	Social Infrastructure – PFI university			25.0	**25.0**	2.8	**27.8**
Novera	Utilities – Power			11.2	**11.2**		**11.2**
Debt investments							
Viridian	Utilities – Power					12.2	**12.2**
Thames Water	Utilities – Water					9.9	**9.9**
NGW/Arqiva	Utilities – Communications					12.1	**12.1**
Total		234.4	44.1	163.6	**442.1**	171.0	**613.1**

(1) Formerly known as Osprey Jersey Holdco Limited.
(2) The Fund held two investments at the time of reporting, in the power and infrastructure construction sectors. Due to the current weighting of the underlying assets the Fund has been classified as a Utilities investment in Table 3.

New investment

Oystercatcher The Company's largest investment during the period, after the purchase of the initial portfolio at IPO, was the acquisition, through Oystercatcher Luxco 2 ("Oystercatcher"), of a 45.0% interest in three subsidiaries of Oiltanking GmbH ("Oiltanking"), which provide storage facilities for oil, petroleum products and chemicals in the Netherlands, Malta and Singapore. This investment was completed in August, for a total consideration of £84.5 million.

T2C In August 2007, 3i Infrastructure 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.

3i India Infrastructure Fund Following approval from its shareholders at an Extraordinary General Meeting held in September, 3i Infrastructure committed US$250 million to the 3i India Infrastructure Fund ("the Fund"), established by 3i Group to invest in infrastructure opportunities in India. As announced by 3i Group, the Fund completed its final close in early April 2008 at US$1.2 billion, 20% above the stated US$1 billion target. At 31 March 2008, the Fund had completed two investments. The first of these was in Adani Power Private Limited, a company developing a portfolio of power plants across India, which was followed by an investment in Soma Enterprise Limited, an infrastructure developer focusing on Build-Operate-Transfer (BOT) projects. As new investors were admitted into the Fund before the final close, part of the amount drawn down from 3i Infrastructure was returned to the Company in order to apportion the Fund's investments proportionately between all investors, based on each investor's commitment to the Fund. The amount returned, which totalled US$89.7 million (£45 million) at 31 March 2008, has remained committed to the Fund and is available for drawdown as and when new investments are to be made by the Fund.

Net of the amount returned to the Company, at 31 March 2008, the Fund had drawn down US$76.7 million (£36.4 million) of the Company's commitments. The Company also received £1.4 million in interest payments in the period from new investors in the Fund, as compensation for lost interest income on the amount drawn down and subsequently returned by the Fund.

Novera On 18 February 2008, 3i Infrastructure confirmed that it had approached the board of Novera Energy plc ("Novera") – an established UK-focused renewable energy company which generates electricity from wind, waste and landfill gas – and stated that it was considering a possible cash offer for the entire issued and to be issued share capital of Novera at a price of 90p per share. At the same time, the Company purchased 12.4 million Novera shares, a 10.0% holding, at a price of 90p per share, for a total consideration of £11.2 million. A third party, Infinis Energy Limited, subsequently acquired a 28.2% holding in Novera. On 2 June 2008, the Company confirmed that it would not make a formal offer for Novera.

Alma Mater As set out in the Prospectus at IPO, the Company was granted an option by 3i Group to acquire all of 3i Group's limited partnership interest in the Alma Mater Fund ("Alma Mater"), which is active in the design, construction, financing and operation of university accommodation facilities in the UK. On 31 March 2008, the Company acquired this limited partnership interest, at a price of £25.0 million, following an independent valuation (as at 31 December 2007).

Debt investments Prior to 31 March 2008, investment commitments totalling £34.2 million were made to invest in three junior debt facilities of infrastructure businesses, set out in Table 2 below. Due to the dislocation in the credit markets, the pricing of such junior debt currently delivers attractive, equity-like returns and a high cash yield, which is comfortably within the Company's blended portfolio range. This market situation has enabled investment in such products, that would previously have been excluded due to the Company's investment return objective. The Investment Adviser has carried out a detailed assessment of the credit worthiness of each of the underlying assets.

Table 2 – Summary of commitments to junior debt facilities
as at 31 March 2008 (£m)

Asset	Facility	Amount committed
Viridian	Electricinvest Holding Company Limited £500m Junior Facility	12.2
Thames Water	Kemble Water Structure Limited £835m Term Loan Facility	9.9
NGW/Arqiva	Macquarie UK Broadcast Enterprise Limited £475m Junior Facility	12.1

Summary of portfolio management approach
The Investment Adviser provides portfolio management support to the Board. To achieve this, the Investment Adviser works with the management and shareholders of each of the portfolio companies to deliver improvements in their operational performance. At least one member of the investment advisory team regularly attends the board meetings of portfolio companies, where equity stakes are held.

The performance of the portfolio companies is monitored by the Investment Adviser and the Board on a regular basis. Management accounts for most assets are received and analysed monthly by the Investment Adviser. On the basis of this information, the Investment Adviser prepares quarterly reports for the benefit of the 3i Infrastructure Board of Directors.

The Investment Adviser prepares a formal annual review for each asset, which is presented to the Board of Directors.

Portfolio

Portfolio value and returns
The value of 3i Infrastructure's portfolio at 31 March 2008 was £489.7 million (30 September 2007: £426.4 million). All assets are performing in line with expectations.

The performance of the Company's investment assets is measured on the basis of the investment return. The Company generates returns on the assets either through the yield – from dividends or interest – earned from the assets, from the revaluation of the assets, or from any realised capital profits from the sale or partial sale of the assets. Interest income is earned on cash and cash equivalents. The investment return attributable to the assets for the period to 31 March 2008 is £112.7 million, 16.3% of opening shareholders' equity (30 September 2007: £40.3 million, 5.8%).

Portfolio composition
3i Infrastructure's objective is to build a portfolio of assets which is diversified by sector, maturity and geography. Tables 3, 4 and 5 illustrate the breakdown of the portfolio by sector, maturity and geography as at 31 March 2008.

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.

The Company can also further diversify its portfolio by investing in infrastructure funds. Such funds generally have a geographical or sector mandate and typically invest across a spectrum of risk profiles and, dependent on that profile, will generate either income or capital growth. 3i Infrastructure targets investment in funds where the risk/return profile will complement the balance of risk/return sought in its portfolio.

Table 3 – Asset portfolio by sector
as at 31 March 2008

Social infrastructure	36%
Transportation	20%
Utilities	44%

Table 4 – Asset portfolio by maturity
as at 31 March 2008

Early stage	9%
Operational growth	38%
Mature	53%

Table 5 – Asset portfolio by geography
as at 31 March 2008

UK	70%
Continental Europe*	22%
Asia	8%

* Includes investment in Oystercatcher, with operations in the Netherlands, Malta and Singapore.

Summary valuation methodology
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. 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 macroeconomic, 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 investment's underlying risks. 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 to 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;

- 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; and

- debt instruments, which will be valued using quoted bid prices provided by third-party broker information, where available, or will be held at cost less any appropriate fair value adjustment.

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

Valuation

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.

