3i Infrastructure plc

11 May 2021

Results for the year to 31 March 2021

3i Infrastructure plc (the 'Company') today announces a 9.2% return for the year, delivery of the FY21 dividend of 9.8 pence and a 6.6% increase in the target dividend for FY22 to 10.45 pence per share.

Richard Laing, Chair of 3i Infrastructure plc, said:

"I am pleased to report that we achieved a return of 9.2% in the year ended 31 March 2021, in line with our target and demonstrating the resilience of our portfolio. This is the seventh consecutive year that we have met or exceeded our medium-term return target; and we have increased the dividend per share in every year of the Company's existence."

Phil White, Managing Partner, Infrastructure, 3i Investments plc, added:

"The portfolio continued to be resilient during the Covid-19 pandemic, outperforming the expectations we set a year ago. We were pleased to announce a new investment in DNS:NET, a successful independent telecommunications provider and our first sizeable investment in the German infrastructure market. Competition for new investments is higher than ever and we remain very selective in pursuing new opportunities."

Performance highlights

Resilient portfolio consistently meeting or exceeding target returns	**9.2%** Total return on opening NAV **£206m** Total return for the year **268.1p** NAV per share
New investment, DNS:NET, in high growth sector in Germany	**€182m** New investment commitment
Delivered FY21 dividend target, fully covered and up 6.5% year-on-year Further 6.6% increase in FY22 target	**9.8p** Full year dividend per share for FY21 **10.45p** Target dividend per share for FY22
Strong liquidity position to make new investments and to grow and support existing portfolio	**£463m** Cash position

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For further information regarding the announcement of the results for 3i Infrastructure plc, including a live webcast of the results presentation at 10.00am, please visit www.3i-infrastructure.com. The analyst presentation will be made available on this website during the day.

Notes to the preliminary announcement

Note 1
The statutory accounts for the year to 31 March 2021 have not yet been delivered to the Jersey Financial Services Commission. The statutory accounts for the year to 31 March 2020 have been delivered to the Jersey Financial Services Commission. The auditor's reports on the statutory accounts for these years are unqualified. This announcement does not constitute statutory accounts. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year to 31 March 2020.

Note 2
Subject to shareholder approval, the proposed final dividend is expected to be paid on 12 July 2021 to holders of ordinary shares on the register on 18 June 2021. The ex-dividend date for the final dividend will be on 17 June 2021.

Note 3
This report contains Alternative Performance Measures ('APMs'), which are financial measures not defined in International Financial Reporting Standards ('IFRS'). More information relating to APMs, including why we use them and the relevant definitions, can be found in the Company's 2021 Annual report and accounts and in the Financial review section.

Note 4
The preliminary announcement has been extracted from the Annual report and accounts 2021. The Annual report and accounts 2021 will be available on the Company's website today. Printed copies of the Annual report and accounts 2021 will be distributed to shareholders who have elected to receive printed copy communications on or soon after 24 May 2021.

Notes to editors

About 3i Infrastructure plc
3i Infrastructure plc is a Jersey-incorporated, closed-ended investment company, an approved UK Investment Trust, listed on the London Stock Exchange and regulated by the Jersey Financial Services Commission. The Company's purpose is to deliver a long-term sustainable return to shareholders from investing in infrastructure.

3i Investments plc, a wholly-owned subsidiary of 3i Group plc, is authorised and regulated in the UK by the Financial Conduct Authority and acts as Investment Manager to 3i Infrastructure plc.

This statement has been prepared solely to provide information to shareholders. It should not be relied on by any other party or for any other purpose. It and the Company's Annual report and accounts may contain statements about the future, including certain statements about the future outlook for 3i Infrastructure plc. These are not guarantees of future performance and will not be updated. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook are subject to a number of risks and uncertainties and could change. Factors which could cause or contribute to such differences include, but are not limited to, general economic and market conditions and specific factors affecting the financial prospects or performance of individual investments within the portfolio of 3i Infrastructure plc.

This press release is not for distribution (directly or indirectly) in or to the United States, Canada, Australia or Japan and is not an offer of securities for sale in or into the United States, Canada, Australia or Japan. Securities may not be offered or sold in the United States absent registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or an exemption from registration under the Securities Act. Any public offering to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or selling security holder and will contain detailed information about 3i Group plc, 3i Infrastructure plc, 3i India Infrastructure Fund and management, as applicable, as well as financial statements. No public offering in the United States is currently contemplated.

Our purpose

Our purpose is to **invest responsibly** in infrastructure, delivering long-term **sustainable returns** to shareholders and having a **positive impact** on our portfolio companies and their stakeholders.

Chair's statement

3i Infrastructure has a clear purpose, and continues to deliver long-term sustainable returns.

"We are confident in our ability to deliver long-term sustainable returns, and to have a positive impact on our portfolio companies and their stakeholders."

Richard Laing
Chair, 3i Infrastructure plc
10 May 2021

The Company aims to provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term. I am pleased to report that we achieved a return of 9.2% in the year ended 31 March 2021, in line with our target and demonstrating the resilience of our portfolio. This is the seventh consecutive year that we have met or exceeded our medium-term return target; and we have increased the dividend per share in every year of the Company's existence.

The Covid-19 pandemic has had a profound impact on many businesses across the world and I am proud of how our portfolio companies have responded, keeping essential infrastructure operating smoothly and supporting employees, suppliers, customers and their communities. Our companies continued to power businesses and households, treat waste, keep cargo moving around the world and sterilise medical equipment. At the same time, the management teams have worked with our Investment Manager to establish sustainability strategies for each portfolio company and developed their ability to measure and report on carbon emissions.

I am grateful to shareholders and the Board of Directors for their support during the year, as well as to the Investment Manager for its hard work in a year when office life and business travel remained restricted. We continued to engage meaningfully with each other through our new ways of working.

Our purpose

We have updated our purpose, which is to invest responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive impact on our portfolio companies and their stakeholders. This is set out above, and the key elements of our purpose are used to help structure our Strategic report.

Responsible investing has always been integral to our business model, and that of our Investment Manager. Sustainability is central to our purpose and we create value for all stakeholders by investing in, developing and actively managing essential infrastructure which responds to public needs, fosters sustainable growth and improves the lives of communities. This is not new for the Company, but we hope this report provides an insight into how we look at these themes, how we are developing our approach to them, and how we and our portfolio companies are making a positive impact.

Performance

The Company generated a total return of £206 million in the year ended 31 March 2021, or 9.2% on opening NAV, in line with the target of 8% to 10% per annum to be achieved over the medium term. The NAV per share increased to 268.1 pence. We delivered a Total Shareholder Return ('TSR') of 23.8% in the year (FTSE 250: 45.2%). Since IPO, the Company's annualised TSR is 12.5%, comparing favourably with the broader market (FTSE 250: 7.6% annualised over the same period).

New investment

I was delighted that on 1 April 2021 the Company agreed to invest c.€182 million to acquire a 60% stake in DNS:NET, a leading independent telecommunications provider in Germany. This is a high growth asset that will further diversify our portfolio, giving the Company sizeable exposure to the German infrastructure market for the first time.

The Company made a further investment in ESVAGT to support the build out of three new vessels for the wind sector. In addition, we acquired further stakes in our Dutch PPP projects from our co-shareholders on attractive terms, which also simplifies the governance of those assets.

Dividend

Following the payment of the interim dividend of 4.9 pence per share in January 2021, the Board is recommending a final dividend for the year of 4.9 pence per share, meeting our target for the year of 9.8 pence per share, 6.5% above last year's total dividend. We expect the final dividend to be paid on 12 July 2021. As an investment trust, the Company is permitted to designate dividends wholly or partly as interest distributions for UK tax purposes. The Board is designating 2.9 pence of the 4.9 pence final dividend as an interest distribution. Consistent with our progressive dividend policy, we are announcing a total dividend target for the year ending 31 March 2022 of 10.45 pence per share, representing an increase of 6.6%.

Corporate governance

The Company's Annual General Meeting ('AGM') was held on 9 July 2020 as a closed meeting (due to the Government's stay-at-home restrictions in place at the time), with the minimum number of shareholders present in order to be quorate. All resolutions were approved by shareholders, including the re-election of the existing Directors and the election of Samantha Hoe-Richardson as a Director to the Board. I was encouraged by the high level of shareholder engagement via proxy voting at that meeting.

This year's AGM will be held on 8 July 2021. At the time of writing, it is unclear whether social distancing measures will still be in place at the time of the AGM. We therefore intend to hold the AGM as a formal meeting simply to conduct the business of the meeting and without presentations or refreshments. We strongly urge shareholders to vote by proxy (electronically or by post) in advance of the meeting and to refrain from attending in person.

An online shareholder engagement event including presentations from the Investment Manager and me will take place in advance of the AGM. In line with AGM best practice guidance from the Financial Reporting Council issued in October 2020, shareholders will be given the opportunity to listen to those presentations and ask questions before, during and after the event. Further details will be provided in the notice of AGM and on the Company's website, www.3i-infrastructure.com. We very much hope to welcome shareholders in person again at the AGM in 2022.

Directors' duties

The Directors have a duty to act honestly and in good faith with a view to the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In accordance with the AIC Code of Corporate Governance, the Board does this through understanding the views of the Company's key stakeholders and carefully considering how their interests and the matters set out in section 172 Companies Act 2006 of England and Wales have been considered in Board discussions and decision making. More detail can be found in the Directors' duties and Section 172 Statement sections later in this document.

Outlook

The past year has seen significant volatility in both equity and credit markets and in oil and power prices. In this environment, the infrastructure sector has performed relatively well, demonstrating its value as an asset class. Against this backdrop, the Company has remained disciplined in its investment approach, maintaining a strong cash position and an appropriate level of gearing in the Company's portfolio. Our portfolio consists of defensive businesses providing essential services to their customers and the communities they serve, often benefitting from long-term sustainable trends.

We remain confident in our business model. We have strong liquidity to take advantage of investment opportunities as economies start to recover as well as to continue to support and grow our portfolio companies.

Richard Laing
Chair, 3i Infrastructure plc
10 May 2021

2007 to 2021

In the 13 years since the initial public offering ('IPO') the Company has delivered an annualised total shareholder return of

12.5%
per annum

Our markets

Infrastructure assets held up well during the Covid-19 pandemic, other than transportation businesses and projects that were exposed to a fall in demand. Investor appetite remains strong, particularly in areas such as renewables and digital infrastructure.

Investor sentiment for the infrastructure asset class remains positive with increasing numbers of investors allocating capital to this asset class or indeed increasing their allocations. Sourcing yield from resilient businesses has remained challenging for investors. The intense level of competition has led to high pricing of assets. After a relatively slow market for transactions early in the year, during the initial wave of stay-at-home restrictions due to Covid-19, we participated in a number of competitive processes where the ultimate pricing and resulting risk-adjusted returns did not meet the Company's objectives. We remained disciplined investors which resulted in lower new investment activity than in recent years.

During the year we spent considerable time on asset management, focusing on the need to deliver essential services, the health and safety of portfolio company employees, customers and suppliers, and managing liquidity. The Company benefitted from having a diversified portfolio with appropriate levels of leverage.

Investors are able to access the investment class through both listed and private funds. Other UK listed infrastructure funds typically invest in operational and greenfield Public Private Partnership ('PPP') projects and regulated assets. The Company does not compete directly with these funds for new investments as these assets are outside our investment focus. This year has seen the launch of new listed vehicles targeting a narrow set of infrastructure investment opportunities.

Private funds exist to give investors access to the full range of infrastructure investment opportunities. Those private funds with an economic infrastructure focus remain the Company's primary competitors for new investment. Fundraising in this space remained buoyant despite the pandemic and infrastructure assets under management are at a record high, with significant amounts of dry powder, resulting in intense competition to deploy capital.

For larger institutions, such as pension funds or sovereign wealth funds, with dedicated investment teams, direct investment into large core assets remains an attractive investment strategy. Given the high demand for and low return expectation from these assets, they remain outside the Company's investment focus.

Megatrends

Megatrends are shaping the world around us, influencing decision making and changing the demands placed on our economy and services. Identifying the potential for change is a key driver of our investment decision making – from the businesses, sectors and countries we invest in, to the way we go about finding opportunities. We like to identify investments that benefit from one or more megatrends, providing a supportive environment for long-term sustainable business growth and returns to shareholders.

These trends are often consistent with widely recognised sustainability issues, including climate change and the circular economy.

Outlook

The central bank interventions which have delivered aggressive monetary policy solutions alongside unprecedented fiscal stimulus have had a dramatic effect on public finances. A consequence of this is likely to be rising taxes to balance deficits, even if delayed until economies have had time to recover. Corporation tax rises have already been announced in the UK.

Prior to the pandemic, climate change and environmental concerns were an area of focus for investors but it is now clear that the pandemic has heightened awareness of sustainability issues and this can be seen in the way businesses operate and governments set policy. This has moved the focus to investing capital in cleaner and greener businesses. We are seeing increasing interest from infrastructure investors in the energy transition sector as the scale of the investment required becomes apparent, and regulations, subsidies, market demand and project economics become more supportive.

The pandemic has also accelerated the need for greater digital connectivity and created ever greater data storage and usage requirements. This is driving deal flow in areas such as mobile communications towers, subsea fibre-optic cables, terrestrial fibre-optic networks and data centres. Several new funds focusing on digital infrastructure have been raised.

While competition remains intense, we will continue to seek opportunities where we have a competitive advantage over other bidders, where we can engage at an early stage or leverage relationships to identify new investments that complement the portfolio and can deliver attractive risk-adjusted returns.

The characteristics we look for in new infrastructure investments

We look to build and maintain a diversified portfolio of assets, across a range of geographies and sectors, whilst adhering to a set of core investment characteristics and risk factors.

The Investment Manager has a rigorous process for identifying, screening and selecting investments to pursue. Although investments may be made into a range of sectors, the Investment Manager typically focuses on identifying investments that meet most or all of the following criteria:

Asset intensive business: Owning or having exclusive access under long-term contracts to assets that are essential to deliver the service	**Good visibility of future cash flows:** Long-term contracts or sustainable demand that allow us to forecast future performance with a reasonable degree of confidence
Asset bases that are hard to replicate: Assets that require time and significant capital or technical expertise to develop, with low risk of technological disruption	**An acceptable element of demand or market risk:** Businesses that have downside protection, but the opportunity for outperformance
Provide essential services: Services that are an integral part of a customer's business or operating requirements, or are essential to everyday life	**Opportunities for further growth:** Opportunities to grow or to develop the business into new markets, either organically or through targeted M&A
Established market position: Businesses that have a long-standing position, reputation and relationship with their customers – leading to high renewal and retention rates	**Sustainability:** Businesses that meet our Responsible Investing criteria, with opportunities to improve sustainability and Environmental, Social and Governance ('ESG') standards

Our investment activity remains focused on Economic infrastructure businesses with characteristics that can be managed to enhance value over the period of ownership, including, for example, some level of demand or market risk.

£100m–£300m
Typical equity investment

9%–14%
Typical range of returns per annum

We focus on mid-market economic infrastructure investments with controlling majority or significant minority investments with strong governance rights. Such governance may include a co-investment arrangement whereby the Investment Manager manages the investment on behalf of the consortium. The returns from investing in operational PPP projects and large core infrastructure businesses continue to be below our target return levels. For some years, we have found the opportunities to invest in greenfield projects to be limited and the equity requirements small compared to the size of our portfolio and therefore this also is not a focus area for new investment.

We take a risk-based approach to investment to ensure that the portfolio is not overly exposed to one particular risk type. We consider carefully exposure to commodity price risk, foreseeable technology/disruption risk, high political/regulatory risk, high customer concentration and thematic risks. Where possible we look to source bilateral deals through relationships we have developed.

Examples of the sectors in which we invest and the market dynamics are shown below.

Utilities

During the early stages of the Covid-19 pandemic we saw a fall in electricity demand of more than 10% in the UK, but this recovered during the second half of the year, despite the reimposition of stay-at-home measures.

In the second half of the year we also saw a structurally higher level of day-ahead price volatility, which we attribute to the ongoing shift in the UK's generation mix away from baseload capacity to intermittent renewables and the poor availability of traditional thermal generation.

For our portfolio company Infinis, this meant an opportunity to provide flexible generation services, with its Power Response division delivering a record performance in the year.

Transport/Logistics

The trend towards online shopping has been established for a number of years, but recently we have seen an e-commerce boom driven by Covid-19 and the associated stay-at-home measures. Many people believe this change in buying behaviour will persist. This is likely to lead to growth in distribution centres and delivery vehicle fleets.

Many cities (and consumers) are putting pressure on last mile delivery operators to deploy low-carbon vehicles which is increasing demand for electric charge points.

2

Bolt-on investments by Joulz in electric vehicle charging and rooftop solar businesses

Communications

Prior to the pandemic, data connectivity was already becoming an increasingly integral part of day-to-day life, but Covid-19 has only served to accelerate it. As the pandemic unfolded, millions of people switched to working remotely almost overnight and this exposed differences in the quality of data networks both within individual countries and across geographies.

Infrastructure investors are increasingly recognising the growth potential of the communications infrastructure sector either through the acquisition of existing assets or through the build-out of new networks. The huge amount of capital required to roll-out fixed and wireless communication networks is such that it is no longer just incumbent telecom groups that are funding this type of infrastructure.

€182m

Commitment to invest in DNS:NET

Our strategy, objectives and KPIs

Our strategy **is to maintain a balanced portfolio of infrastructure investments delivering an attractive mix of income yield and capital appreciation for shareholders.**

Strategic priorities

Maintaining a balanced portfolio	Delivering an attractive mix of income yield and capital growth for shareholders. Investing in a diversified portfolio in developed markets, with a focus on the UK and Europe.	15% **Largest single investment by value**
Disciplined approach to new investment	Focusing selectively on investments that are value enhancing to the Company's portfolio and with returns consistent with our objectives.	£209m **New investments or commitments***
Managing the portfolio intensively	Driving value from our portfolio through our engaged asset management approach. Delivering growth through platform investments.	2 **Bolt-on acquisitions by our platform investments**
Maintaining an efficient balance sheet	Minimising return dilution to shareholders from holding excessive cash, while retaining a good level of liquidity for future investment.	£597m **Total liquidity less investment commitments***
Sustainability a key driver of performance	Ensuring that our investment decisions and asset management approach consider both the risks and opportunities presented by sustainability.	1,028MW **Installed renewable energy capacity**

* Includes commitment to invest in DNS:NET made on 1 April 2021.

Our objectives are to provide shareholders with:

a total return of 8% to 10% per annum,
to be achieved over the medium term

a progressive annual dividend per share

Our KPIs

Total return
% on opening NAV

Year	%
2017	9.0%
2018	28.6%
2019	15.4%
2020	11.4%
2021	**9.2%**
Target	**8 – 10 %**

Target
To provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term.

Met or exceeded target for every year shown

Rationale and definition

- Total return is how we measure the overall financial performance of the Company
- Total return comprises the investment return from the portfolio and income from any cash balances, net of management and performance fees and operating and finance costs. It also includes movement in the fair value of derivatives and taxes
- Total return, measured as a percentage, is calculated against the opening NAV, net of the final dividend for the previous year, and adjusted (on a time-weighted average basis) to take into account any equity issued and capital returned in the year

Performance over the year

- Total return of £206 million in the year, or 9.2% on opening NAV
- The portfolio showed good resilience overall with strong performance in particular from Infinis, Joulz and Valorem
- The hedging programme continues to reduce the volatility in NAV from exchange rate movements
- Costs were managed in line with expectations
- The level of cash held reduced the total return

Annual distribution
pence per share

Year	pence
2017	7.55p
2018	7.85p+
2019	8.65p
2020	9.20p
2021	**9.80p**
2022 Target	**10.45p**

\+ **Special dividend** (2018: 41.40p)

Target
Progressive dividend per share policy.

FY21 full year dividend target of 9.80 pence per share.

Dividend per share increased every year since IPO

Rationale and definition

- This measure reflects the dividends distributed to shareholders each year
- The Company's business model is to generate returns from portfolio income and capital returns (through value growth and realised capital profits). Income, other portfolio company cash distributions and realised capital profits generated are used to meet the operating costs of the Company and distributions to shareholders
- The dividend is measured on a pence per share basis, and is targeted to be progressive

Performance over the year

- Proposed total dividend of 9.80 pence per share, or £87 million, is in line with the target set at the beginning of the year
- Income generated from the portfolio and cash deposits, including non-income cash distributions and other income from portfolio companies, totalled £117 million for the year
- Operating costs and finance costs used to assess dividend coverage totalled £30 million in the year. The dividend was fully covered for the year
- Setting a total dividend target for FY22 of 10.45 pence per share, 6.6% higher than for FY21

Investment Manager's review

Review from the Managing Partner

The portfolio continued to be resilient during the Covid-19 pandemic, outperforming the expectations we set a year ago. We were pleased to announce a new investment in DNS:NET, a successful independent telecommunications provider and our first sizeable investment in Germany. Competition for new investments is higher than ever and we remain very selective in pursuing new opportunities.

"We have a resilient, diversified portfolio providing essential services and benefitting from long-term sustainable trends."

Phil White
Managing Partner and Head
of Infrastructure, 3i Investments plc
10 May 2021

The impact of the Covid-19 pandemic was markedly different by sector. For example, the energy and telecoms sectors showed resilience, but the transportation sector was severely affected. We have built a well-balanced portfolio and are pleased to report that while every business is affected to some extent by Covid-19, all of our portfolio companies outperformed the expectations we set a year ago and are providing continuity of service to their customers. This is testament to the professionalism and adaptability of our portfolio company management teams and staff during demanding circumstances.

The stay-at-home and social distancing measures enacted in most countries delayed some of our growth initiatives and in a number of our portfolio companies capital expenditure was below budget. Liquidity and operational costs have been well managed across the portfolio. We have not been required to provide additional equity support to portfolio companies, but distributions from some companies were reduced where it was sensible for them to retain liquidity.

Portfolio review

Infinis performed significantly ahead of expectations, primarily due to outperformance in its captured landfill methane business, but also from its coal mine methane and power response divisions. The company is making good progress in developing its solar generation business with 67MW of projects now in planning and a further 90MW targeted for submission by the end of 2021. In December, Infinis completed a refinancing on favourable terms, extending the maturity of its facilities and adding long-term institutional debt. This improved capital structure will enable it to fund the growth in its solar business and to explore new opportunities such as battery storage.

After a partial recovery of air traffic last summer, the latter half of the year was marked by the imposition of further travel restrictions and quarantine measures as new virus strains emerged and cases rose. Despite this, TCR performed marginally ahead of our expectations during the year with operating costs being managed well. In the medium term, we see attractive growth opportunities arising from the crisis as airlines and airports look for increased efficiency, flexibility and sustainability in how they manage ground support equipment.

Ionisos performed ahead of our expectations for the year and benefitted from cold sterilisation being an essential service to the healthcare and pharma industries. All sites continued operating at normal capacity throughout the year but in February, Ionisos discovered serious shortcomings in the safety of operations in its Italian subsidiary, Steril Milano. Operations were stopped immediately and the regulatory authorities and customers were informed promptly. A criminal complaint has been filed against certain individuals and an investigation is now underway, with the full cooperation of Steril Milano and Ionisos management. Steril Milano, which represented c.3% of Ionisos's 2020 EBITDA, was acquired by Ionisos in June 2019, shortly before the Company's acquisition of Ionisos.

Joulz performed in line with expectations for the year. The carve-out from Stedin is now complete and we have strengthened the management team in order to meet growing demand and opportunities. The business is developing into an integrated Energy Transition solutions provider and has made considerable progress during the year, adding electric vehicle charging and rooftop solar capabilities. We completed a successful refinancing in October on better terms than envisaged in our previous valuation and this will support further growth.

Tampnet's performance during the year was ahead of the prior year but below its pre-Covid budget. Tampnet's roaming and mobile data business was affected by the oil price collapse as operators reduced their exploration activity and some drilling rigs were decommissioned earlier than expected. Delays in adding contracted customers to the network due to Covid-19 restrictions that made it difficult to staff operations offshore, and a severe hurricane season in the Gulf of Mexico, also impacted revenues. We are now seeing growth resume following the lifting of restrictions and the higher oil price. Tampnet acquired BP's fibre assets in the Gulf of Mexico, and this represents an important milestone for our investment, securing ownership of a key piece of subsea infrastructure and enabling Tampnet to replicate its North Sea business model in the Gulf of Mexico. The transaction was funded from Tampnet's internal resources and existing credit facilities.

Attero has performed broadly in line with our pre-Covid budget, demonstrating its resilience. Waste production in the Netherlands and energy prices had largely recovered by the end of the year, although waste imports from the UK were materially below pre-pandemic levels. Attero's Energy from Waste ('EfW') plants were able to continue operating at full capacity during the year by drawing waste from Attero's buffer stock of untreated waste and by incinerating residual waste from other parts of the business which would otherwise have been processed externally.

Oystercatcher's terminals outperformed expectations and prior year, on the back of more favourable market conditions for oil storage and lower operating costs. All terminals continue to show good utilisation levels and healthy storage rates. The negative impact of Covid-19 has been limited to lower throughput and ancillary revenues as a result of lower end-user demand as refineries operated below their normal output levels.

During the year, we committed further funding to support ESVAGT's continued growth in the offshore wind segment, with three new Service Operation Vessels ('SOV') due to commence operations in 2021. With expected strong expansion of offshore wind as a renewable energy source, ESVAGT stands well-placed to benefit from continued growth into the medium term. ESVAGT's Emergency Rescue and Response Vessel ('ERRV') fleet, which supports the oil and gas segment, was impacted by the significant weakness in the oil and gas sector during the first half of the year but ended the year ahead of expectations due to the recovery in oil prices, an active cost saving programme and slightly higher utilisation than expected across the fleet. ESVAGT's ERRV fleet is fully contracted for the summer months.

Valorem had a strong year with revenues from electricity generation exceeding budget, benefitting from favourable wind conditions and good availability. All assets continued to operate as normal during the lockdown period and a number of new projects became operational. Valorem's development pipeline continues to grow both in France and internationally. In December, Valorem completed the acquisition of a further 34% stake in Force Hydraulique Antillaise taking its total ownership to 85%.

The availability-based Projects portfolio has performed in line with expectations. Finally, we were pleased with the significant progress made towards realising the remaining assets in the India Fund, with the sale of the Fund's stake in Krishnapatnam Port. This represented almost all of the value in the India Fund.

Investment activity

On 1 April 2021 we announced our commitment to acquire a 60% stake in DNS:NET for c.€182 million. DNS:NET owns the largest independent fibre-to-the-cabinet network in the Berlin area, as well as three data centres, and has commenced a roll-out of fibre-to-the-home. We expect the transaction to complete in June 2021.

During the year, we acquired further stakes in our Dutch PPP projects from our co-shareholders Fluor Infrastructure and Heijmans Nederland for a total equity investment of c.€25 million, and invested £15 million in ESVAGT out of a total commitment of £27 million to support the construction of three new SOVs.

Throughout the year, we saw an active investment pipeline that included a broad range of potential new investment opportunities. Competition for new investments was very high, and we are focused on achieving an appropriate balance of risk and return. Although we would have liked to have deployed more capital, we remain patient, only pursuing opportunities that will enhance the portfolio while seeking to limit abort cost risk in highly competitive sales processes.

3i Infrastructure is a long-term investor in its portfolio. There were no asset sales this year, although the Company received £104 million of deferred proceeds, including interest, from its sale of Wireless Infrastructure Group ('WIG') in the prior year.

Sustainability

We continue to work closely with our portfolio company management teams to respond to the opportunities and challenges presented by sustainability. At the beginning of this year, we set out to formalise each company's sustainability strategy and objectives, as well as to review and, where necessary, build their ability to monitor and report on their environmental impacts including carbon emissions. All portfolio companies have responded positively and have accomplished those objectives.

In the year ahead, we plan to build on this progress by implementing emissions reporting for all of our portfolio companies, in line with TCFD requirements, and by developing the Company's longer-term position in relation to net carbon emissions. We expect the regulatory framework in which we and our portfolio companies operate to continue to evolve, and our approach to sustainability will continue to develop.

Outlook

We are well positioned to continue to perform, with a weighted average discount rate consistent with our target return, and with a resilient, well-diversified and hard to replicate portfolio. We have plenty of liquidity to continue to invest, both in the existing portfolio, through organic growth and value-accretive bolt-ons, as well as in selected new investments that enhance the portfolio. We remain confident of delivering long-term sustainable returns to shareholders.

Phil White
Managing Partner and Head of Infrastructure,
3i Investments plc
10 May 2021

New investment

DNS:NET is a leading independent telecommunications provider in Germany.

Committed

€182m

Equity stake

60%

Investment rationale

- Germany lags behind most other European countries in the deployment of fibre-to-the-home (‘FTTH’), despite a strong demand for reliable, high bandwidth and low latency connectivity
- DNS:NET has built an established workforce and systems, a network of fibre-to-the-cabinet (‘FTTC’) connections and good relationships with customers, suppliers and local decision makers over an operating history of more than 20 years
- The Founder and CEO will remain a significant minority shareholder, providing high alignment of interest with the Company
- There is material potential for upside given the high growth profile, and once the roll-out is complete, DNS:NET will be a highly cash generative asset

Characteristics

Asset intensive business that is hard to replicate
The existing FTTC network passes 135,000 homes with 35,000 household subscriptions.

Good visibility on future cash flows
DNS:NET will invest substantially to grow its network in the coming years, but will provide a healthy yield once the planned roll-out is complete.

Provides essential services
FTTH is the only technology capable of delivering future proof, low latency and high bandwidth broadband services reliably to households.

Acceptable element of demand risk
DNS:NET benefits from an existing network, local presence and brand, which gives it a first mover advantage over other players.