Portfolio value

Table 6 illustrates the effects of new investment, asset returns and income received on portfolio value during the period to 31 March 2008. In valuing the portfolio, the weighted average discount rate applied at 31 March 2008 was 12.4% (30 September 2007: 13.1%), the decrease arising from the reduced proportion of the portfolio invested in the 3i India Infrastructure Fund and a decrease in the discount rate applied to AWG. The discount rate applied to the valuation of AWG was lowered marginally to reflect the partial sale of a subsidiary company, Morrison Utility Services, which will result in a reduction in the proportion of income generated from unregulated sources and therefore in a reduction of the uncertainty of future cash flows.

Table 6 – Reconciliation of movement in portfolio value
for the period to 31 March 2008 (£m)

Initial portfolio value	234.4
New / further investments	207.7
Proceeds	(19.0)
Asset returns*	94.4
Income received	(27.8)
Closing portfolio value	**489.7**

* Includes unrealised exchange gains of £18.1 million

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 required under International Financial Reporting Standards (IFRS). 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 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.

Two adjustments have been made in order to show returns on an investment basis.

3i Infrastructure holds 55.7% of 3i Osprey LP, the vehicle through which 3i Group also holds its investment in AWG. 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 the Company invested in Oystercatcher Luxco 1 and Luxco 2 S.àr.l.s, two wholly-owned subsidiaries, to fund the minority investment into three subsidiaries of Oiltanking. External borrowings were 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 the Luxco 2 subsidiary is not consolidated but is accounted for as a portfolio asset held for investment purposes and is fair valued accordingly.

Returns

Performance indicator
Objective: 3i Infrastructure's 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.
Status: 13.1% total return for the period to 31 March 2008.

The commentary below outlines the key drivers of the Company's returns, according to the investment basis of preparation.

3i Infrastructure achieved a total return of £90.5 million for the period to 31 March 2008 (30 September 2007: £33.3 million). The diluted net asset value at 31 March 2008 (before the deduction of the final proposed dividend) was 108.6p per share.

The investment return was £112.7 million, of which £94.4 million was generated from portfolio assets and £21.7 million was interest on financial assets. The return comprises dividends and interest yield from the portfolio of £27.8 million, as well as an unrealised value uplift (including foreign exchange gains) of £66.6 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 £3.4 million.

Capital return
The unrealised value uplift, totalling £48.5 million in the period (30 September 2007: £11.3 million) increased significantly in the second half of the year. The largest valuation uplifts have arisen from I^2, Alma Mater and AWG.

In the period, I^2 fully invested or committed the initial commitments received from its limited partners; as part of the strategic review of the asset, further return enhancements have been identified that are expected to be delivered over the next 12 months.

Alma Mater, which was purchased from 3i Group under the option agreement granted at the time of IPO, has been valued on a sale basis following receipt, by the Company, of an offer to purchase the asset, which has generated an uplift of £11.0 million over the £25.0 million acquisition cost.

Finally, the discount rate applied to determine the valuation of AWG has been lowered marginally.

Exchange movements, arising mainly from the appreciation of the euro against sterling since the completion of the euro investments in Oystercatcher and T2C, have resulted in an unrealised value increase of £18.1 million.

Portfolio income
Portfolio income of £27.8 million has been generated from dividends and interest income on loans to portfolio companies. Fees payable of £3.4 million are transaction costs which are not funded through investment consideration, or incurred pursuing opportunities which were not completed.

Advisory fees, performance fees and operating costs

During the period to 31 March 2008, 3i Infrastructure incurred advisory fees and performance fees of £17.5 million. The advisory fee payable to 3i plc, calculated as 1.5% of the Gross Investment Value, amounted to £8.0 million. The performance fee, calculated as 20% of returns above a performance hurdle of 8% growth in Net Asset Value adjusted for IPO costs (before distributions and performance fee) totalled £9.2 million. For a more detailed explanation of how fees are calculated, please refer to note 17.

Operating costs of £3.9 million relate to the running costs of the Company and are attributable to Board costs, service provider costs and other professional fees. Professional fees of £9.8 million relating to the IPO of the Company have been charged directly against reserves and are not reflected in the total return shown in Table 7.

Table 7 – Summary total return on an investment basis
for the period from 16 January 2007 to 31 March 2008

	£m
Unrealised profits on the revaluation of investments	48.5
Foreign exchange gains on investments	18.1
Capital return	**66.6**
Portfolio income	
Dividends	17.3
Income from loans and receivables	10.5
Fees payable	(3.4)
Interest receivable	21.7
Investment return	**112.7**
Advisory, performance and management fees payable	(17.5)
Operating expenses	(3.9)
Other costs	(1.4)
Profit for the period	**89.9**
Exchange difference on translation of foreign operations	0.6
Total recognised income and expense “Total return”	**90.5**

Balance sheet

As at 31 March 2008, the cash balance stood at £253.7 million and there were no external borrowings on a recourse basis to the Company. The Company, at 31 March 2008, had in place a £225 million revolving multi-currency credit facility which, at the time of reporting, remained undrawn.

Other current assets are predominantly attributable to cash in transit in relation to the investment commitments made in the junior debt portfolio at the end of the financial period.

The stated capital account was reduced by Court order on 20 December 2007 and a balance of £693.1 million was transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Following this transfer, the amount remaining to the credit of the Company’s stated capital account is £2.

Table 8 – Summary balance sheet on an investment basis
as at 31 March 2008

	£m
Assets	
Non-current assets	
Investment portfolio	489.7
Current assets	
Other current assets	41.4
Cash and cash equivalents	253.7
Total current assets	**295.1**
Total assets	**784.8**
Current liabilities	
Trade and other payables	(15.2)
Total current liabilities	**(15.2)**
Total liabilities	**(15.2)**
Net assets	**769.6**
Equity	
Stated capital account*	-
Retained reserves	769.0
Translation reserve	0.6
Total shareholders' equity	**769.6**

*The stated capital account is £2. See note 13 for more details.

Net asset value and distributions

Performance indicator
Objective: 3i Infrastructure's objective is to target an annual distribution yield, on full investment of IPO proceeds, of 5.0% of the net IPO proceeds.
Status: Total dividend of 5.0p per share equates to a 5.1% distribution on the net IPO proceeds.

The net asset value at 31 March 2008 was £769.6 million, which reduces to £748.5 million after the deduction of the proposed final dividend, which will be paid in July 2008. Diluted net asset value per share, accounting for the 70.6 million warrants issued at IPO, was 108.6p per share at 31 March 2008 (September 2007: 103.1p) which reduces to 105.6p per share after the payment of the proposed final dividend of 3.0p per share.

Table 9 – Reconciliation of movements in net asset value
for the period to 31 March 2008 (£m)

IPO proceeds	702.9
IPO costs	(9.8)
Total return	90.5
Total dividends*	(35.1)
Closing NAV (post dividend)	**748.5**

*Includes proposed final dividend.

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.