Established market position
DNS:NET is the leading independent provider of FTTC in Berlin and surrounding areas, which puts it in a unique position to lead the FTTH roll-out in the region.

Opportunities for further growth
The FTTH market in Germany is projected to grow at 30% per annum in the period to 2025.

Our portfolio

The portfolio comprises a diversified, defensive set of businesses providing essential services. We are confident that the portfolio is well positioned to deliver our target returns.

The Company's portfolio was valued at £1,802 million at 31 March 2021 (2020: £1,647 million), and delivered a total portfolio return in the year of £232 million including income and allocated foreign exchange hedging (2020: £272 million).

Table 1 below summarises the valuations and movements in the portfolio, as well as the return for each investment, for the year. In accordance with accounting standards, 'Investments at fair value through profit or loss' as reported in the Balance sheet include, in addition to the portfolio asset valuation, the cash and other net assets held within intermediate unconsolidated holding companies.

These amounts are set out at the foot of the table below, to provide a reconciliation between the Directors' valuation of the portfolio assets and 'Investments at fair value through profit or loss' reported in the Financial statements.

Table 1: Portfolio summary (31 March 2021, £m)

Portfolio assets	Directors' valuation 31 March 2020	Investment in the year	Divestment in the year	Accrued income	Value movement	Foreign exchange translation	**Directors' valuation 31 March 2021**	Allocated foreign exchange hedging	Underlying portfolio income in the year	Portfolio total return in the year[1]
Infinis	285	–	(6)[2]	(4)	25	–	**300**	–	17	**42**
Tampnet	205	5[3]	–	–	18	2	**230**	(8)	5	**17**
Joulz	187	5[3]	(1)[2]	–	36	(8)	**219**	10	5	**43**
Ionisos	194	–	–	2	14	(8)	**202**	10	9	**25**
TCR	195	20[3,4]	–	(3)	(12)	(1)	**199**	3	13	**3**
ESVAGT	141	36[3,4]	–	1	–	11	**189**	(12)	22	**21**
Oystercatcher	154	–	–	–	10	(7)	**157**	6	13	**22**
Valorem	88	–	–	–	23	(4)	**107**	5	3	**27**
Attero	103	2[3]	(4)[2]	–	8	(4)	**105**	5	6	**15**
Economic infrastructure portfolio	**1,552**	**68**	**(11)**	**(4)**	**122**	**(19)**	**1,708**	**19**	**93**	**215**
Projects	68	23[4]	(1)[5]	(1)	7	(4)	92	3	6	**12**
India Fund	27	–	(30)	–	6	(1)	2	–	–	**5**
Total portfolio	**1,647**	**91**	**(42)**	**(5)**	**135**	**(24)**	**1,802**	**22**	**99**	**232**
Adjustments related to unconsolidated subsidiaries[6]	5	–	(6)	(4)	7	–	2	–	(7)	**–**
Reported in the Financial statements	**1,652**	**91**	**(48)**	**(9)**	**118**	**–**	**1,804**	**22**	**92**	**232**

1 This comprises the aggregate of value movement, foreign exchange translation, allocated foreign exchange hedging and underlying portfolio income in the year.
2 Shareholder loan repaid.
3 Capitalised interest.
4 Follow-on investment in TCR of £4 million, ESVAGT of £15 million and Projects of £23 million.
5 Deferred consideration of £1 million was received from the sale of WODS.
6 Income statement adjustments explained in Table 16 and Balance sheet adjustments explained in Table 17 in the Financial review.

The total portfolio return in the year of £232 million is 13.7% (2020: £272 million, 13.1%) of the aggregate of the opening value of the portfolio and investments in the year (excluding capitalised interest), which total £1,689 million. Performance was strong across the portfolio with particular outperformance from Infinis, Joulz and Valorem.

Table 2 below shows the portfolio return in the year for each asset as a percentage of the aggregate of the opening value of the asset and investments in the asset in the year (excluding capitalised interest).

Table 2: Portfolio return by asset (year to 31 March 2021)

Total portfolio return	**13.7%**
Infinis	14.7%
Tampnet	8.3%
Joulz	23.0%
Ionisos	12.9%
TCR	1.5%
ESVAGT	13.5%
Oystercatcher	14.3%
Valorem	30.7%
Attero	14.6%
Projects	13.2%
India Fund	18.5%

Movements in portfolio value

The movements in portfolio value were driven principally by the delivery of planned cash flows and other asset outperformance as well as new follow on investments during the year. A reconciliation of the movement in portfolio value is shown in Table 3 below. The portfolio summary shown in Table 1 details the analysis of these movements by asset. Changes to portfolio valuations arise due to several factors, as shown in Table 4.

Economic infrastructure portfolio

The economic infrastructure portfolio generated a value gain of £122 million in the year, alongside income of £93 million.

Infinis generated a value gain of £25 million in the year and contributed £28 million of distributions. This was due to a combination of business outperformance, the continued progress of its solar development programme and a small reduction in the discount rate, partially offset by changes in forecast future power price curves and an increase in the UK corporation tax rate from FY23.

The value gain for **Tampnet** of £18 million principally reflects the acquisition of BP's fibre assets in the Gulf of Mexico and a small reduction in the discount rate, partially offset by some earlier decommissioning than we expected in the North Sea.

The value gain for **Valorem** was £23 million as the business continued to develop its pipeline of projects into operation, lowering the discount rate. The business completed a successful refinancing of 11 operating wind assets and two solar assets and received the necessary permits for a large new wind project in Finland.

Ionisos experienced a £14 million gain due to higher volumes in the medical devices and pharmaceuticals sector, particularly in the second half of the year, and a small reduction in the discount rate, partly offset by providing fully for the effect of the closure of its Italian operations.

The value of **ESVAGT** did not change. Higher than expected utilisation in the offshore wind market was offset by ERRV demand being lower in the first half of the year than had been forecast. We lowered the discount rate to reflect improved visibility in the ERRV segment and the increased share of long-term, contracted SOV cash flows in the business.

Joulz saw a £36 million gain reflecting the refinancing completed on better terms than originally anticipated and the limited impact that Covid-19 has had on the business to date.

TCR had a negative value movement of £12 million reflecting revised business plan assumptions as we now expect the full recovery in air traffic to pre-Covid levels to take until 2024.

Attero increased in value by £8 million as a number of contracts were renewed at higher gate fees and/or for longer periods than expected.

The value of **Oystercatcher** increased by £10 million as we removed the discount rate premium added 12 months ago to reflect reduced Covid-related uncertainty and resilient performance over the year.

Table 3: Reconciliation of the movement in portfolio value (year to 31 March 2021, £m)

Opening portfolio value at 1 April 2020	**1,647**
Investment[1]	91
Divestment/capital repaid	(42)
Value movement	135
Exchange movement[2]	(24)
Accrued income movement	(5)
Closing portfolio value at 31 March 2021	**1,802**

1 Includes capitalised interest.
2 Excludes movement in the foreign exchange hedging programme (see Table 10 in the Financial review).

Projects portfolio

The value gain in the Projects portfolio was due to the reduction in the discount rate we have made, reflecting continued high demand, and return compression, for availability-based PPP projects.

During the year, the Company acquired further stakes in its Dutch projects from our co-shareholders.

India Fund

The majority of the value of the India Fund was realised through the sale of Krishnapatnam Port at a price above the Fund's previous valuation. The India Fund now represents just 0.1% of the portfolio.

Summary of portfolio valuation methodology

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

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

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

- earnings multiples;
- recent transactions; and
- quoted market comparables.

The Company's investment in the India Fund is valued based on the Company's share of net assets held by that fund.

In determining a DCF valuation, we consider and reflect changes to the two principal inputs being forecast cash flows from the investment and discount rates. We consider both the macroeconomic environment and investment specific value drivers when deriving a balanced base case of cash flows and selecting an appropriate discount rate.

During the year, we saw the direct impact of Covid-19 on the portfolio companies such as supply chain delays, enforced changes to working practices, delays to anticipated growth investment opportunities, renegotiation of contracts with customers and the offsetting impact of government and central bank mitigation measures. There have also been indirect impacts such as reduced demand for energy which negatively affected power prices and our energy generating portfolio companies, although the majority of our power price exposure was hedged in the short to medium term. We have considered both the direct and indirect effects of Covid-19 on the individual portfolio companies and updated the cash flow forecasts for each investment, taking a balanced view on how we expect them to develop, for example in relation to new contract wins and contract renewals, forecast revenue, liquidity and effects on debtor payments, capital expenditure programmes and operating costs.

Our largest investment, Infinis, which operates in the electricity generation sector, is exposed to the level of, and volatility in, UK power prices. Future power price projections are taken from independent forecasters and changes in these assumptions will affect the future value of this investment. TCR operates in the aviation sector which has been severely affected by travel restrictions, although this varies by region and domestic services have been recovering earlier than international travel. The value of TCR reflects revised business plan assumptions as we now expect a partial recovery during 2021 with the full recovery in air traffic to pre-Covid levels expected to take until 2024.

Table 4: Components of value movement (year to 31 March 2021, £m)

Value movement component	Value movement in the year	Description
Planned growth	124	Net value movement resulting from the passage of time, consistent with the discount rate and cash flow assumptions at the beginning of the year less distributions received and capitalised interest in the year.
Other asset performance	3	Net value movement arising from actual performance in the year and changes to future cash flow projections, including financing assumptions and changes to regulatory determination assumptions.
Discount rate movement	67	Value movement relating to changes in the discount rate applied to the portfolio cash flows.
Macroeconomic assumptions	(59)	Value movement relating to changes to macroeconomic out-turn or assumptions, eg power prices, inflation, interest rates on deposit accounts and taxation rates. This includes changes to regulatory returns that are directly linked to macroeconomic variables.
Total value movement before exchange	135	
Foreign exchange retranslation	(24)	Movement in value due to currency translation to year end date.
Total value movement	111	

At March 2020, we applied a higher discount rate than we would have applied without Covid-19 to almost all portfolio company valuations; the highest increase applied was 1%. This reflected the general uncertainty at the time around the economic impact of the pandemic, future inflation, power prices and oil prices, as well as company-specific factors. Given the lower uncertainty and increased visibility of cash flows now, these discount rate premia have been fully or partially removed in this latest valuation. The highest discount rate premium for Covid-19 included in the valuations at March 2021 is 0.5%.

As a 'through the cycle' investor with a strong balance sheet we consider valuations in the context of the longer-term value of the investments. This includes consideration of climate change risk and stranded asset risk. Factors considered include physical risk, litigation risk linked to climate change and transition risk (for example, assumptions on the timing and extent of decommissioning of North Sea oil fields). We take a granular approach to these risks, for example each offshore oil and gas field has been assessed individually to forecast the market over the long term and a low terminal value has been assumed at the end of the forecast period. In the case of stranded asset risk we consider long-term threats that may impact value materially over our investment horizon, for example, technological evolution or societal change. For ESVAGT, which operates ERRVs in the North Sea servicing the oil and gas market, we do not assume any new vessels or replacement vessels in our valuation for that segment of the business. However, a number of our portfolio companies are set to benefit from these changes. Digitalisation in the offshore oil and gas sector in order to reduce costs is benefitting Tampnet. The energy transition in the Netherlands, with a focus on electrification, is benefitting Joulz. The base case for each of our valuations takes a balanced view of potential factors that we estimate is as likely to result in underperformance as outperformance.

Discount rate

Table 5 below shows the movement in the weighted average discount rate applied to the portfolio at the end of each year since the Company's inception and the position as at March 2021. During the year, the weighted average discount rate decreased following the reversal of most of the premia that were added last year as a result of the Covid-19 pandemic and volatility in public markets; and a reduction in discount rates for the Projects portfolio to bring them into line with evidence from recent transaction activity in that sector.

Table 5: Portfolio weighted average discount rate (31 March, %)

March 08	12.4
March 09	13.8
March 10	12.5
March 11	13.2
March 12	12.6
March 13	12.0
March 14	11.8
March 15	10.2
March 16	9.9
March 17	10.0
March 18	10.5
March 19	10.8
March 20	11.3
March 21	10.8

During the year, we witnessed a steady decline in equity risk premia, the implied excess return over a risk-free rate of return, in the markets in which we invest. This reflects increased confidence in public markets, and coincides with increased competition and pricing for assets that we are seeing from private market participants, encouraged by the roll-out of vaccines across the countries in which we operate. The risk-free rates in the markets in which we invest increased slightly towards the end of the year, but this was more than offset by the decline in equity risk premia. We estimate that this overall reduction in returns is consistent with the reduction in the weighted average discount rate applied to the Company's portfolio.

Investment track record

As shown in Table 6, since its launch in 2007, 3i Infrastructure has built a portfolio that has provided:

- significant income, supporting the delivery of a progressive annual dividend;
- consistent capital growth; and
- strong capital profits from realisations.

These have contributed to an 18% annualised asset Internal Rate of Return ('IRR') since the Company's inception. The European portfolio has generated strong returns, in line with, or in many cases ahead of, expectations.

These returns were underpinned by substantial cash generation in the form of income or capital profits.

The value created through this robust investment performance was crystallised in a number of instances through well-managed realisations, shown as 'Realised assets' in Table 6. While the Company is structured to hold investments over the long term, it has sold assets where compelling offers have generated additional shareholder value. This was the case with WIG in 2019 which generated an IRR of 27%, Eversholt Rail in 2015 and XLT in 2019 which both generated IRRs in excess of 40% and Elenia and AWG in 2018, which generated IRRs of 31% and 16% respectively.

Portfolio asset returns in Table 6 include an allocation of FX hedging where applicable.

Table 6: Portfolio asset returns throughout holding period (since inception, £m)

	Multiple	IRR	Total cost	Value including accrued income	Proceeds on disposals/ capital returns	Cash income
Existing portfolio (Total return**)**						
Infinis	1.4x		322	300	80	70
Tampnet	1.2x		187	230	0	0
Joulz	1.2x		190	219	1	15
Ionisos	1.1x		186	202	0	1
TCR	1.4x		155	199	4	19
ESVAGT	1.2x		147	189	0	0
Oystercatcher	2.1x		139	157	0	139
Valorem	2.0x		59	107	0	10
Attero	1.4x		88	105	1	17
Projects	1.5x		75	92	1	16
India Fund	0.5x		108	2	54	0
Realised assets (Total return**)**						
WIG (realised December 2019)	1.7x	27%	265	0	431	21
XLT (realised March 2019)	5.9x	40%	63	0	322	38
Elenia (realised February 2018)	4.5x	31%	195	0	766	106
AWG (realised February 2018)	3.3x	16%	173	0	410	154
Eversholt (realised April 2015)	3.3x	41%	151	0	391	114
Projects (realised assets)	1.9x	22%	289	0	446	103
Others[1]	1.2x	8%	138	0	145	24

18% Annualised asset IRR since inception to 31 March 2021

Portfolio asset returns include allocation of FX hedging where applicable. The allocation of FX hedging movement is shown net against cash income except in the case of ESVAGT (£(9)m) and Tampnet (£(3)m) which do not have cash income, and is reflected in the multiples shown for all assets.
Dates of asset realisations refer to completion dates.

1 Others includes junior debt portfolio, T2C and Novera.

Financial review and Risk

Financial review

The Company delivered another year of growth in NAV and dividend per share.

Key financial measures (year to 31 March)	**2021**	2020
Total return[1]	**£206m**	£224m
NAV	**£2,390m**	£2,269m
NAV per share	**268.1p**	254.5p
Total income[2]	**£110m**	£121m
Total income and non-income cash	**£117m**	£139m
Portfolio asset value[2]	**£1,802m**	£1,647m
Cash balances[2]	**£463m**	£418m
Total liquidity[3]	**£763m**	£718m

1 IFRS Total comprehensive income for the year.
2 Reconciliation of measures to the financial statement balances is set out in Tables 16 and 17.
3 Includes cash balances of £462 million (2020: £413 million), unrestricted cash in subsidiaries of £1 million (2020: £5 million) and £300 million (2020: £300 million) undrawn balances available under the Company's revolving credit facility.

"The Company has grown its dividend per share every year of its existence."

James Dawes
CFO, Infrastructure
10 May 2021

We have a strong balance sheet that provides liquidity for new investments and funding for our portfolio companies, including to finance growth initiatives. The portfolio has the income-generating capacity to support the progressive dividend policy, and the dividend was covered by net income this year despite the drag from uninvested cash. The target dividend for FY22 of 10.45 pence per share is an increase of 6.6% over FY21.

Returns

Total return

The Company generated a total return for the year of £206 million, representing a 9.2% return on opening NAV net of the prior year final dividend (2020: £224 million, 11.4%). This performance is consistent with the target return of 8% to 10% per annum to be achieved over the medium term and was underpinned by a portfolio return of 13.7% (2020: 13.1%), diluted by the cash balance held during the year.

This return was driven by good performance from the majority of the portfolio, and particularly from Infinis, Joulz and Valorem. Changes in the valuation of the Company's portfolio assets are described in the Movements in portfolio value section of the Investment Manager's review.

Total income and non-income cash of £117 million in the year was lower than last year, as liquidity was retained in portfolio companies during these exceptional economic conditions (2020: £139 million).

Non-income cash receipts reflect distributions from underlying portfolio companies, which would usually be income to the Company, but which are distributed as a repayment of investment for a variety of reasons. Whilst non-income cash does not form part of the total return shown in Table 7, it is included when considering dividend coverage.

An analysis of the elements of the total return for the year is shown in Table 7.

The Financial statements' classification of these components of total return includes transactions within unconsolidated subsidiaries as the Company adopts the Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) basis for its reporting. The non-material adjustments required to reconcile this analysis to the Financial statements are shown in Table 16.

Table 7: Summary total return (year to 31 March, £m)

	2021	2020
Capital return (excluding exchange)	**135**	152
Foreign exchange movement in portfolio	**(24)**	(18)
Capital return (including exchange)	**111**	134
Movement in fair value of derivatives	**22**	21
Net capital return	**133**	155
Total income	**110**	121
Costs	**(37)**	(52)
Total return	**206**	224

Capital return

The capital return is the largest element of the total return. The portfolio generated a value gain of £135 million in the year to 31 March 2021 (2020: £152 million), as shown in Table 8. There was a positive contribution across the majority of the portfolio and the largest contributor was Joulz which generated £36 million. These value movements are described in the Movements in portfolio value section of the Investment Manager's review.

Table 8: Reconciliation of the movement in NAV (year to 31 March 2021, £m)

Opening NAV at 1 April 2020[1]	**2,228**
Capital return	135
Net foreign exchange movement[2]	(2)
Total income	110
Net costs including management fees[3]	(37)
NAV before distributions	**2,434**
Distribution to shareholders	(44)
Closing NAV at 31 March 2021	**2,390**

1 Opening NAV of £2,269 million net of final dividend of £41 million for the prior year.
2 Foreign exchange movements are described in Table 10.
3 Includes non-portfolio related exchange movements.

Foreign exchange impact

The portfolio is diversified by currency as shown in Table 9. We aim to deliver steady NAV growth for shareholders, and the foreign exchange hedging programme enables us to do this by reducing our exposure to fluctuations in the foreign exchange markets.

Portfolio foreign exchange movements, after accounting for the hedging programme, reduced the net capital return by £2 million (2020: increased by £3 million). As shown in Table 10, the reported foreign exchange loss on investments of £24 million (2020: loss of £18 million) included a loss of £1 million from the Company's exposure to the Indian rupee, which is not hedged. This was mostly offset by a £22 million gain on the hedging programme (2020: gain of £21 million).

Table 9: Portfolio value by currency (at 31 March 2021)

EUR	60%
GBP	17%
NOK	13%
DKK	10%

Table 10: Impact of foreign exchange ('FX') movements on portfolio value (year to 31 March 2021, £m)

	Hedged assets €/SGD/DKK/NOK	Unhedged assets £/rupee
FX loss before hedging	(23)	(1)
FX loss after hedging	(1)	(1)

Income

The portfolio generated income of £99 million in the year (2020: £117 million). Of this amount, £20 million was through dividends (2020: £34 million) and £79 million through interest on shareholder loans (2020: £83 million). An additional £10 million of interest was accrued on the vendor loan notes issued in lieu of WIG proceeds (2020: £3 million) together with a further £0.4 million of interest receivable on deposits (2020: £1 million).

A full year of interest income from Ionisos, which was acquired part way through the last financial year, offset the loss of interest income contribution from the sale of WIG in the prior year. A breakdown of portfolio income is provided in Table 11 below, together with an explanation of the change from prior year.

Table 11: Breakdown of portfolio income (year to 31 March, £m)

	Dividend (2021)	**Interest (2021)**	Dividends (2020)	Interest (2020)	**Comments**
ESVAGT	**–**	**22**	–	19	Interest capitalised
Infinis	**–**	**17**	–	18	Shareholder loan partly repaid
Oystercatcher	**13**	**–**	5	–	Timing of distributions
TCR	**–**	**13**	–	11	Interest capitalised
Ionisos	**–**	**9**	–	4	New investment in FY20
Attero	**5**	**1**	9	2	Liquidity retained
Joulz	**–**	**5**	13	5	Liquidity retained
Tampnet	**–**	**5**	–	4	Interest capitalised
Valorem	**–**	**3**	1	3	Liquidity retained
WIG	**–**	**–**	–	8	Realisation in FY20
Projects Portfolio	**2**	**4**	6	9	Realisation of UK projects in FY20

Interest income from the economic infrastructure portfolio was broadly consistent year-on-year, with the fall in income from projects relating to the sale of the UK projects portfolio in the prior year.

Dividends from Oystercatcher were higher than the prior year partly due to the timing of distributions, but also due to an improvement in the oil storage market. We were prudent in our approach to taking dividends in order to preserve liquidity in portfolio companies during the Covid-19 pandemic, but distributions to the Company were sufficient to cover this year's target dividend.

Costs

Management and performance fees

During the year to 31 March 2021, the Company incurred management fees of £24 million (2020: £28 million). The fees, payable to 3i plc, consist of a tiered management fee, and a one-off transaction fee of 1.2% payable in respect of new investments. The management fee tiers range from 1.4%, reducing to 1.2% for any proportion of gross investment value above £2.25 billion.

An annual performance fee is also payable by the Company, amounting to 20% of returns above a hurdle of 8% of the total return. This performance fee is payable in three equal annual instalments, with the second and third instalments only payable if certain future performance conditions are met. This hurdle was exceeded for the year ended 31 March 2021 resulting in a performance fee payable to 3i plc in respect of the year ended 31 March 2021 of £7 million (2020: £17 million). The first instalment, of £2 million, will be paid in May 2021 along with the second instalment of £6 million relating to the previous year's performance fee. For a more detailed explanation of how management and performance fees are calculated, please refer to Note 18 to the accounts.

Fees payable

Fees payable on investment activities include costs for transactions that did not reach, or have yet to reach, completion and the reversal of costs for transactions that have successfully reached completion and were subsequently borne by the portfolio company. For the year to 31 March 2021, fees payable totalled less than £1 million (2020: less than £1 million).

Other operating and finance costs

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £3 million in the year (2020: £3 million).

Finance costs of £2 million (2020: £3 million) in the year comprised arrangement and commitment fees for the Company's £300 million revolving credit facility ('RCF'). Finance costs were lower than in FY20 as the RCF was not used in the year.

Ongoing charges ratio

The ongoing charges ratio measures annual operating costs, as disclosed in Table 12 below, against the average NAV over the reporting period.

The Company's ongoing charges ratio is calculated in accordance with the Association of Investment Companies ('AIC') recommended methodology and was 1.16% for the year to 31 March 2021 (2020: 1.42%). The ongoing charges ratio is higher in periods where new investment levels are high and new equity is raised or capital is returned to shareholders. Realisation of assets reduces the ongoing charges ratio. The cost items that contributed to the ongoing charges ratio are shown below.

The AIC methodology does not include performance fees or finance costs. However, the AIC recommends that the impact of performance fees on the ongoing charges ratio is noted, where performance fees are payable. The ratio including the performance fee was 1.45% (2020: 2.24%). The total return of 9.2% for the year is after deducting this performance fee and ongoing charges.

Table 12: Ongoing charges (year to 31 March, £m)

	2021	2020
Investment Manager's fee	**23.7**	25.8
Auditor's fee	**0.5**	0.4
Directors' fees and expenses	**0.5**	0.5
Other ongoing costs	**2.2**	2.4
Total ongoing charges	**26.9**	29.1
Ongoing charges ratio	**1.16%**	1.42%

Balance sheet

The NAV at 31 March 2021 was £2,390 million (2020: £2,269 million). The principal components of the NAV are the portfolio assets, cash holdings, the vendor loan notes from the sale of WIG, the fair value of derivative financial instruments and other net assets and liabilities. A summary balance sheet is shown in Table 13 below.

The accounting standards require cash or other net assets and liabilities held within intermediate holding companies to be presented as part of the fair value of the investments. The Directors consider that it is helpful for users of the accounts to be able to consider the valuation of the Company's portfolio assets and total aggregate cash and net assets/liabilities within the Company and its unconsolidated subsidiaries. The non-material adjustments required to provide this analysis are shown in Table 17.

At 31 March 2021, the Company's net assets after the deduction of the final dividend were £2,346 million (2020: £2,228 million).

Cash and other assets

Cash balances at 31 March 2021 totalled £463 million (2020: £418 million), including £1 million (2020: £5 million) of unrestricted cash balances held within intermediate unconsolidated holding companies.

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

The movement in Other net assets represents the repayment of half of the WIG vendor loan notes. The remaining amount is due to be received in December 2021.

Borrowings

The Company has a £300 million RCF in order to maintain a good level of liquidity for further investment whilst minimising returns dilution from holding excessive cash balances. This is a three-year facility, with a maturity date of April 2023. At 31 March 2021 the full £300 million facility was available.

NAV per share

The total NAV per share at 31 March 2021 was 268.1 pence (2020: 254.5 pence). This reduces to 263.2 pence (2020: 249.9 pence) after the payment of the final dividend of 4.9 pence (2020: 4.6 pence). There are no dilutive securities in issue.

Table 13: Summary balance sheet (at 31 March, £m)

	2021	2020
Portfolio assets	**1,802**	1,647
Cash balances	**463**	418
Derivative financial instruments	**37**	21
Other net assets (including vendor loan notes)	**88**	183
NAV	**2,390**	2,269

Dividend and dividend cover

The Board has proposed a dividend for the year of 9.8 pence per share, or £87 million in aggregate (2020: 9.2 pence; £82 million). This is in line with the Company's target announced in May last year.

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

Table 14 below shows the calculation of dividend coverage and dividend reserves. The dividend was fully covered for the year with no surplus (2020: surplus of £23 million). The retained amount available for distribution, following the payment of the final dividend, will be £868 million (2020: £876 million). This is a substantial surplus, which is available to support the Company's progressive dividend policy, particularly should dividends not be fully covered by income in a future year. A shortfall could arise, for example, due to holding substantial uninvested cash or through lower distributions being received from portfolio companies in order to preserve liquidity. Table 15 below shows that the Company has consistently maintained a good level of dividend cover over the last five years.

Table 14: Dividend cover (year to 31 March, £m)

	2021	2020
Total income, other income and non-income cash	**117**	139
Operating costs including management fees	**(30)**	(34)
Dividends paid and proposed	**(87)**	(82)
Dividend surplus for the year	**–**	23
Dividend reserves brought forward from prior year	**876**	678
Realised profits or losses over cost on disposed assets	**(1)**	192
Performance fees	**(7)**	(17)
Dividend reserves carried forward	**868**	876

Table 15: Dividend cover (five years to 31 March 2021, £m)

	Net income[1]	Dividend
Mar 2017	74	77
Mar 2018[2]	116	72
Mar 2019	165	70
Mar 2020	105	82
Mar 2021	87	87

1 Net income is Total income, other income and non-income cash less operating costs.
2 A return of capital to shareholders in 2018 reduced the FY18 final dividend payment.

Alternative Performance Measures ('APMs')

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies.

These APMs are used to present a clearer picture of how the Company has performed over the year and are all financial measures of historical performance. The APMs are consistent with those disclosed in prior years.

- Total return on opening NAV reflects the performance of the capital deployed by the Company during the year. This measure is not influenced by movements in share price or ordinary dividends to shareholders.
- The NAV per share is a common measure of the underlying asset base attributable to each ordinary share of the Company and is a useful comparator to the share price.
- Total income and non-income cash is used to assess dividend coverage based on distributions received from the investment portfolio.
- Investment value including commitments measures the total value of shareholders' capital deployed by the Company.
- Total portfolio return percentage reflects the performance of the portfolio assets during the year.

The definition and reconciliation to IFRS of the APMs is shown below.

APM	Purpose	Calculation	Reconciliation to IFRS
Total return on opening NAV	A measure of the overall financial performance of the Company. For further information see the KPI section.	It is calculated as the total return of £206 million, as shown in the Statement of comprehensive income, as a percentage of the opening NAV of £2,269 million net of the final dividend for the previous year of £41 million.	The calculation uses IFRS measures.
NAV per share	A measure of the NAV per share in the Company.	It is calculated as the NAV divided by the total number of shares in issue at the balance sheet date.	The calculation uses IFRS measures and is set out in Note 14 to the accounts.
Total income and non-income cash	A measure of the income and other cash receipts by the Company which support the payment of expenses and dividends.	It is calculated as the total income from the underlying portfolio and other assets plus non-income cash being the repayment of shareholder loans not resulting from the disposal of an underlying portfolio asset.	The reconciliation of Total income to IFRS is shown in Table 16. The proceeds from partial realisations of investments are shown in the Cash flow statement. The realisation proceeds which result from a partial sale of an underlying portfolio asset are not included within non-income cash.
Investment value including commitments	A measure of the size of the investment portfolio including the value of further contracted future investments committed by the Company.	It is calculated as the portfolio asset value plus the amount of the contracted commitment.	The calculation uses portfolio assets shown in the reconciliation in Table 17, together with the value of future commitments as set out in Note 16 to the accounts. Undrawn loan commitments to the India Fund are not included as these are not expected to be drawn.
Total portfolio return percentage	A measure of the financial performance of the portfolio.	It is calculated as the total portfolio return in the year of £232 million, as shown in Table 1, as a percentage of the sum of the opening value of the portfolio and investments in the year (excluding capitalised interest) of £1,689 million.	The calculation uses capital return (including exchange), movement in fair value of derivatives, underlying portfolio income, opening portfolio value and investment in the year. The reconciliation of all these items to IFRS is shown in Table 1.