Table 10 – Portfolio detail - initial portfolio summary for the period to/as at 31 March 2008

	AWG	I^2	Octagon	Alpha Schools
Equity interest	9.0%	31.2%	26.3%	50.0%
Date invested	March 2007	March 2007	March 2007	March 2007
Cost	£140.0m	£106.1m	£13.2m	£0.2m
Directors' valuation	£159.6m	£125.1m	£13.6m	£0.3m
Income in the period	£8.7m	£10.7m	£1.2m	–
Asset total return	£28.3m	£29.7m	£1.6m	£0.1m
Valuation basis	DCF	DCF	DCF	DCF

AWG

Portfolio detail

Equity interest	9.0%
Date invested	March 2007
Cost	£140.0m
Directors' valuation	£159.6m
Income in the period	£8.7m
Asset total return	£28.3m
Valuation basis	DCF

Description

Anglian Water Group Limited is the parent company of the water and waste water business 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 investment is held through a limited partnership that is separately managed by 3i Investments and in which 3i Group also has an interest. The AWG group also includes Morrison Facilities Services, a support services business focused on local authority and social housing sectors and a property development business.

Strategy

Anglian Water aims to deliver a reliable supply of clean, safe drinking water and effective waste water services at an affordable price, while meeting the challenges of growth and climate change.

Developments

The refinancing of the acquisition debt was completed and syndicated successfully in November 2007. Anglian Water received the top "A" score from Ofwat in all four categories of operating expenditure and capital maintenance efficiency for 2006/7, and was ranked first out of the water and sewerage companies. Anglian Water's long-term strategy for the business and its customers was published in its first Strategic Direction Statement covering the period from 2010 to 2035. The sale of Morrison Utility Services for a consideration of £135 million was agreed in March 2008. Anglian Water is progressing well in its preparations and submissions in respect of the forthcoming regulatory review.

I^2

Portfolio detail

Equity interest	31.2%
Date invested	March 2007
Cost*	£106.1m
Directors' valuation	£125.1m
Income in the period	£10.7m
Asset total return	£29.7m
Valuation basis	DCF

*Investment of £125.1 million net of £19.0 million proceeds returned.

Description
I^2 makes and manages investments in PFI projects in the UK and continental Europe. Most investments are secondary market purchases from the original sponsors once the project has completed construction and is fully operational. I^2 is one of the largest PFI secondary market funds with 84 assets, including the Lewisham DLR extension, HM Treasury and HMRC offices and Kings College Hospital. PFI projects benefit from long-term concession agreements with the public sector, with revenues largely generated by availability payments.

Strategy
I^2 aims to build and maintain a diversified portfolio of investments to generate highly stable long-term returns. Value will be maximised by identifying cost synergies across the portfolio, reducing risk through portfolio diversification and by developing the optimum financing structure for the business.

Developments in the period
Three new portfolios of assets were acquired in the period, from Alfred McAlpine, Hochtief and through the "take private" of PFI Infrastructure Limited. In total, 36 new investments were made during the period at a total cost of £271 million. To support this continued expansion, the limited partners together committed a further £80 million to I^2.

Octagon

Portfolio detail

Equity interest	26.3%
Date invested	March 2007
Cost	£13.2m
Directors' valuation	£13.6m
Income in the period	£1.2m
Asset total return	£1.6m
Valuation basis	DCF

Description
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 sub-contracts the provision of services to Serco. 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.

Strategy
Octagon's management team, with close shareholder involvement, focuses on ensuring the delivery of first-class service levels to the hospital and maintaining an excellent relationship with the NHS Trust and Regional Health Authority.

Developments in the period
Octagon maintained its record of having no service failures and no unavailability deductions since commencement of operations. Serco's operations at the hospital received a RoSPA Gold Award for the second year running, recognising its strong occupational health and safety performance. Octagon commissioned an independent review of its long-term maintenance programme, which endorsed its cost provision as sufficient. 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

Portfolio detail

Equity interest	50.0%
Date invested	March 2007
Cost*	£0.2m
Directors' valuation	£0.3m
Income in the period	–
Asset total return	£0.1m
Valuation basis	DCF

*The Company has committed to invest a further £7.4 million in loan notes.

Description

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. Construction is underway under a sub-contract with Morrison Construction. Alpha Schools sub-contracts services provision to Morrison Facilities Services. Alpha Schools receives RPI-linked payments from the Highland Council to cover services and buildings maintenance, which are subject to performance deductions for service failures and unavailability.

Strategy

Alpha Schools' management team is focused on the timely completion of construction and handover of the schools for student occupation, ensuring delivery of first-class service levels to the schools, and maintaining an excellent relationship with the Highland Council.

Developments in the period

Five schools have been completed and handed over in the period. Construction at the other five sites is progressing well and it is currently expected that all remaining schools will be handed over on schedule during 2008. Certain works will continue at various sites through to the end of October 2009. Services at the completed schools have been delivered without performance deductions.

New investments

In the period to 31 March 2008, the Company actively pursued its strategy to build a portfolio that is diversified by geography, maturity and sector.

Table 11- Portfolio detail – new investments summary for the period to/as at 31 March 2008

	Oystercatcher	T2C	3i India Infrastructure Fund	Alma Mater	Novera
Equity interest	45.0%	16.7%	20.9%	40.7%	10.0%
Date invested	August 2007	August 2007	September 2007	March 2008	February 2008
Cost	£84.5m	£6.5m	£36.4m	£25.0m	£11.2m
Directors' valuation	£98.3m	£7.9m	£37.7m	£36.0m	£11.2m
Income in the period	£5.5m	£0.3m	£1.4m	–	–
Asset total return	£19.3m	£1.7m	£2.7m	£11.0m	–
Valuation basis	DCF	DCF	LP share of fund	Sale basis	Quoted

Oystercatcher

Portfolio detail

Equity interest[(1)]	45.0%
Date invested	August 2007
Cost	£84.5m
Directors' valuation	£98.3m
Income in the period	£5.5m
Asset total return[(2)]	£19.3m
Valuation basis	DCF

(1) 3i Infrastructure has a 45% interest in three of Oiltanking GmbH's subsidiaries through Oystercatcher Luxco 2 S.àr.l.
(2) Asset total return includes £15.1 million of unrealised exchange gains.

Description
Oystercatcher has a 45% interest in three subsidiaries of Oiltanking, based in the Netherlands, Malta and Singapore. These three businesses provide oil, petroleum and other oil-related and chemicals storage facilities and related 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. Oiltanking owns and operates 75 terminals in 21 countries with a total storage capacity of more than 12 million cubic metres.

Strategy
Experienced local management teams, supported by Oiltanking's central management expertise and 3i Infrastructure's board representatives, seek to maximise throughput by delivering high levels of customer service and to maintain strong safety and environmental standards.

Developments in the period
Additional storage tanks have opened in Malta, increasing capacity by approximately 16% to 527,000 cubic metres and in the Netherlands, increasing capacity by approximately 21% to 1,577,000 cubic metres. Agreement was reached to lease additional land in Singapore and to construct approximately 10% of additional capacity, pre-let to an existing customer on a long-term contract. This expansion is scheduled to be completed in the second quarter of 2009, taking capacity to 1,358,000 cubic metres. In Singapore, the company achieved its tenth successive year of operations without a single lost time injury.

T2C

Portfolio detail

Equity interest	16.7%
Date invested	August 2007
Cost	£6.5m
Directors' valuation	£7.9m
Income in the period	£0.3m
Asset total return*	£1.7m
Valuation basis	DCF

*Asset total return includes £1.2 million of unrealised exchange gains.