In addition to the APMs, the Annual report and accounts shows portfolio information including cash and other net assets held within intermediate unconsolidated holding companies. Tables 16 and 17 show a reconciliation of this portfolio information to the information presented in the Financial statements. Table 18 shows the calculation of Total income and non-income cash.

Reconciliation to Financial statements

The tables below reconcile the analysis in this financial review, which reflects the aggregate returns, costs, assets and liabilities of the underlying portfolio assets and the Financial statements. The differences arise from transactions with unconsolidated subsidiaries, with the total return for, and NAV of, the Company being the same under either basis.

Table 16: Reconciliation of summary total return (year to 31 March 2021, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries	Financial statements
Capital return (including exchange)	111	7	118
Movement in fair value of derivatives	22	–	22
Net capital return	**133**	7	**140**
Total income	110	(7)[1]	103
Costs	(37)	–	(37)
Total return	**206**	–	**206**

1 Dividend income, received by unconsolidated subsidiaries from portfolio assets but paid up to the Company as repayment of loan principal and previously accrued interest. This is reflected in capital return as it has reduced the carrying value of these subsidiaries.

Table 17: Reconciliation of summary balance sheet (at 31 March 2021, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries[1]	Financial statements
Portfolio assets	1,802	2	1,804[2]
Cash balances	463	(1)[3]	462
Derivative financial instruments	37	–	37
Other net assets (including vendor loan notes)	88	(1)	87
NAV	**2,390**	**–**	**2,390**

1 'Investments at fair value through profit or loss' in the Financial statements includes £1 million of unrestricted cash balances held within intermediate unconsolidated holding companies. The adjustments reclassify these balances to show the underlying value of the total cash holdings as monitored by the Board.
2 Described as 'Investments at fair value through profit or loss' in the Financial statements.
3 Cash balances held in unconsolidated subsidiaries totalled £1 million.

Table 18: Total income and non-income cash (year to 31 March, £m)

	2021	2020
Total income	**110**	121
Non-income cash	**7**	18
Total	**117**	139

Risk report

"Effective risk management underpins the delivery of our strategy and objectives."

Wendy Dorman
Chair, Audit and Risk Committee

Introduction

At the start of the year, the Audit and Risk Committee (the 'Committee'), alongside the Investment Manager, conducted a robust assessment of the Company's emerging, key and principal risks in light of the Covid-19 pandemic. Market and economic risk was considered then to be the top risk facing the Company, and this remains the case at the date of this report. The Committee undertook a further review of the risk register during the year, with a particular focus on emerging risks.

The following sections explain how we identify and manage risks to the Company. They outline the key risks, our assessment of their potential impact on the Company and our portfolio in the context of the current environment and how we seek to mitigate them. It is important to note that under the current working from home conditions, which have been in place for the past year, the Company and our Investment Manager continued to maintain a strong control environment. Staff at 3i, together with your Board, successfully adapted to remote working, demonstrating positive engagement and the ability to use technology in effective ways.

Approach to risk governance

The Board is ultimately responsible for the risk management of the Company. It seeks to achieve an appropriate balance between mitigating risk and generating long-term sustainable risk-adjusted returns for shareholders. Integrity, objectivity and accountability are embedded in the Company's approach to risk management.

The Board exercises oversight of the risk framework, methodology and process through the Committee. The risk framework is designed to provide a structured and consistent process for identifying, assessing and responding to risks. The Committee ensures that there is a consistent approach to risk across the Company's strategy, business objectives, policies and procedures.

The Company is also reliant on the risk management frameworks of the Investment Manager and other key service providers, as well as on the risk management operations of each portfolio company.

The Board manages risks through reports from the Investment Manager and other service providers and through representation on portfolio companies' boards by the Investment Manager's team members.

Risk related reporting

Internal	External – Annual report
• Monthly management accounts • Internal and external audit reports • Service provider control reports • Risk logs • Compliance reports • Risk related reporting	• Risk appetite • Viability statement • Internal controls • Going concern • Statutory/accounting disclosures

Risk review process

The Company's risk review process includes the monitoring of key strategic and financial metrics considered to be indicators of potential changes in its risk profile. The review includes, but is not limited to, the following:

- infrastructure and broader market overviews;
- key macroeconomic indicators and their impact on the performance and valuation of portfolio companies;
- regular updates on the operational and financial performance of portfolio companies;
- experience of investment and divestment processes;
- compliance with regulatory obligations;
- analysis of new and emerging regulatory initiatives;
- liquidity management;
- assessment of climate risks to the portfolio, including physical, transition and litigation risks;
- consideration of scenarios that may impact the viability of the Company;
- assessment of emerging risks; and
- review of the Company's risk log.

The Committee uses the risk framework to identify emerging and key risks, and to evaluate changes in risks over time. Developments during the year in the more significant key risks or 'principal risks' are discussed later in this document. These are risks that have the potential to impact materially the delivery of our strategic objectives.

The Committee evaluates the probability of each identified risk materialising and the impact it may have, with reference to the Company's strategy and business model. The evaluation of these key risks is then shown on a risk matrix. Mitigation actions have been developed for each risk and the adequacy of the mitigation plans and controls is then assessed and, if necessary, additional actions are agreed and reviewed at a subsequent meeting.

The Committee considers the identified principal risks in greater detail in the assessment of the Company's viability. A number of scenarios have been developed to reflect plausible outcomes should the principal risks be experienced, as well as consideration of stressed scenarios that could result in the Company ceasing to be viable. The Company is an investment company, therefore the stressed scenarios reflect cash flow from investments being reduced, such that debt covenants are breached and liabilities not met. The Investment Manager models the impact of these scenarios on the Company and reports the results to the Committee. The modelling relates to the Company's investment portfolio, as the Company is an investment company and this is therefore most relevant to an assessment of viability. The resulting assessment of viability is included in this Risk report.

Risk appetite

The Committee reviewed the risk matrix and set out the Company's appetite for each of the key risks. As an investment company, the Company seeks to take investment risk. The appetite for investment risk is described previously in the Our markets section, and in the Investment policy towards the end of this document. Investments are made subject to the Investment Manager's Responsible Investment policy, which is an important element of our appetite for investment risk. The Company seeks to limit or manage exposure to other risks to acceptable levels.

The Company's strategy, including the appetite for investment risk, was updated in the year ending March 2015. This narrowed the Company's investment risk focus away from 'large core' infrastructure assets and onto mid-market economic infrastructure assets and greenfield projects. The financial returns, political risk and regulatory risk of 'large core' assets were considered not to fit the target risk-adjusted returns of the Company following a period of return compression for such assets.

This strategy has served the Company well and has helped us to meet or exceed the return objectives in every year since 2015.

The Company already invested in economic infrastructure assets such as Oystercatcher and Eversholt Rail so had an investment track record and strong understanding of the risk profile of such assets. We recognise that focusing on mid-market economic infrastructure assets will over time result in a greater level of economic risk in the portfolio with the potential for greater volatility in returns on an individual asset basis. The benefits of diversification across sectors, countries and types of underlying economic risk will mitigate this volatility, and the Company has sought to build such a diverse portfolio.

The Covid-19 pandemic provided a severe test of the appropriateness of the Company's risk appetite, and its attractiveness to investors. The portfolio overall has been resilient, and benefitted from diversification across the infrastructure subsectors. In October 2020, the Committee concluded that the risk appetite of the Company for economic infrastructure investments has not changed, and remains appropriate for our investment mandate and target returns.

Review during the year

In January 2021, the Committee reviewed the risk matrix and set out the Company's appetite for each of the key risks. The assessment of emerging risks is described in more detail below. The assessment of impact and likelihood of several of the key risks was updated.

We have a relatively diverse spread of assets in the portfolio and it is important that risk diversity is maintained as we evolve the portfolio through new investments and realisations. Future realisations may continue the evolution of risk in the portfolio in line with our strategy and allow the Company to manage its exposure to more sensitive assets, or to take account of where the risk profile of an asset has changed over time.

We are confident that the portfolio remains defensive and resilient, and in a position to benefit from asymmetric returns in rising or declining markets (taking more of the upside in a rising market, and benefitting from protection in a downside). We believe the current appetite for risk is appropriate.

Emerging risks

The Company is a long-term investor and therefore needs to consider the impact of both identified key risks, as detailed below, and risks that are considered emerging or longer-term. Emerging risks are newly developing or identified risks that cannot yet be fully assessed but that could in future affect the Company's strategy, performance and viability. This emerging risk category includes 'megatrends' such as demographic change, new ways of working and shopping, urbanisation, resource scarcity and technical disruptions.

Risk categorisation

The Committee uses the following categorisation to describe risks that are identified during the risk review process.

Emerging risks	Key risks	Principal risks
An **emerging risk** is one that may in future be likely to have a material impact on the performance of the Company and the achievement of our long-term objectives, but that is not yet considered to be a key risk.	A **key risk** is considered currently to pose the risk of a material impact on the Company. Risks may be identified as emerging risks and subsequently become key risks. Identified key risks may cease to be considered key over time.	The Committee maintains a risk matrix, onto which the key risks are mapped by impact and likelihood. The **principal risks** are identified on the risk matrix as those with the highest combination of impact and likelihood scores.

These powerful long-term trends will shape business, society and communities around the globe and could have a material impact on the performance and resilience of the portfolio.

The Board and the Investment Manager consider these factors when reviewing the performance of the portfolio and when evaluating new investments, seeking to identify which factors present a potential risk and can either be mitigated or converted into opportunities. As part of the ongoing risk identification and management of the Company, the Committee considers whether these emerging risks should be added to the Company's risk register. The risk register is a 'live' document that is reviewed and updated regularly by the Committee as new risks emerge and existing risks change. Examples of emerging risks that were considered during the year include the impact of changes in technology on our portfolio companies, a future pandemic, divergence between the UK and the EU regulation increasing friction over trade in goods and services, and escalating regulatory reporting requirements.

Key risks

A key risk is considered to pose the risk of a material effect on the Company. These are mapped by impact and likelihood on a risk matrix. During the year the Committee considered the development of a number of these key risks in detail, and considered the impact of Covid-19 and climate risk on all the key risks. Within the category of key risks, the principal risks identified by the Committee in the financial year are set out in the Principal risks and mitigation table below, alongside how the Company seeks to mitigate these risks.

Climate risk

There is an increased focus on sustainability and ESG amongst our shareholders and in the wider market. Although there is still much uncertainty around the extent and timing of the impact of climate change, government and societal action, and future regulations, we recognise that climate-related risk is a key risk as well as an investment theme for the Company.

Whilst the outcomes from climate change remain uncertain, we have increased our focus on analysing these risks and how to mitigate them. The elements of climate-related risk include greater frequency and severity of weather conditions possibly leading to rising sea levels, flooding, storms and other environmental impacts. Our assessment includes possible changes to market dynamics especially in sectors such as oil and gas, the risk of climate-related litigation, consumer behavioural changes and the resilience and flexibility of our portfolio companies' business models.

We have increased our disclosures and reporting on climate risk and our Investment Manager has evolved its proprietary ESG tool to allow us to assess this and other risks in more detail across the portfolio. The Task Force on Climate-Related Financial Disclosures ('TCFD') established by the Financial Stability Board provides a framework and a set of standards to report against. Our progress in TCFD reporting is described in our Annual report and accounts 2021, available on our website.

All of the companies in our portfolio recognise the importance of considering climate change and of evolving a sustainable business model. As discussed in the Sustainability report of the Annual report and accounts 2021, the physical and transition climate-related risks are also seen as opportunities for all companies in our portfolio. Further work was undertaken at portfolio company level to assess climate-related risk during the year, and we expect this to continue to evolve and become more sophisticated over time.

There are no acute physical nor transition risks identified in the portfolio that would suggest that climate-related risk is a principal risk, although an example of the impact of a transition risk is the introduction of a tax on imported waste or a CO_2 tax in the Netherlands, which impacts Attero, and the risk of early decommissioning of oil and gas assets which impacts some customers of Tampnet and ESVAGT.

Covid-19

The Covid-19 pandemic was a major test of the business models of all companies. The resilient response of our portfolio companies was consistent with our strategy and with the characteristics that we look for in infrastructure investments. During the year, the Committee received regular reports from the Investment Manager on the operational and financial performance of all portfolio companies. We have seen that not all industries or companies have been affected to the same degree, but all portfolio companies have been affected to some extent, either directly or indirectly, for example through the reduction in air traffic, volatility in oil and power prices, or changes in customer demand. Operationally, the portfolio was highly resilient. More detail can be found in the Investment Manager's review and elsewhere in this Risk report.

The Committee reviewed the impact of Covid-19 on all key risks. The experience of the past year has helped us understand the current and potential effects on our portfolio. While the risks identified are considered to remain the material ones, the ultimate impact on the Company and our portfolio will only be fully understood over time.

The risk exposure from market/economic risk remains elevated. This remains the top risk facing the Company. While government bond yields and bank base rates remain low, there may be an impact on the appetite of lenders to provide acquisition finance or to refinance existing debt facilities.

The continued increase in working from home may lead to an increase in cyber security incidents, such as 'phishing' attempts. The Investment Manager and portfolio companies are aware of this risk, and have taken steps to mitigate it.

The Committee and the Investment Manager continue to monitor and follow closely the pace of the roll-out of vaccinations and the information released from governments, regulatory bodies and health organisations in the countries in which the Company invests.

Principal risks and mitigations

External

Principal risk	Risk description	Risk mitigation
Market/economic **Risk exposure movement in the year** Increased **Link to Strategic priorities** Manage portfolio intensively	• Macroeconomic or market volatility, such as the impact of Covid-19, flows through to pricing, valuations and portfolio performance • Fiscal tightening impacts market environment • Risk of sovereign default lowers market sentiment and increases volatility • Misjudgement of inflation and/or interest rate outlook	• Resources and experience of the Investment Manager on deal-making, asset management and hedging solutions to market volatility • Periodic legal and regulatory updates on the Company's markets and in-depth market and sector research from the Investment Manager and other advisers • Portfolio diversification to mitigate the impact of a downturn in any geography or sector • The permanent capital nature of an investment trust allows us to look through market volatility and the economic cycle
Competition **Risk exposure movement in the year** Increased **Link to Strategic priorities** Disciplined approach	• Increased competition for the acquisition of assets in the Company's strategic focus areas • Deal processes become more competitive and prices increase • New entrants compete with a lower cost of capital	• Continual review of market data and review of Company return target compared to market returns • Origination experience and disciplined approach of Investment Manager • Strong track record and strength of 3i Infrastructure brand
Debt markets deteriorate **Risk exposure movement in the year** No significant change **Link to Strategic priorities** Manage portfolio intensively	• Debt becomes increasingly expensive, eroding returns • Debt availability is restricted • The Company's RCF or portfolio company debt cannot be refinanced due to lack of appetite from banks	• The Investment Manager maintains close relationships with a number of banks and monitors the market through transactions and advice • Regular reporting of Company liquidity and portfolio company refinancing requirements • Investment Manager has an in-house Treasury team to provide advice on treasury issues

Operational

Principal risk	Risk description	Risk mitigation
Loss of senior Investment Manager staff **Risk exposure movement in the year** No significant change **Link to Strategic priorities** Invest responsibly Sustainability key driver	• Members of the deal team at the Investment Manager leave and 'deal-doing' and portfolio management capability in the short to medium term is restricted	• Benchmarked compensation packages and deferred remuneration • Notice periods within employment contracts • Size of the senior team and strength of the 3i Group brand

Strategic

Principal risk	Risk description	Risk mitigation
Unbalanced portfolio **Risk exposure movement in the year** No significant change **Link to Strategic priorities** Disciplined approach	• Invested to minimise concentration risks (eg by geography, sector, demand driver, regulator) and fulfil investment policy • Difficulty in maintaining geographical diversity, or sale of large assets, may lead to an unbalanced portfolio • Misjudgement of risk when entering new sectors, industries or geographies	• Investment process explicitly addresses questions of geographical and sector balance in the portfolio • Portfolio concentration measures are reviewed periodically by the Board • The Investment Manager is selective when making new investment commitments • Portfolio diversity has remained stable over the year
Deliverability of return target **Risk exposure movement in the year** No significant change **Link to Strategic priorities** Invest responsibly Sustainability key driver	• Failure to ensure the investment strategy can deliver the return target and dividend policy of the Company • Failure to adapt the strategy of the Company to changing market conditions	• Market returns are reviewed regularly • The Investment Manager and other advisers to the Company report on market positioning • Investment process addresses expected return on new investments and the impact on the portfolio • Covid-19 pandemic effects were considered in the March 2021 valuation of the portfolio

Investment

Principal risk	Risk description	Risk mitigation
Inappropriate rate of investment **Risk exposure movement in the year** Increased **Link to Strategic priorities** Invest responsibly Sustainability key driver	• Failure to achieve new investment impacts shareholder perception, returns and growth prospects • Excess ‘vintage risk’ magnifies the impact of poor performance from a vintage of investments • Poor management of investment pipeline	• Good flow of new investment opportunities, although the rate of new investment in FY21 was relatively low • Portfolio concentration measures, including vintage diversification, are reviewed periodically by the Board • The Investment Manager undertakes a concentration review for each new investment • Balance sheet and liquidity monitored regularly by the Board
Security of assets **Risk exposure movement in the year** Increased **Link to Strategic priorities** Invest responsibly Sustainability key driver	• An incident, such as a cyber or terrorist attack • Unauthorised access of information and operating systems • Regulatory and legal risks from failure to comply with cyber related laws and regulations, including data protection	• Regular review of the Company and key service providers • Regular review and update of cyber due diligence for potential investments • Review of portfolio companies for cyber risk management and incident readiness

Review of significant key risks

The disclosures in the Risk report are not an exhaustive list of risks and uncertainties faced by the Company, but rather a summary of significant key risks which are under active review by the Board. These significant key risks have the potential to affect materially the achievement of the Company's strategic objectives and impact its financial performance. This disclosure shows developments in these significant key risks for the year. The risks that have been identified as principal risks are described in more detail in the Principal risks and mitigations table.

External risks – market and competition

The markets in which the Company seeks to invest, and in particular the European economic infrastructure market, are more competitive than ever, with strong demand for new investments. Competition continued to increase as the infrastructure sector has demonstrated its resilience during the pandemic. In this challenging environment, the Investment Manager continues to leverage its network and skills to look for investments that can deliver attractive and sustainable risk-adjusted returns to the Company's shareholders.

The agreement on future EU-UK relations that concluded in December 2020 said little relating directly to financial services. The regulatory environment in which the Company operates may change, but it is not yet clear how. The majority of the Company's investments are in domestic businesses with limited cross-border trading. In the case of Attero, which imports waste from the UK, we identified a risk of short-term logistics disruption but we now consider the potential impact of this risk to be low and Attero has a significant buffer stock of untreated waste which mitigates this risk.

Inflation remains low across Europe and the UK but the longer-term impact of the Covid-19 pandemic increases the risk that we will move to a period of inflation above our long-term assumption. Higher inflation would generally be positive for the Company, particularly for assets which have revenues at least partially linked to inflation, although higher inflation may also result in increased costs.

Short-term interest rates and future interest rate expectations in the UK and Europe have remained close to historically low levels during the year. The Company has taken advantage of this favourable environment through continued debt refinancing activity in the portfolio, most recently in the case of Infinis, and the majority of the portfolio has been refinanced in recent years with medium to long-term facilities, which mitigates this risk. Ongoing access to debt markets is important to assets in the portfolio, particularly as existing debt matures. Changes in the terms and availability of debt finance, including from underlying performance of portfolio assets, could impact valuations.

The Company is exposed to movements in sterling exchange rates against a number of currencies, most significantly the euro. In the first half of the year sterling depreciated against the euro, primarily driven by continued uncertainty concerning the terms of the UK's departure from the EU and the Covid-19 pandemic, which resulted in foreign exchange gains in the portfolio. In the second half of the year these gains reversed and sterling has appreciated to levels above those at the beginning of the year. The Company operates a hedging programme which substantially offsets this volatility. The Board monitors the effectiveness of the Company's hedging policy on a regular basis.

The exposure to the Indian rupee remains unhedged but following the sale of Krishnapatnam Port the remaining exposure is immaterial.

Gas and carbon prices increased in the second half of the financial year following positive news around Covid-19 vaccines, tighter capacity margins and higher commodity prices. This benefitted our portfolio companies that generate electricity: Infinis, Valorem and Attero. The valuation of those businesses are affected by the evolution of long-term power price forecasts and by fluctuations in the spot power price. Volatility in prices is expected to continue as thermal and nuclear plants are retired, there is a growth in intermittent renewables and increasing demand due to the electrification of transport and heating.

The oil price was volatile in the year but appears to have stabilised for now. Low oil prices delayed some expected growth for Tampnet and reduced demand for ESVAGT vessels operating in the oil and gas sector. For Oystercatcher, the drop in oil prices caused a contango market structure which led to storage rate improvements and customers keen to renew contracts earlier. However, this benefit was partially offset by reduced throughput and ancillary revenues driven by the decline in end-user demand.

Air traffic movements and passenger numbers remain substantially below prior year levels, and the timing and extent of future recovery is uncertain. During the year we saw a recovery in air travel during the summer following the easing of restrictions, but the renewed imposition of restrictions during the final quarter saw another decline in activity. This affects TCR, as discussed in the Investment Manager's review and the Financial review. We have reflected current market conditions and expectations in our projections for TCR. We expect that the roll-out of vaccines should allow for a partial recovery during the summer, particularly for short-haul travel to which TCR is predominantly exposed, and supports our assumption of a longer-term return to pre-pandemic levels of air travel by 2024.

Ionisos is a provider of cold sterilisation and ionising radiation treatment services to the medical, pharmaceutical, plastics and cosmetics industries. Gamma radiation, one of the three methods of cold sterilisation used, relies on the radioactive decay of Cobalt-60, a scarce resource. Ionisos has secured its Cobalt-60 requirement for the next two years. All methods of sterilisation require stringent operating procedures and safety standards. Breaches of these can result in the closure of facilities, fines and reputational damage if not dealt with in an appropriate manner. During the year Ionisos shut down operations in its Italian subsidiary due to safety concerns. This is discussed in more detail in the Review from the Managing Partner section earlier in this document.

External risks – regulatory and tax

The Company's investment in Infinis is exposed to electricity market regulation risk around the future of network access charging arrangements and the level of post-Brexit carbon price support. It is possible that this could affect the valuation of Infinis, and we are closely monitoring the position. The direction of network access charging reform is for more location-based charging which in principle should benefit generators such as Infinis with sites predominantly in demand-dominated areas. Carbon taxes are an important driver of UK power prices and there are two main schemes: the UK ETS (a levy on large users which replaced the EU ETS following the end of the Brexit transition) and the UK Carbon Price Support (a tax on coal and gas generators). The future of both schemes and their interaction (if any) with the EU ETS is uncertain.

The unprecedented fiscal stimulus that we have seen over the past year has increased sovereign debt levels and a probable consequence of this will be higher taxes to balance the deficit. The announced increase in the UK corporation tax rate from April 2023 is reflected in the valuation of Infinis, our only investment in the UK.

Strategic risks

The Company manages its balance sheet and liquidity position actively, seeking to maintain adequate liquidity to pursue new investment opportunities, while not diluting shareholder returns by holding surplus cash balances. At 31 March 2021 there was £463 million available in cash and a further £300 million from the Company's undrawn RCF available for future investment. The RCF includes an additional £200 million accordion feature which the Company could seek to exercise if required. Current investment commitments will deploy c.£166 million of this cash balance, improving balance sheet efficiency.

The portfolio is diversified across sector and geography with no investment above 15% of portfolio value.

Operational risks

The key areas of operational risk include attracting and retaining key personnel at the Investment Manager, and whether the Investment Manager's team can continue to support the delivery of the Company's objectives. The team has strength and depth and remained stable in the year. The Board monitors the performance of the Investment Manager through the Management Engagement Committee. It also monitors the performance of key service providers, receiving reports of any significant control breaches.

Portfolio companies continue to experience fraud attempts, some of which are successful, but none of which has had a material impact on any of our companies. In the year, we followed up with our portfolio companies on actions identified in a review of cyber controls by an independent IT security provider. No significant weaknesses in cyber security were identified and the majority of more minor issues have been addressed. We remain vigilant and continue to focus on effective operations of controls against possible cyber-attack, particularly as working practices have adapted in response to Covid-19.

Viability statement

The Directors consider the long-term prospects of the Company to be favourable. The Company has a diverse portfolio of infrastructure investments, producing good and reasonably predictable levels of income which cover the dividend and costs. The defensive nature of the portfolio and of the essential services that the businesses in which we invest provide to their customers are being demonstrated in the current climate. The Investment Manager has a strong track record of investing in carefully selected businesses and projects and of driving value through an engaged asset management approach. The Directors consider that this portfolio can continue to meet the Company's objectives.

The Directors have assessed the viability of the Company over a three-year period to March 2024. The Directors have taken account of the current position of the Company, including its strong liquidity position with £463 million of cash and £300 million of undrawn credit facilities, its commitment of c.£166 million to further investment described in the Going concern section below, and the principal risks it faces which are documented in this Risk report.

The Directors have considered the potential impact on the Company of a number of scenarios in addition to the Company's business plan and recent forecasts, which quantify the financial impact of the principal risks occurring. These scenarios represent severe yet plausible circumstances that the Company could experience, including a significant impairment in the value of the portfolio and a reduction in the cash flows available from portfolio companies from a variety of causes.

The assessment was conducted over several months, during which the proposed scenarios were evaluated by the Board, the assumptions set, and the analysis produced and reviewed. Analysis included the impact of additional and prolonged restrictions on movement due to Covid-19 on the customer base of our portfolio companies and the impact of a resulting economic downturn. Despite improved visibility in our cash flows, this is an area where greater uncertainty remains. Other considerations included the possible impact of climate-related events and transition risks, widespread economic turmoil, a reduction in cash distributions from portfolio companies to the Company, a tightening of debt markets and the failure of a large investment.

The assumptions used to model these scenarios included a fall in value of some or all of the portfolio companies, a reduction in cash flows from portfolio companies, a reduction in the level of new investment, the imposition of additional taxes on distributions from or transactions in the portfolio companies, an increase in the cost of debt and restriction in debt availability, and an inability for the Company to raise equity. The implications of changes in the inflation, interest rate and foreign exchange environment were also considered, separately and in combination.

The results of this stress testing showed that the Company would be able to withstand the impact of these scenarios occurring over the three-year period. The Directors also considered scenarios that would represent a serious threat to its liquidity and viability in that time period. These scenarios were considered to be remote, such as a fall in equity value of the portfolio of materially more than 50% whilst being fully drawn on the RCF including the accordion, or an equivalent fall in income. Whilst the eventual impact of Covid-19 on the portfolio is uncertain, and may not be known for some time, the Company is in a strong liquidity position and our portfolio companies are proving to be resilient.

The Directors consider that a three-year period to March 2024 is an appropriate period to review for assessing the Company's viability. This reflects greater predictability of the Company's cash flows over that time period and increased uncertainty surrounding economic, political and regulatory changes over the longer term.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to March 2024.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and in the Financial statements and related Notes to our Annual report and accounts to 31 March 2021. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial statements and related Notes to the accounts. In addition, Note 9 to the accounts includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Directors have made an assessment of going concern, taking into account the Company's cash and liquidity position, current performance and outlook, which considered the impact of the Covid-19 pandemic, using the information available up to the date of issue of these financial statements. The assessment modelled a number of adverse scenarios to assess the potential impact that Covid-19 may have on the Company's operations and portfolio companies, in addition to the scenarios mentioned in the Viability statement above. The assessment reviewed the Company's supplier base, considering any single points of failure and the possibility of suppliers experiencing financial stress. The assessment included the consideration of contingency plans for the key suppliers including the Investment Manager, the Registrar, the Jersey administrator and the brokers.

The Company has liquid financial resources and a strong investment portfolio providing a predictable income yield and an expectation of medium-term capital growth. The Company manages and monitors liquidity regularly, ensuring that it is sufficient.

At 31 March 2021, liquidity remained strong at £763 million (2020: £718 million). Liquidity comprised cash and deposits of £463 million (2020: £418 million) and undrawn facilities of £300 million (2020: £300 million). In addition, the Company is due to receive the second tranche of the deferred consideration from the realisation of WIG of £98 million in December 2021.

The Company had investment commitments of £11 million to new or existing investments at 31 March 2021, with a further investment commitment of c.£155 million for DNS:NET made on 1 April 2021. As in previous periods, the Company does not expect the $37.5 million commitment to the India Fund to be drawn. The Company had ongoing charges of £26.9 million in the year to 31 March 2021, detailed in Table 12 in the Financial review, which are indicative of the ongoing run rate in the short term. In addition, the FY21 performance fee of £7 million (2020: £17 million) is due in three equal instalments with the first instalment payable in the next 12 months along with the second instalment of FY20's performance fee, and a proposed final dividend for FY21 of £44 million which is expected to be paid in July.

Although not a commitment, the Company has announced a dividend target for FY22 of 10.45 pence per share. Whilst a significant amount of income is expected to be received from the portfolio investments during the coming year, the Company has sufficient liquidity to meet its financial commitments even if no income were received and has sufficient resources to make equity investments in existing portfolio companies where required.