Description
T2C is a special purpose company established to build, operate and maintain a waste to energy plant on an industrial park near Frankfurt, in Germany. The plant will generate heat and power from refuse-derived fuels. Construction is underway with the general contractor, Ebara (a Japanese environmental technology developer and provider), using existing technology. T2C sub-contracts operation and maintenance of the plant to Infraserv GmbH & Co. Höchst KG ("ISH"), which manages the industrial park where T2C is located. T2C has contracted long-term revenues under a 15-year fixed-price 'take or pay' contract with ISH, with an upwards-only price review after ten years.

Strategy
T2C's management team is focused on the timely completion of construction and commencement of operations, while managing uncertainties in waste supply and ash disposal through securing contracts with a range of suppliers and off-takers.

Developments in the period
Construction is progressing well and is expected to complete in the second quarter of 2009. The final operating licence was received in February 2008.

Alma Mater

Portfolio detail

Equity interest	40.7%
Date invested	March 2008
Cost	£25.0m
Directors' valuation	£36.0m
Income in the period	-
Asset total return	£11.0m
Valuation basis	Sale basis

Description
Alma Mater invests in the UPP (University Partnerships Programme) Group, a portfolio of companies responsible for building, managing, operating and maintaining student accommodation at universities in England. The portfolio currently comprises approximately 17,000 student rooms across ten universities.

3i Infrastructure acquired a 40.7% limited partnership interest in Alma Mater on 31 March 2008, pursuant to an option granted by 3i Group at the time of the IPO.

Strategy
UPP aims to partner with UK universities to meet the accommodation needs of their students, providing good quality, affordable accommodation and maintaining it to a high standard. UPP is targeting to expand its portfolio to 35,000 rooms across 15 universities by 2010.

Developments in the period
The acquisition was completed on 31 March 2008. An offer to purchase 3i Infrastructure's stake in Alma Mater has been received and accepted in principle and the sale is being negotiated.

Novera

Portfolio detail

Equity interest	10.0%
Date invested	February 2008
Cost	£11.2m
Directors' valuation	£11.2m
Income in the period	-
Asset total return	-
Valuation basis	Quoted

Description
3i Infrastructure acquired a 10% interest in Novera, an established UK-focused renewable energy company which generates electricity from wind, waste and landfill gas.

Developments in the period
In February 2008, 3i Infrastructure confirmed that it had approached the board of Novera and that it was considering a possible cash offer for the entire issued and to be issued share capital of Novera at a price of 90p per share. 3i Infrastructure purchased 12.4 million Novera shares, a 10% equity interest, at a price of 90p per share, for a total consideration of £11.2 million. A third party, Infinis Energy Limited, has subsequently acquired a 28.2% holding (as at 31 March 2008) in Novera. On 2 June 2008, the Company confirmed that it would not make a formal offer for Novera.

3i India Infrastructure Fund

Portfolio detail

Equity interest [(1)]	20.9%
Date invested	September 2007
Cost	£36.4m
Directors' valuation	£37.7m
Income in the period	£1.4m
Asset total return [(2)]	£2.7m
Valuation basis	LP share of fund

(1) 20.9% of final closing commitments.
(2) Asset total return includes £1.8 million of unrealised exchange gains.

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. At first close the Company committed US$250 million alongside 3i Group, which committed the same amount. The final close of the Fund was announced by 3i Group on 16 April 2008 at US$1.2 billion.

The Board recommended investment in the Fund to the shareholders as it believed this would give the Company exposure to a larger and more diversified portfolio of investments due to the scale of the Fund. The 3i investment advisory team in India has been strengthened due to the scale of the Fund and this enhanced team can directly benefit the Company through its co-investment in the Fund.

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 its agreement with the Investment Adviser.

Strategy
The Fund has been formed to apply the successful investment strategy of 3i Group's global infrastructure business to the attractive and rapidly growing Indian infrastructure market. The Fund's strategy is to build a diversified portfolio of equity (or equivalent) investments in entities owning infrastructure assets whose primary commercial operations are in India, with a primary focus on four sectors: ports, airports, roads and power. The Fund expects to make its investments over two to four years, and most individual investments will be in the range of US$25 million to US$150 million, although some selected investments will be larger. The Fund's equity investments often, but not exclusively, comprise share capital and related shareholder loans.

Developments in the period
In September 2007 the Fund invested US$227 million in a minority stake in Adani Power Private Limited, which is building a portfolio of power plants across India, the largest of which is a 2640MW plant situated in the port of Mundra, in the state of Gujarat, which is due to become operational in 2009. In November 2007 the Fund invested US$101 million in Soma Enterprise Limited, one of India's top five infrastructure engineering and construction firms, with expertise across roads, irrigation, hydro power and urban

infrastructure sectors. The portfolio includes three Build-Operate-Transfer highway projects and a 220MW hydro power project. In total, commitments of US$76.7 million (£36.4 million) of the Company's investment had been drawn down at 31 March 2008 to fund investment.

New debt commitments

The dislocation in the credit markets created an opportunity for the Company to invest in three junior debt facilities of infrastructure businesses with strong credit quality. The pricing of this junior debt, at a discount to par, delivers attractive, equity-like returns and high cash yields. Each of the underlying businesses is a leading player in its respective sector: water, electricity distribution and generation and communications networks. All are core infrastructure sectors. These investments will enhance the income generated by the portfolio, which contributes to the Company's ability to achieve its shareholder yield objective.

Debt commitments

Viridian
Electricinvest Holding Company Limited £500 million Junior Facility

Viridian operates both regulated and unregulated businesses within the Irish energy market. The regulated business manages 45,000km of power transmission and distribution infrastructure, supplying nearly 800,000 homes and businesses within Northern Ireland. The unregulated business focuses on power generation within the Republic of Ireland. A third division of Viridian offers power-related services to the power industry.

Viridian was acquired by Arcapita through a public to private transaction in December 2006.

Thames Water
Kemble Water Structure Limited £835 million Term Loan Facility

Thames Water is the UK's largest water and waste water services company, with over 13 million customers across London and the South East of England. It includes both Thames Water Utilities Limited (the regulated entity) and a number of non-regulated businesses involved in property and outsourcing services. Thames Water was acquired by a consortium from RWE in 2006.

NGW/Arqiva
Macquarie UK Broadcast Enterprise Limited £475 million Junior Facility

National Grid Wireless ("NGW") is the former wireless broadcast business of National Grid plc. The business comprises a national communications infrastructure network that provides broadcast transmission services for BBC television and radio, hosts wireless sites for major mobile network operators and owns and operates two Freeview digital TV multiplexes. NGW has around 5,200 active sites used for mobile communications and around 750 towers used for radio and television transmission broadcasts.

NGW was acquired by a Macquarie-led consortium in April 2007. Following the outcome of a regulatory review by the UK's Competition Commission on 11 March 2008, the consortium intends to proceed with its plans to merge NGW with Arqiva, a wireless business held within a fund managed by Macquarie.