The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2021. After making the assessment on going concern, the Directors considered it appropriate to prepare the Financial statements of the Company on a going concern basis, having considered the impact of Covid-19 on its operations and on its portfolio.

The Company has sufficient financial resources and liquidity and is well-positioned to manage business risks in the current economic environment and can continue operations for a period of at least 12 months from the date of this report. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual report and accounts.

Directors' duties

Section 172 Statement

The Directors are obliged to act honestly and in good faith with a view to the best interests of the Company; and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Directors fulfil their duties through the Company's governance framework and through their delegation of discretionary investment management authority to the Investment Manager, other than in respect of transactions which exceed certain financial thresholds and matters reserved to the Board.

The Company adheres to the AIC Code of Corporate Governance 2019 (the 'AIC Code') and it is the intention of the AIC Code that the matters set out in section 172 Companies Act 2006 ('s172') are reported on to the extent they do not conflict with Jersey law. The Directors exercise their duties by understanding the views of the Company's key stakeholders and considering all of the matters set out in s172 in both their discussions and in decision making.

The Board acknowledges that not every decision made will necessarily result in a positive outcome for every stakeholder group. By considering the Company's purpose together with its strategic priorities and having a clear process in place for decision making, we can factor into Board discussion the potential impact of our decisions on each stakeholder group and consider their needs and concerns in accordance with s172.

Under s172 a director of a company must act in a way he considers in good faith would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to:

The likely consequences of any decision in the long term
Our purpose and strategy combined with the responsible investment approach of the Investment Manager focuses on long-term sustainable returns and outcomes.

The interests of the Company's employees
Whilst we do not have any employees, we have a vested interest in the employees of portfolio companies and of the Investment Manager.

The need to foster the Company's business relationships with suppliers, customers and others
We engage with all our stakeholders either directly or through the Investment Manager.

The impact of the Company's operations on the community and the environment
We use our influence to promote a commitment in our portfolio companies to mitigate any adverse environmental and social impacts, and to enhance positive effects on their communities and the environment.

The desirability of maintaining a reputation for high standards of business conduct
Our success relies on maintaining a strong reputation and our values and ethics are aligned to our purpose and our ways of working.

The need to act fairly towards all members of the Company
The Board actively engages with its shareholders and balances their interests when implementing our strategy.

Read more in our Annual report and accounts 2021, available on our website

Statement of comprehensive income

For the year to 31 March

	Notes	**Year to 31 March 2021 £m**	Year to 31 March 2020 £m
Net gains on investments	7	**118**	128
Investment income	7	**92**	123
Fees payable on investment activities		**(1)**	(1)
Interest receivable		**11**	4
Investment return		**220**	254
Movement in the fair value of derivative financial instruments	5	**22**	21
Management and performance fees payable	2	**(31)**	(45)
Operating expenses	3	**(3)**	(3)
Finance costs	4	**(2)**	(3)
Profit before tax		**206**	224
Income taxes	6	**–**	–
Profit after tax and profit for the year		**206**	224
Total comprehensive income for the year		**206**	224
Earnings per share			
Basic and diluted (pence)	14	**23.1**	26.4

Statement of changes in equity

For the year to 31 March

For the year to 31 March 2021	Notes	**Stated capital account £m**	**Retained reserves[1] £m**	**Capital reserve[1] £m**	**Revenue reserve[1] £m**	**Total shareholders' equity £m**
Opening balance at 1 April 2020		**779**	**1,282**	**196**	**12**	**2,269**
Total comprehensive income for the year		–	–	**134**	**72**	**206**
Dividends paid to shareholders of the Company during the year	15	–	–	–	**(85)**	**(85)**
Closing balance at 31 March 2021		**779**	**1,282**	**330**	**(1)**	**2,390**

For the year to 31 March 2020	Notes	Stated capital account £m	Retained reserves[1] £m	Capital reserve[1] £m	Revenue reserve[1] £m	Total shareholders' equity £m
Opening balance at 1 April 2019		560	1,282	64	(4)	1,902
Issue of shares[2]		219	–	–	–	219
Total comprehensive income for the year		–	–	132	92	224
Dividends paid to shareholders of the Company during the year	15	–	–	–	(76)	(76)
Closing balance at 31 March 2020		779	1,282	196	12	2,269

1 The Retained reserves, Capital reserve and Revenue reserve are distributable reserves. Retained reserves relate to the period prior to 15 October 2018. Further information can be found in Accounting policy H.

2 Net of issue costs of £4 million.

Balance sheet

As at 31 March

	Notes	**2021 £m**	2020 £m
Assets			
Non-current assets			
Investments at fair value through profit or loss	7	**1,804**	1,652
Trade and other receivables	8	**–**	99
Derivative financial instruments	10	**18**	7
Total non-current assets		**1,822**	1,758
Current assets			
Derivative financial instruments	10	**25**	26
Trade and other receivables	8	**106**	101
Cash and cash equivalents		**462**	413
Total current assets		**593**	540
Total assets		**2,415**	2,298
Liabilities			
Non-current liabilities			
Derivative financial instruments	10	**(2)**	(4)
Trade and other payables	12	**(10)**	(11)
Total non-current liabilities		**(12)**	(15)
Current liabilities			
Derivative financial instruments	10	**(4)**	(8)
Trade and other payables	12	**(9)**	(6)
Total current liabilities		**(13)**	(14)
Total liabilities		**(25)**	(29)
Net assets		**2,390**	2,269
Equity			
Stated capital account	13	**779**	779
Retained reserves		**1,282**	1,282
Capital reserve		**330**	196
Revenue reserve		**(1)**	12
Total equity		**2,390**	2,269
Net asset value per share			
Basic and diluted (pence)	14	**268.1**	254.5

The Financial statements and related Notes were approved and authorised for issue by the Board of Directors on 10 May 2021 and signed on its behalf by:

Richard Laing
Chair

Cash flow statement

For the year to 31 March

	Year to 31 March 2021 £m	Year to 31 March 2020 £m
Cash flow from operating activities		
Purchase of investments	**(43)**	(389)
Proceeds from other financial assets	**104**	–
Proceeds from partial realisations of investments	**14**	24
Proceeds from full realisations of investments	**30**	376
Investment income[1]	**51**	83
Fees paid on investment activities	**–**	(1)
Operating expenses paid	**(3)**	(3)
Interest received	**1**	1
Management and performance fees paid	**(29)**	(60)
Amounts received/(paid) on the settlement of derivative contracts	**6**	(16)
Payments for transfer of investments from unconsolidated subsidiaries[2]	**–**	(18)
Distributions from transfer of investments from unconsolidated subsidiaries[2]	**5**	17
Temporary loan to unconsolidated subsidiaries	**–**	2
Net cash flow from operating activities	**136**	16
Cash flow from financing activities		
Proceeds from issue of share capital	**–**	223
Transaction costs for issue of share capital	**–**	(4)
Fees and interest paid on financing activities	**(2)**	(3)
Dividends paid	**(85)**	(76)
Drawdown of revolving credit facility	**–**	192
Repayment of revolving credit facility	**–**	(192)
Net cash flow from financing activities	**(87)**	140
Change in cash and cash equivalents	**49**	156
Cash and cash equivalents at the beginning of the year	**413**	257
Effect of exchange rate movement	**–**	–
Cash and cash equivalents at the end of the year	**462**	413

1 Investment income includes dividends of £6 million (2020: £32 million), interest of £43 million (2020: £44 million) and distributions of £2 million (2020: £7 million) received from unconsolidated subsidiaries.

2 Following the change of tax residence of the Company from Jersey to the UK, several of the investments held in unconsolidated subsidiaries domiciled outside the UK have been transferred to be held directly by the Company.

Reconciliation of net cash flow to movement in net cash

For the year to 31 March

	Notes	Year to 31 March 2021 £m	Year to 31 March 2020 £m
Change in cash and cash equivalents		**49**	156
Drawdown of revolving credit facility	11	**–**	192
Repayment of revolving credit facility	11	**–**	(192)
Change in net cash resulting from cash flows		**49**	156
Movement in net cash		**49**	156
Net cash at the beginning of the year		**413**	257
Effect of exchange rate movement		**–**	–
Net cash at the end of the year		**462**	413

In the above reconciliation there were no non-cash movements.

Significant accounting policies

Corporate information

3i Infrastructure plc (the 'Company') is a company incorporated in Jersey, Channel Islands. The Financial statements for the year to 31 March 2021 comprise the Financial statements of the Company as defined in IFRS 10 Consolidated Financial Statements.

The preliminary results for the year ended 31 March 2021 have been extracted from audited accounts which have not yet been delivered to the Jersey Financial Services Commission. The Financial statements set out in this announcement do not constitute statutory accounts for the year ended 31 March 2021 or 31 March 2020. The financial information for the year ended 31 March 2020 is derived from the statutory accounts from that year. The report of the auditors on the statutory accounts for the year ended 31 March 2021 and the year ended 31 March 2020 were unqualified.

The Financial statements included in this announcement were authorised for issue by the Board of Directors on 10 May 2021.

Statement of compliance

These Financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued as adopted for use in the European Union ('IFRS').

These Financial statements have also been prepared in accordance with and in compliance with the Companies (Jersey) Law 1991.

Basis of preparation

In accordance with IFRS 10 (as amended), entities that meet the definition of an investment entity are required to fair value certain subsidiaries through profit or loss in accordance with IFRS 9 Financial Instruments, rather than consolidate their results. However, those subsidiaries that are not themselves investment entities and provide investment-related services to the Company are consolidated.

The Company previously had one consolidated subsidiary, 3i Infrastructure Seed Assets GP Limited, which was dissolved on 17 March 2020. The Company no longer has any consolidated subsidiaries. There are no consolidation adjustments in relation to transactions between the Company and subsidiaries held at fair value.

The Financial statements of the Company are presented in sterling, the functional currency of the Company, rounded to the nearest million except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the Board to make judgements, 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 determining the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Going concern

The Financial statements are prepared on a going concern basis as disclosed in the Risk report, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. The Directors have made an assessment of going concern, taking into account a wide range of information relating to present and future conditions, including the Company's cash and liquidity position, current performance and outlook, which has considered the impact of the ongoing Covid-19 pandemic, and current and expected financial commitments using information available to the date of issue of these financial statements. As part of this assessment the Directors considered:

- the analysis of the adequacy of the Company's liquidity, solvency and capital position. The Company manages and monitors liquidity regularly ensuring it is adequate and sufficient. At 31 March 2021, liquidity remained strong at £763 million (2020: £718 million). Liquidity comprised cash and deposits of £463 million (2020: £418 million) and undrawn facilities of £300 million (2020: £300 million) with a maturity date of April 2023. In addition, the Company is due to receive £98 million in December 2021 from the second tranche of deferred consideration from the sale of WIG;
- uncertainty around the valuation of the Company's assets as set out in the Key estimation uncertainties section. The valuation policy and process was consistent with prior years. All of our portfolio companies have been impacted by the increased market volatility and uncertainty brought on by Covid-19 but to differing degrees. This year a key focus of the portfolio valuations at 31 March 2021 was an assessment of the operational and financial performance of each portfolio company during the economic downturn, and the expected shape of the economic recovery and the impact this would have on each company. We were prudent in our approach to taking dividends in order to preserve liquidity in portfolio companies during the Covid-19 pandemic and we have incorporated into our cash flow forecasts a balanced view of future income receipts;

- the Company's financial commitments. The Company had one investment commitment at 31 March 2021 totalling £11 million. As in previous periods, we do not expect the $37.5 million commitment to the India fund to be drawn. The Company had ongoing charges of £27 million in the year to 31 March 2021, detailed in Table 12 in the Financial review, which are indicative of the ongoing run rate in the short term, a FY21 performance fee accrual of £7 million, a third of which is payable within the next 12 months, a FY20 performance fee accrual of £11 million relating to the second and third instalments of last year's fee, half of which is payable within the next 12 months and a proposed final dividend for FY21 of £44 million. In addition, while not a commitment at 31 March 2021, the Company has a dividend target for FY22 of 10.45 pence per share and has agreed to invest c.€182 million in DNS:NET, a German telecommunications provider. Whilst a significant amount of income is expected to be received from the investment portfolio during the coming year, the Company has sufficient liquidity to meet its financial commitments even if no income were received and has sufficient resources to make equity investments in existing portfolio companies where required.

Having performed the assessment of going concern, the Directors considered it appropriate to prepare the Financial statements of the Company on a going concern basis. The Company has sufficient financial resources and liquidity and is well placed to manage business risks in the current economic environment and can continue operations for a period of at least 12 months from the date of these financial statements.

Key judgements

The preparation of financial statements in accordance with IFRS requires the Directors to exercise judgement in the process of applying the accounting policies defined below. The following policies are areas where a higher degree of judgement has been applied in the preparation of the Financial statements.

(i) Assessment as investment entity – Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them unless they provided investment-related services to the Company. To determine that the Company continues to meet the definition of an investment entity, the Company is required to satisfy the following three criteria:

(a) the Company obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

(b) the Company commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

(c) the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company meets the criteria as follows:

- the stated strategy of the Company is to deliver stable returns to shareholders through a mix of income yield and capital appreciation;
- the Company provides investment management services and has several investors who pool their funds to gain access to infrastructure related investment opportunities that they might not have had access to individually; and
- the Company has elected to measure and evaluate the performance of all of its investments on a fair value basis. The fair value method is used to represent the Company's performance in its communication to the market, including investor presentations. In addition, the Company reports fair value information internally to Directors, who use fair value as the primary measurement attribute to evaluate performance.

The Directors are of the opinion that the Company has all the typical characteristics of an investment entity and continues to meet the definition in the standard. This conclusion will be reassessed on an annual basis.

(ii) Assessment of investments as structured entities – A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Additional disclosures are required by IFRS 12 for interests in structured entities, whether they are consolidated or not. The Directors have assessed whether the entities in which the Company invests should be classified as structured entities and have concluded that none of the entities should be classified as structured entities as voting rights are the dominant factor in deciding who controls these entities.

(iii) Assessment of consolidation requirements – The Company holds significant stakes in the majority of its investee companies and must exercise judgement in the level of control of the underlying investee company that is obtained in order to assess whether the Company should be classified as a subsidiary.

The Company must also exercise judgement in whether a subsidiary provides investment-related services or activities and therefore should be consolidated or held at fair value through profit or loss. Further details are shown in significant accounting policy 'A Classification' below.

During the year, the Company set up seven wholly owned subsidiary entities for potential new investments, including DNS:NET, and invested in a joint venture entity to acquire further stakes in the A9 and A27/A1 PPP projects. The Directors have assessed whether any of these entities provide investment-related services and have concluded that they should not be consolidated and that they should all be held at fair value through profit or loss.

The adoption of certain accounting policies by the Company also requires the use of certain critical accounting estimates in determining the information to be disclosed in the Financial statements.

Key estimation uncertainties

Valuation of the investment portfolio

The key area where estimates are significant to the Financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is in the valuation of the investment portfolio. The portfolio is well-diversified by sector, geography and underlying risk exposures. The key risks to the portfolio are discussed in further detail in the Risk report.