Consolidated income statement

for the period from 16 January 2007 to 31 March 2008

	Notes	£m
Unrealised profits on the revaluation of investments	1	**68.6**
Foreign exchange gains on investments	1	**1.2**
		69.8
Portfolio income		
Dividends		**30.7**
Income from loans and receivables		**13.8**
Fees payable		**(7.5)**
Interest receivable		**21.8**
Investment return	1	**128.6**
Advisory, performance and management fees payable	2	**(19.0)**
Operating expenses	3	**(3.9)**
Finance costs	4	**(11.4)**
Other expenses		**(1.8)**
Profit before tax		**92.5**
Income taxes	5	**–**
Profit after tax and profit for the period		**92.5**
Attributable to:		
Equity holders of the parent		**71.8**
Minority interests		**20.7**
Earnings per share		
Basic earnings per share attributable to equity holders of the parent (pence)	13	**10.2**
Diluted earnings per share attributable to equity holders of the parent (pence)	13	**10.2**

Consolidated statement of changes in equity
for the period from 16 January 2007 to 31 March 2008

	Attributable to equity holders of the parent					
	Stated capital account* £m	Retained reserves £m	Translation reserve £m	**Total shareholders' equity £m**	Minority interests £m	**Total equity £m**
Profit after tax for the period	–	71.8	–	**71.8**	20.7	**92.5**
Exchange differences on translation of foreign operations	–	–	17.5	**17.5**	–	**17.5**
Total recognised income and expense for the period	–	71.8	17.5	**89.3**	20.7	**110.0**
Minority share of investment	–	–	–	**–**	107.0	**107.0**
Ordinary shares issued	702.9	–	–	**702.9**	–	**702.9**
Costs of share issue	(9.8)	–	–	**(9.8)**	–	**(9.8)**
Transfer*	(693.1)	693.1	–	**–**	–	**–**
Dividend paid to Company shareholders (2.0p per ordinary share)	–	(14.1)	–	**(14.1)**	–	**(14.1)**
Equity at 31 March 2008	–	750.8	17.5	**768.3**	127.7	**896.0**

*The stated capital account was reduced by Court order on 20 December 2007 and an amount of £693.1 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Following this transfer, the amount remaining to the credit of the Company's stated capital account is £2.

Company statement of changes in equity
for the period from 16 January 2007 to 31 March 2008

	Stated capital account* £m	**Retained reserves £m**	**Total equity £m**
Profit after tax for the period	–	38.9	**38.9**
Total recognised income and expense for the period	**–**	**38.9**	**38.9**
Ordinary shares issued	702.9	–	**702.9**
Costs of share issue	(9.8)	–	**(9.8)**
Transfer*	(693.1)	693.1	**–**
Dividends paid to Company shareholders (2.0p per ordinary share)	–	(14.1)	**(14.1)**
Equity at 31 March 2008	**–**	**717.9**	**717.9**

*The stated capital account was reduced by Court order on 20 December 2007 and an amount of £693.1 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Following this transfer, the amount remaining to the credit of the Company's stated capital account is £2.

Balance sheet
as at 31 March 2008

	Notes	Group £m	Company £m
Assets			
Non-current assets			
Investments			
Quoted equity investments	6	**11.2**	**–**
Unquoted equity investments	6	**548.8**	**–**
Loans and receivables	6	**205.1**	**–**
Investment portfolio		**765.1**	**–**
Interests in Group entities	7	**–**	**456.4**
Total non-current assets		**765.1**	**456.4**
Current assets			
Other current assets	8	**42.4**	**20.9**
Derivative financial instruments	10	**0.3**	**–**
Cash and cash equivalents		**259.6**	**253.0**
Total current assets		**302.3**	**273.9**
Total assets		**1,067.4**	**730.3**
Liabilities			
Non-current liabilities			
Loans and borrowings	11	**(151.0)**	**–**
Derivative financial instruments	10	**(5.1)**	**–**
Total non-current liabilities		**(156.1)**	**–**
Current liabilities			
Trade and other payables	12	**(15.3)**	**(12.4)**
Total current liabilities		**(15.3)**	**(12.4)**
Total liabilities		**(171.4)**	**(12.4)**
Net assets		**896.0**	**717.9**
Equity			
Retained reserves		**750.8**	**717.9**
Translation reserve		**17.5**	**–**
Total equity attributable to equity holders of the parent		**768.3**	**717.9**
Minority interests		**127.7**	**–**
Total equity		**896.0**	**717.9**

Directors
11 June 2008

Cash flow statement
for the period from 16 January 2007 to 31 March 2008

	Group £m	Company £m
Cash flow from operating activities		
Purchase of investments	**(571.2)**	**(473.4)**
Proceeds from investments	**19.0**	**32.1**
Income received from loans and receivables	**10.1**	**2.6**
Dividends received	**30.7**	**3.2**
Fees paid on investment activities	**(4.8)**	**(4.7)**
Operating expenses	**(3.6)**	**(1.4)**
Interest received	**21.2**	**20.6**
Advisory, performance and management fees paid	**(8.5)**	**(5.6)**
Net cash flow from operations	**(507.1)**	**(426.6)**
Cash flow from financing activities		
Proceeds from issue of share capital	**702.9**	**702.9**
Fees payable on issue of share capital	**(9.8)**	**(9.8)**
Proceeds from redemption of shares in subsidiary	**–**	**2.3**
Interest paid	**(6.2)**	**–**
Proceeds from long-term borrowings	**128.1**	**–**
Fees paid on financing activities	**(5.9)**	**(1.7)**
Dividend paid	**(14.1)**	**(14.1)**
Net cash flow from financing activities	**795.0**	**679.6**
Change in cash and cash equivalents	**287.9**	**253.0**
Cash and cash equivalents at 16 January 2007	**–**	**–**
Cash in transit	**(31.9)**	**–**
Effect of exchange rate fluctuations	**3.6**	**–**
Cash and cash equivalents at the end of the period	**259.6**	**253.0**

Significant accounting policies

3i Infrastructure Limited (the "Company") is a company incorporated in Jersey, Channel Islands. The consolidated financial statements for the period to 31 March 2008 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). Separate financial statements of the Company are also presented. The accounting policies of the Company are the same as for the Group, except where separately disclosed.

The financial statements were authorised for issue by the Directors on 11 June 2008.

Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations as issued or adopted by the International Accounting Standards Board as adopted for use in the European Union ("IFRS").

These consolidated and separate financial statements have also been prepared in accordance with and in compliance with Jersey Company Law.

New standards and interpretations not applied

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

		Effective for the period beginning on or after
IFRS 2	Amendment – Share-based Payments: Vesting conditions and cancellations	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Revised – Presentation of Financial Statements	1 January 2009
IAS 23	Borrowing Costs (Revised)	1 January 2009
IAS 27	Amendment – Consolidated and separate financial statements	1 July 2009
IFRIC 12	Service Concession Arrangements	1 January 2009
IFRIC 13	Customer Loyalty Payments	1 July 2008
IFRIC 14	IAS 19: The limit on a defined benefit asset, minimum 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.

Basis of preparation

The financial statements are presented in sterling, the functional currency of the Company, rounded to the nearest hundred thousand pounds (£0.1 million) except where otherwise indicated.

The Company was incorporated on 16 January 2007. The Company believes that presenting the information from 16 January 2007 to 31 March 2007 would not be meaningful as there were limited operations in this period and accordingly have prepared the accounts from 16 January 2007 to 31 March 2008.

This is the first period in which the Group has operated, therefore no comparatives are presented.

The preparation of financial statements in conformity with IFRS requires the Board to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on 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.

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) Associates – Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 Investment in Associates, which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change. The Group has no interests in associates through which it carries on its business.

(iii) 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.

C. Investment portfolio

(i) Recognition and measurement – Investments are recognised and derecognised 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. Other investments include loan investments and fixed income shares which are classified as loans and receivables and subsequently carried in the balance sheet at amortised cost less impairment. 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 policy. Acquisition costs are attributed to equity and debt investments and recognised immediately in the income statement.

Subsidiaries in the separate financial statements of the Company are accounted for at cost less provision for impairment.

(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, or the investment date and the end of the accounting date 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:

- 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;

- 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.

D. Fees

(i) Fees – Fees payable represents fees incurred in the process to acquire an investment.

(ii) Advisory fee – An annual advisory fee is payable to 3i plc 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. Further explanations are provided in note 17.

(iii) Performance fee – 3i plc is entitled to a performance fee based on the Adjusted Total Return per ordinary share 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. Further explanations are provided in note 17.

E. Treasury assets and liabilities
Short-term treasury assets and short and long-term treasury 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.

(ii) Bank loans, loan notes and borrowings – 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.

(iii) Derivative financial instruments – Derivative financial instruments may be used to manage the risk associated with foreign currency fluctuations of portfolio income, investment portfolio and changes in interest rates on its borrowings. This is achieved by the use of forward foreign currency contracts 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 remeasured to the fair value at each reporting date. The fair value of forward exchange contracts is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. The fair value of 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. The cost of such asset or liability is considered approximate to their fair value. 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. Share capital

Share capital issued by the Company is recognised at the fair value of proceeds received credited to the stated capital account. Direct issue costs net of tax are deducted from equity. The stated capital account was reduced by Court order on 20 December 2007 and the balance transferred to a new distributable reserve in accordance with Jersey Law.

I. 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.

Under article 123A of the Income Tax (Jersey) Law 1961, as amended, the Company has obtained Jersey exempt company status for the period and is therefore exempt from Jersey income tax on non-Jersey source income and bank interest (by concession). A £600 annual exempt company fee is payable by the Company.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit ("temporary differences"), and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Where there are taxable differences arising on investments in subsidiaries and associates, and interests in joint ventures, deferred tax liabilities are recognised except where the Group is able to control reversal of the temporary difference and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, where there are deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that both the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill and other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the accounts

1 Segmental analysis
for the period from 16 January 2007 to 31 March 2008

	UK £m	Continental Europe £m	Asia £m	**Total £m**
Investment return				
Unrealised profits/(losses) on the revaluation of investments	64.2	4.7	(0.3)	**68.6**
Foreign exchange gains on investments	–	1.2	–	**1.2**
Portfolio income	24.6	11.2	1.2	**37.0**
Interest receivable	21.8	–	–	**21.8**
	110.6	17.1	0.9	**128.6**
Balance sheet				
Value of investment portfolio as at 31 March 2008	472.6	254.8	37.7	**765.1**

2 Advisory, performance and management fees payable
for the period from 16 January 2007 to 31 March 2008

	£m
Advisory fee	**(8.0)**
Performance fee	**(9.2)**
Management fees	**(1.8)**
	(19.0)

Note 17 provides further details on the calculation of the Advisory fee and the Performance fee.

3 Operating expenses
for the period from 16 January 2007 to 31 March 2008
Operating expenses include the following amounts

	£m
Audit fees	**0.2**
Professional fees associated with the acquisition of initial portfolio	**1.5**
Directors' fees and expenses	**0.5**

Services provided by the Group's auditors
During the period the Group obtained the following services from the Group's auditors, Ernst & Young LLP.

		£m
Audit services		
Statutory audit	Company	**0.13**
	UK subsidiaries	**0.02**
	Overseas subsidiaries	**0.03**
		0.18

Non-audit services
There have been no non-audit services provided by Ernst & Young LLP to the Group in the period.

4 Finance costs

for the period from 16 January 2007 to 31 March 2008

	£m
Interest payable	**(6.2)**
Movement in the fair value of forward foreign exchange contracts	**0.2**
Movement in the fair value of interest rate swaps	**(5.0)**
Professional fees associated with the arrangements of debt financing	**(0.4)**
	(11.4)

5 Income taxes

for the period from 16 January 2007 to 31 March 2008

	£m
Current tax	
Current financial period	–
Deferred tax	
Deferred income taxes	–
Total income taxes in the income statement	**–**

The Company currently has, and expects to continue to be subject to, exempt company status in Jersey and is therefore exempt from Jersey income tax on non-Jersey source income. Subsidiaries in the Group have provided for taxation at the appropriate rates in the countries in which they operate. As the Group's investment returns are primarily non-Jersey source and included in the Company, the total tax provided for the Group is minimal.

6 Investment portfolio

	Group As at 31 March 2008			
	Quoted equity investments £m	**Unquoted equity investments £m**	**Loans and receivables £m**	**Total £m**
Opening fair value	–	–	–	**–**
Additions	11.2	440.9	223.6	**675.7**
Proceeds received	–	–	(19.0)	**(19.0)**
Revaluation	–	68.6	–	**68.6**
Other movements	–	39.3	0.5	**39.8**
Closing fair value	11.2	548.8	205.1	**765.1**

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.

Other movements include foreign exchange movements.

7 Interests in Group entities

	Company As at 31 March 2008		
	Equity investments £m	**Loans and receivables £m**	**Total £m**
Opening book value	–	–	**–**
Additions	1.0	472.4	**473.4**
Proceeds received	–	(32.1)	**(32.1)**
Other movements	–	15.1	**15.1**
Closing book value	1.0	455.4	**456.4**

Details of principal subsidiaries are given in note 18.

Other movements include foreign exchange movements.

8 Other current assets

	As at 31 March 2008	
	Group £m	**Company £m**
Prepayments and accrued income	**8.2**	**0.6**
Other debtors	**2.3**	**1.7**
Cash in transit	**31.9**	**–**
Amounts due from subsidiaries	**–**	**18.6**
	42.4	**20.9**

9 Financial risk management

A full review of the Group's objectives, policies and processes for managing and monitoring risk is set out in Risks and uncertainties within our Annual report. This note provides further detail on financial risk management, cross-referring to Risks and uncertainties where applicable, and providing further quantitative data on specific financial risks.

Each investment made by the Group is subject to a full risk assessment through a standardised investment approval process. The Board's investment committee and investment advisers' investment process is part of the overall risk management framework.

The funding objective of the Group and Company is that each category of investment is broadly matched with liabilities and shareholders' funds according to the risk and maturity characteristics of the assets and that funding needs are met ahead of planned investment.

Capital structure

The Group has a continuing commitment to capital efficiency. The capital structure of the Group consists of cash held on deposit and shareholders' equity. The type and maturity of the Group's borrowings are analysed in note 11 and the Group's equity is analysed into its various components in the statement of changes in equity. Capital is managed so as to maximise the return to shareholders while maintaining a strong capital base that ensures 3i Infrastructure can operate effectively in the marketplace and sustain future development of the business.

Capital is allocated for investment in Utilities, Transportation and Social Infrastructure across the UK, Continental Europe, Asia and the US. As set out in the Group's investment policy, the maximum exposure to any one investment is 20% of gross assets (including cash holdings).

Credit risk
The Group is subject to credit risk on its loans, receivables, cash and deposits. The Group's cash and deposits are held with a variety of counterparties with a credit rating AA or better. The credit quality of loans and receivables within the investment portfolio is based on the financial performance of the individual portfolio companies. For those assets that are not past due, it is believed that the risk of default is small and capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the investment. If the portfolio company failed or is expected to fail in the next 12 months, the Group's policy is to record a fair value adjustment for the full amount of the loan. Fair value adjustments, or "loan impairments", are made when the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment. In these cases a loan impairment is recorded equal to the valuation shortfall.

At 31 March 2008, there were no loans and receivables considered past due.

Liquidity risk
Further information on how liquidity risk is managed is provided in the Risks and uncertainties report in our Annual report. The table below analyses the maturity of the Group's contractual liabilities.

Group

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due greater than 5 years £m	Total £m
Gross commitments					
Fixed loan	**(7.2)**	**(7.2)**	**(21.5)**	**(160.7)**	**(196.6)**
Derivative financial instruments	**–**	**–**	**–**	**(182.7)**	**(182.7)**
	(7.2)	**(7.2)**	**(21.5)**	**(343.4)**	**(379.3)**

As at 31 March 2008, the Company had no contractual liabilities.

Market risk
The valuation of the Group's portfolio is largely dependent on the underlying trading performance of the companies within the portfolio but the valuation and other items in the financial statements can also be affected by interest rate, currency and quoted market fluctuations. The Group's sensitivities to these are set out below.

(i) Interest rate risk
Further information on how currency risk is managed is provided in Risks and uncertainties (within our Annual report). The direct impact of a movement in interest rates is relatively small. An increase of 100 basis points over 12 months would lead to an approximate exposure of £2.6 million for the Group. This exposure relates principally to changes in interest payable and receivable on floating rate and short-term instruments and changes in the fair value of interest rate derivatives held at year end. In addition, the Group has indirect exposure to interest rates through changes to the financial performance of portfolio companies caused by interest rate fluctuations. The Company does not hold variable rate loans as assets or liabilities and is therefore not directly exposed to interest rate risk.

(ii) Currency risk
Further information on how currency risk is managed is provided in Risks and uncertainties (within our Annual report). The currency denomination of the Group's assets in euros and US dollars are shown in the table below. The sensitivity analysis is demonstrating the sensitivity of the Group and Company's net assets to movement in foreign currency exchange rates.

Group

	Sterling £m	Euro £m	US dollar £m	Total £m
Net assets	**759.3**	**99.0**	**37.7**	**896.0**
Sensitivity analysis				
Assuming a 5% movement in exchange rates against sterling:				
Impact on exchange movements in the income statement	**–**	**(0.3)**	**–**	**(0.3)**
Impact on the translation of foreign operations in the translation reserve	**–**	**(4.3)**	**(1.8)**	**(6.1)**
Total	**–**	**(4.6)**	**(1.8)**	**(6.4)**

Company

	Sterling £m	Euro £m	US dollar £m	Total £m
Net assets	**581.3**	**98.9**	**37.7**	**717.9**
Sensitivity analysis				
Assuming a 5% movement in exchange rates against sterling:				
Impact on exchange movements in the income statement	**–**	**(4.9)**	**(1.9)**	**(6.8)**
Total	**–**	**(4.9)**	**(1.9)**	**(6.8)**

(iii) **Market price risk**

Further information about the management of price risk, which arises principally from quoted and unquoted equity investments, is provided in the investment risk section of Risks and uncertainties (within our Annual report). A 5% change in the fair value of those investments would have the following direct impact on the income statement.

	Quoted equity £m	Unquoted equity £m	Total £m
Group	**0.6**	**27.5**	**28.1**

10 Derivative financial instruments

	As at 31 March 2008	
	Group £m	Company £m
Current assets		
Forward foreign exchange contracts	**0.3**	**–**
	0.3	**–**
Current liabilities		
Forward foreign exchange contracts	**(0.1)**	**–**
Interest rate swaps	**(5.0)**	**–**
	(5.1)	**–**

At 31 March 2008, the Company had no derivative financial instruments.

Forward foreign exchange contracts

The Group uses forward foreign exchange contracts to minimise the effect of fluctuations in the value of the proportion of the income from the investment portfolio from movement in exchange rates.

The contracts entered into by the Group are principally denominated in the currencies of the geographic areas in which the Group operates. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. No contracts are designated as hedging instruments and consequently all changes in fair value are taken to the income statement.

At the balance sheet date the notional amount of forward foreign exchange contracts was £40.8 million.

Interest rate swaps
The Group uses interest rate swaps to manage its exposure to interest rate movements on its interest-bearing borrowings. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. No contracts are designated as hedging instruments and consequently all changes in fair value are taken through the income statement.

At the balance sheet date the notional amount of interest rate swaps was £151.0 million, for variable to fixed rate swaps.

11 Loans and borrowings

	As at 31 March 2008	
	Group £m	**Company £m**
Loans and borrowings are repayable as follows:		
After five years	**(151.0)**	**–**
	(151.0)	**–**

Oystercatcher Luxco 2 has borrowings from Royal Bank of Canada of €190 million (£151.0 million). This facility has been drawn down in full and is repayable in 2014 in full. The facility has an interest rate at EURIBOR plus a margin of 2.25%.

As at March 2008, the Company entered into a three year £225 million revolving credit facility and as at 31 March 2008, the Company had not drawn down against this facility.

Oystercatcher Luxco 2 has an arrangement with Royal Bank of Canada for an additional facility of €60 million. As at 31 March 2008, Oystercatcher Luxco 2 had not drawn down against this facility.

12 Trade and other payables

	As at 31 March 2008	
	Group £m	**Company £m**
Trade payables	**(0.1)**	**–**
Advisory, performance and management fees	**(10.6)**	**(9.7)**
Other accruals	**(4.6)**	**(2.7)**
	(15.3)	**(12.4)**

13 Share information

The Company is authorised to issue an unlimited number of shares with no par value. The offer price on IPO for the shares was £1 resulting in £702,859,802 proceeds being received.

	As at 31 March 2008	
	Number	**£m**
Issued and fully paid		
Opening balance	**–**	**–**
Issued on incorporation	**2**	**–**
Issued on IPO	**700,000,000**	**700.0**
Issued as part of over-allotment arrangement	**2,859,802**	**2.9**
Closing balance	**702,859,804**	**702.9**

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 31 March 2008, there were 70,640,980 warrants in issue, with no conversions in the period.

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

Earnings per share (pence)	
Basic	**10.2**
Diluted	**10.2**
Earnings (£ million)	
Profit for the period attributable to equity holders of the parent	**71.8**

Number of shares (million)	
Weighted average number of shares in issue	**702.9**
Effect of dilutive potential ordinary shares - warrants	**2.4**
Diluted shares	**705.3**

Net assets per share (pence)	
Basic	**109.3**
Diluted	**108.5**
Net assets (£ million)	
Net assets attributable to equity holders of the parent	**768.3**

14 Dividends

	Pence per share	£m
Interim dividend (declared and paid during the period)	**2.0**	**14.1**
Proposed final dividend	**3.0**	**21.1**

15 Commitments

	As at 31 March 2008	
	Group £m	**Company £m**
Equity and loan investments	**171.0**	**171.0**

As at 31 March 2008, the Group was committed to subscribing a further £171.0 million to investments.

16 Contingent liabilities

At 31 March 2008, there was no material litigation or contingent liabilities outstanding against the Company or any of its subsidiary undertakings.

17 Related parties

The Group has various related parties stemming from relationships with limited partnerships managed by the Group, its investments and its investment adviser. In addition, the Group has related party relationships in respect of its subsidiaries.

Investments

The Group principally takes minority holdings in the equity of unquoted companies. This normally allows the Group to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. These investments are not equity accounted for (as permitted by IAS 28) but are related parties. The total amounts recognised in the income statement for these investments are as follows:

Income statement	Group £m	Company £m
Unrealised profit on the revaluation of investments	**28.9**	**-**
Portfolio income	**12.8**	**-**

Balance sheet	Group £m	Company £m
Unquoted equity investments	**69.6**	**-**
Loans and receivables	**137.4**	**-**

The Company does not hold any direct investments in the equity of unquoted investments.

From time to time transactions may occur between related parties within the investment portfolio that the Group influences to facilitate the reorganisation or recapitalisation of an investee company. There has been no single transaction in the period with a material effect on the Group's financial statements.

Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties of the Company, are eliminated on consolidation.

Transactions between 3i Infrastructure and 3i Group

3i Group plc ("3i Group") holds 46.2% of the ordinary shares of the Company and also holds warrants which gives 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.

As stated in the Prospectus detailing the IPO ("the Prospectus"), issued 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, 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 3i India Infrastructure Holdings Limited to invest in the Indian infrastructure market. 3i Group has also committed US$250 million into this fund. During the period, 3i Infrastructure Limited invested £36.4 million into this fund.

Alma Mater is a series of companies active in the design, construction, financing and operation of university accommodation facilities in the UK. As set out in the Prospectus, the Company was granted an option by 3i Group plc to acquire all of 3i Group's limited partnership interests in Alma Mater. On 31 December 2007, the Company elected to exercise the option. An independent valuation of 3i's interest in Alma Mater was performed, and 3i Infrastructure purchased the limited partner interest for £25.0 million on 31 March 2008.

Transactions between 3i Infrastructure and 3i Group
3i Investments, a subsidiary of 3i Group, acts as the exclusive investment adviser to the Company. It also acts as the manager for the 3i India Infrastructure Fund. 3i plc, another subsidiary of 3i Group, together with 3i Investments, provides support services to the Company.

Under the Investment Advisory Agreement, an annual advisory fee is payable to 3i plc based on the Gross Investment Value of 3i Infrastructure at the end of each financial period. Gross Investment Value can be defined as the total aggregate value (including any subscription obligations) of the investments of the Company as at the start of a financial period plus any investment (excluding cash) made during the period valued at cost (including any subscription obligations). The applicable annual rate is 1.5%, dropping to an annual rate of 1.25% for investments 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. In the period from 16 January 2007 to 31 March 2008, £7.0 million was paid and £1.0 million remains due to 3i plc.

The Investment Advisory Agreement entitles an annual performance fee to be payable to 3i plc. This becomes payable when the Adjusted Total Return per ordinary share (being mainly closing net asset value per share aggregated with any distributions made in the course of the financial period and any accrued performance fees relating to the financial period) for the period exceeds the Target Total Return per share, being the Net Asset Value per ordinary share equal to the opening Net Asset Value per ordinary share increased at a rate of 8% per annum ("the performance hurdle"). If the performance hurdle is exceeded, the performance fee will be equal to 20% of the Adjusted Total Return per share in excess of the performance hurdle for the relevant financial period, multiplied by the weighted average of the total number of shares in issue over the relevant financial period. In the period from 16 January 2007 to 31 March 2008, £9.2 million is due to 3i plc.

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 (provided however that neither party may give such notice during the first four years of the Investment Adviser's appointment, save that such 12 months' notice may be given at any time if the Investment Adviser has ceased to be part 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.

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 period to 31 March 2008 was £0.47 million and the outstanding balance at that date was £0.1 million.

18 Principal subsidiaries

Name	Country of incorporation	Ownership interest
3i Infrastructure (Luxembourg) S.àr.l.	Luxembourg	100%
3i Infrastructure (Luxembourg) Holdings S.àr.l.	Luxembourg	100%
Oystercatcher Luxco 1 S.àr.l.	Luxembourg	100%
Oystercatcher Luxco 2 S.àr.l.	Luxembourg	100%

The list above comprises the principal subsidiary undertakings as at 31 March 2008, all of which are wholly-owned. Each of the subsidiary undertakings is included in the consolidated accounts of the Group.

Investments

The table below provides information on the investment portfolio, presented on the investment basis as at 31 March 2008.

Investment and description	Sector	Geography	Cost £m	Directors' valuation £m
Anglian Water Group Limited Water supply and waste water services	Utilities	UK		
			140.0	**159.6**
Infrastructure Investors LP (I^2) Secondary PFI Fund	Social Infrastructure	UK		
			106.1	**125.1**
Oystercatcher Luxco 2 S.àr.l. Oil, petroleum products and chemicals storage	Transportation	Continental Europe (1)		
			84.5	**98.3**
3i India Infrastructure Holdings Limited Power & Transport fund	Utilities (2)	Asia		
			36.4	**37.7**
Alma Mater Fund LP University accommodation	Social Infrastructure	UK		
			25.0	**36.0**
Octagon Healthcare Limited Norfolk & Norwich University Hospital	Social Infrastructure	UK		
			13.2	**13.6**
Novera Energy plc Renewable energy generation	Utilities	UK		
			11.2	**11.2**
Thermal Conversion Compound Industriepark Höchst Waste-to-energy power plant	Utilities	Continental Europe		
			6.5	**7.9**
Alpha Schools (Highland) Holdings Limited PFI schools in Scotland	Social Infrastructure	UK		
			0.2	**0.3**
			423.1	**489.7**

(1) Operations in the Netherlands, Malta and Singapore.
(2) The fund held two investments as at 31 March 2008 in the Power and Infrastructure construction sectors. Due to the current weighting of the underlying assets, the Fund has been classified as a utility investment in the table above.

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 Group 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 (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 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 portfolio of 3i Infrastructure and its subsidiaries ("the Group") is set out below in order to provide more detailed information than is included within the accounting policies and the Investment Adviser's 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 Private Equity and 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 equity investments are valued at closing bid price at the reporting date. In accordance with International Financial Reporting Standards, no discount is applied for liquidity of the stock or any dealing restrictions.

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

Unquoted investments
Unquoted investments are valued using one of the following methodologies:

– Discounted Cash Flow ("DCF")

– Limited Partnership share of fund net assets

– Sales basis: Expected Sales Proceeds

– Cost less any fair value adjustments required

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

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

Sales basis
The expected 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 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.