The majority of assets in the investment portfolio are valued on a discounted cash flow basis which requires assumptions to be made regarding future cash flows, terminal value and the discount rate to be applied to these cash flows. Uncertainty around the duration and the long-term effect of the Covid-19 pandemic and the pace and extent of the recovery has resulted in increased estimation uncertainty in respect of the future cash flows of the portfolio companies. However, the Directors have better visibility over the cash flows compared with the previous year and continue to receive regular updates on their operational and financial performance and therefore the relative level of estimation uncertainty is lower than the prior year.

The methodology for deriving the fair value of the investment portfolio, including the key estimates, is set out in the Portfolio valuation methodology section. Refer to Note 7 for further details of the valuation techniques, significant inputs to those techniques and sensitivity of the fair value of these investments to the assumptions that have been made.

The discount rate applied to the cash flows in each investment portfolio company is a key source of estimation uncertainty. The acquisition discount rate is adjusted to reflect changes in company-specific risks to the deliverability of future cash flows and is calibrated against secondary market information and other available data points, including comparable transactions. The discount rates applied to the investment portfolio at 31 March 2021 range from 7% to 12% (2020: 7.5% to 12.5%) and the weighted average discount rate applied to the investment portfolio is 10.8% (2020: 11.3%). At March 2020, we applied a higher discount rate than we would have applied without Covid-19 to almost all portfolio company valuations; the highest increase applied was 1%. Given the lower uncertainty and increased visibility of cash flows now, these discount rate premia applied at March last year have been fully or partially removed in this latest valuation. The highest discount rate premium for Covid-19 included in the valuations at March 2021 is 0.5%.

The cash flows on which the discounted cash flow valuation is based are derived from detailed financial models. These incorporate a number of assumptions with respect to individual portfolio companies, including: forecast new business wins or new orders; cost-cutting initiatives; liquidity and delays to debtor payments; delays to non-committed capital expenditure and construction activity; the terms of future debt refinancing; government and central bank mitigation measures and macroeconomic assumptions such as inflation and oil and power prices. Future power price projections are taken from independent forecasters and changes in these assumptions will affect the future value of our energy generating portfolio companies. The Summary of portfolio valuation methodology provides further details on some of the assumptions that have been made in deriving a balanced base case of cash flows.

The terminal value attributes a residual value to the portfolio company at the end of the projected discrete cash flow period based on market comparables. The terminal value assumptions consider climate change risk and stranded asset risk. The valuation of each asset has significant estimation in relation to asset specific items but there is also consideration given to the impact of wider megatrends such as the transition to a lower carbon economy and climate change. The effects of climate change, including extreme weather patterns or rising sea levels in the longer term could impact the valuation of the assets in the portfolio in different ways. The Summary of portfolio valuation methodology section earlier in this document provides further details on some of the assumptions that have been made in deriving terminal values and some of the risk factors considered in the cash flow forecasts relating to climate change.

In respect of TCR, which operates in the aviation industry, there is a greater level of estimation uncertainty compared to the other portfolio investments. The valuation of TCR, which represents 8% of the total net asset value of the Company, is subject to the estimation uncertainty in respect of the extent and duration of the disruption to air traffic movements caused by Covid-19. We have reflected current market conditions and expectations in our projections for TCR. It is expected that the pace and efficacy of the vaccine roll-out should allow for a partial recovery during the summer. The cash flows have been adjusted to reflect the performance of TCR during the downturn in air traffic alongside a more gradual recovery than previously assumed, with domestic services recovering faster than international travel, but with no return to pre-Covid passenger number levels until 2024. TCR has largely fixed rental contracts, rather than direct exposure to passenger numbers. These contracts have been renegotiated with all of TCR’s main customers, with the revised terms reflected in the cash flow forecast. TCR is actively managing its balance sheet and liquidity and has undertaken a number of cost reduction initiatives. TCR signed a number of rental contracts with new customers during the year. The discount rate premium applied in March 2020 has been partially reduced as a result of reduced cash flow uncertainty, reflecting renegotiated contract terms and supported by financial outperformance to date against previous projections, and the improved outlook for air travel recovery as a result of the roll-out of vaccines. The valuation of TCR is considered to reflect a balanced base case of cash flows and appropriate discount rate.

During the year, Ionisos discovered serious shortcomings in the safety of operations in its Italian subsidiary, Steril Milano. This is described previously in the Review from the Managing Partner section. The valuation of Ionisos at March 2021 fully provides for the effect of the closure of its Italian operations, which is assumed to be contained within Steril Milano. Ionisos had invested approximately €15 million to acquire Steril Milano in 2019 and on capital expenditure since acquisition, and it contributed c.3% of Ionisos group EBITDA in 2020. Were Steril Milano to become insolvent, that would give rise to a breach of the debt financing facilities provided to the Ionisos group. We consider that replacement financing facilities would be available to Ionisos on similar terms if required.

New and amended standards adopted for the current year

Standards and amendments to standards applicable to the Company that became effective during the year and were adopted by the Company on 1 April 2020 are listed below.

Amendments to IAS 1 and IAS 8 Definition of Material (1 January 2020)
Amendments to IFRS 3 Business Combinations: Definition of a Business (1 January 2020)
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (1 January 2020)
Amendments to References to the Conceptual Framework in IFRS standards (1 January 2020)

None of these amendments has had a material impact on the Financial statements.

Standards and amendments issued but not yet effective

As at 31 March 2021, the following new or amended standards, which have not been applied in these Financial statements, had been issued by the International Accounting Standards Board ('IASB') but are yet to become effective.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (1 January 2023)
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (1 January 2023)
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (1 January 2023)
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts (1 January 2022)
Amendments to IFRS 3 Business Combinations (1 January 2022)
Amendments to IFRS 17 Insurance contracts (1 January 2022)
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 resulting from Annual Improvements to IFRS 2018-2020 Cycle (1 January 2022)

The Company intends to adopt these standards when they become effective, however does not currently anticipate the standards will have a significant impact on the Company's financial statements. Current assumptions regarding the impact of future standards will remain under consideration in light of interpretation notes as and when they are issued.

A Classification

(i) **Subsidiaries –** Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity. In accordance with the exception under IFRS 10 Consolidated Financial Statements, the Company only consolidates subsidiaries in the Financial statements if they are deemed to perform investment-related services and do not meet the definition of an investment entity. Investments in subsidiaries that do not meet this definition are accounted for as Investments at fair value through profit or loss with changes in fair value recognised in the Statement of comprehensive income in the year. The Directors have assessed all entities within the structure and concluded that 3i Infrastructure Seed Assets GP Limited was the only subsidiary of the Company that provides investment-related services or activities. In prior years this subsidiary was consolidated with the Company to form 'the Group'. 3i Infrastructure Seed Assets GP Limited was dissolved during the financial year to 31 March 2020.

(ii) **Associates –** Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Company's investment portfolio are carried in the Balance sheet at fair value even though the Company may have significant influence over those entities.

(iii) **Joint ventures –** Interests in joint ventures that are held as part of the Company's investment portfolio are carried in the Balance sheet at fair value. This treatment is permitted by IFRS 11 and IAS 28, which allows interests held by venture capital organisations where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 with changes in fair value recognised in the Statement of comprehensive income in the year.

B Exchange differences

Transactions entered into by the Company in a currency other than its functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated to the functional currency at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation to the functional currency are recognised in the Statement of comprehensive income. Foreign exchange differences relating to investments held at fair value through profit or loss are shown within the line Net gains on investments. Foreign exchange differences relating to other assets and liabilities are shown within the line Exchange movements.

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 the functional currency using exchange rates ruling at the date the fair value was determined with the associated foreign exchange difference being recognised within the unrealised gain or loss on revaluation of the asset or liability.

C Investment portfolio

Recognition and measurement – Investments are recognised and de-recognised on a date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investment. The Company manages its investments with a view to profiting from the receipt of investment income and obtaining capital appreciation from changes in the fair value of investments. Therefore, all quoted investments and unquoted investments are measured at fair value through profit or loss upon initial recognition and subsequently carried in the Balance sheet at fair value, applying the Company's valuation policy. Acquisition related costs are accounted for as expenses when incurred.

Net gains or losses on investments are the movement in the fair value of investments between the start and end of the accounting period, or investment disposal date, or the investment acquisition date and the end of the accounting period, including divestment related costs where applicable, converted into sterling using the exchange rates in force at the end of the period; and are recognised in the Statement of comprehensive income.

Income

Investment 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 Statement of comprehensive income when the Company's rights to receive payment have been established. Special dividends are credited to capital or revenue according to their circumstances;
- interest income from loans that are measured at fair value through profit or loss 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 or principal amount. The remaining changes in the fair value movement of the loans are recognised separately in the line Net gains on investments in the Statement of comprehensive income;
- distributions from investments in Limited Partnerships are recognised in the Statement of comprehensive income when the Company's rights as a Limited Partner to receive payment have been established; and
- fees receivable represent amounts earned from investee companies on completion of underlying investment transactions and are recognised on an accruals basis once entitlement to the revenue has been established.

D Fees

(i) **Fees –** Fees payable represent fees incurred in the process of acquiring an investment and are measured on the accruals basis.

(ii) **Management fees –** A management fee is payable to 3i plc, calculated as a tiered fee based on the Gross Investment Value of the Company and is accrued in the period it is incurred. Further details on how this fee is calculated are provided in Note 18.

(iii) **Performance fee –** 3i plc is entitled to a performance fee based on the total return generated in the period in excess of a performance hurdle of 8%. The fee is payable in three equal annual instalments and is accrued in full in the period it is incurred. Further details are provided in Note 18.

(iv) **Finance costs –** Finance costs associated with loans and borrowings are recognised on an accruals basis using the effective interest method.

E Treasury assets and liabilities

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

(i) Cash and cash equivalents – Cash and cash equivalents in the Balance sheet and Cash flow statement comprise cash at bank, short-term deposits with an original maturity of three months or less and AAA rated money market funds. Money market funds are accounted for at amortised cost under IFRS 9. However due to their short-term and liquid nature, this is the same as fair value. Interest receivable or payable on cash and cash equivalents is recognised on an accruals basis.

(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. Where issue costs are incurred in relation to arranging debt finance facilities these are capitalised and disclosed within Trade and other receivables and amortised over the life of the loan. After initial recognition, loans and borrowings 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 are used to manage the risk associated with foreign currency fluctuations in the valuation of the investment portfolio. This is achieved by the use of forward foreign currency contracts. Such instruments are used for the sole purpose of efficient portfolio management. All derivative financial instruments are held at fair value through profit or loss.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently remeasured to the fair value at each reporting date. All changes in the fair value of derivative financial instruments are taken to the Statement of comprehensive income. The maturity profile of derivative contracts is measured relative to the financial contract settlement date of each contract and the derivative contracts are disclosed in the Financial statements as either current or non-current accordingly.

F Other assets

Assets, other than those specifically accounted for under a separate policy, are stated at their consideration receivable less impairment losses. Such assets are short-term in nature and the carrying value of these assets is considered to be approximate to their fair value. Assets are reviewed for recoverability and impairment using the expected credit loss model simplified approach. The Company will recognise the asset's lifetime expected credit losses at each reporting period where applicable in the Statement of comprehensive income. An impairment loss is reversed at subsequent financial reporting dates to the extent that the asset's carrying amount does not exceed its carrying value, had no impairment been recognised.

Assets with maturities less than 12 months are included in current assets, assets with maturities greater than 12 months after the Balance sheet date are classified as non-current assets.

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 financial reporting date. Such liabilities are short-term in nature, the carrying value of these liabilities is considered to be approximate to their fair value.

H Equity and reserves

(i) Share capital – Share capital issued by the Company is recognised at the fair value of proceeds received and is credited to the Stated capital account. Direct issue costs net of tax are deducted from the fair value of the proceeds received.

(ii) Equity and reserves – The Stated capital account of the Company represents the cumulative proceeds recognised from share issues or new equity issued on the conversion of warrants made by the Company net of issue costs and reduced by any amount that has been transferred to Retained reserves, in accordance with Jersey Company Law, in previous years. Share capital is treated as an equity instrument, on the basis that no contractual obligation exists for the Company to deliver cash or other financial assets to the holder of the instrument.

On 15 October 2018, the Company became UK tax domiciled and, with effect from that date, was granted UK approved investment trust status. Financial statements prepared under IFRS are not strictly required to apply the provisions of the Statements of Recommended Practice issued by the UK Association of Investment Companies for the financial statements of Investment Trust Companies (the 'AIC SORP'). However, where relevant and appropriate, the Directors have looked to follow the recommendations of the SORP. From this date, the retained profits of the Company have been applied to two new reserves being the Capital reserve and the Revenue reserve. These are in addition to the existing Retained reserves which incorporate the cumulative retained profits of the Company (after the payment of dividends) plus any amounts that have been transferred from the Stated capital account of the Company to 15 October 2018.

The Directors have exercised their judgement in applying the AIC SORP and a summary of these judgements are as follows:

- Net gains on investments are applied wholly to the Capital reserve as they relate to the revaluation or disposal of investments.
- Dividends are applied to the Revenue reserve except under specific circumstances where a dividend arises from a return of capital or proceeds from a refinancing, when they are applied to the Capital reserve.
- Fees payable are applied to the Capital reserve where the service provided is, in substance, an intrinsic part of an intention to acquire or dispose of an investment.
- Movement in the fair value of derivative financial instruments is applied to the Capital reserve as the derivative hedging programme is specifically designed to reduce the volatility of sterling valuations of the non-sterling denominated investments.
- Management fees are applied to the Revenue reserve as they reflect ongoing asset management. Where a transaction fee element is due on the acquisition of an investment it is applied to the Capital reserve.
- Performance fees are applied wholly to the Capital reserve as they arise mainly from capital returns on the investment portfolio.
- Operating costs are applied wholly to the Revenue reserve as there is no clear connection between the operating expenses of the Company and the purchase and sale of an investment.
- Finance costs are applied wholly to the Revenue reserve as the existing borrowing is not directly linked to an investment.
- Exchange movements are applied to the Revenue reserve where they relate to exchange on non-portfolio assets.

(iii) Dividends payable – Dividends on ordinary shares are recognised in the period in which the Company's obligation to make the dividend payment arises and are deducted from Retained reserves for the period to 15 October 2018 and from the Revenue reserve for subsequent periods.

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 Statement of comprehensive income, 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 year. This may differ from the profit included in the Statement of comprehensive income 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.

To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set off. In practice, some assets that are likely to give rise to timing differences will be treated as capital for tax purposes. Given capital items are exempt from tax under the Investment Trust Company rules, deferred tax is not expected to be recognised on these balances. All deferred tax liabilities are offset against deferred tax assets, where appropriate, in accordance with the provisions of IAS 12.

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.

Notes to the accounts

1 Operating segments

The Directors review information on a regular basis that is analysed by portfolio segment; being Economic infrastructure businesses, the Projects portfolio and the India Fund, and by geography. These segments are reviewed for the purpose of resource allocation and the assessment of their performance. In accordance with IFRS 8, the segmental information provided below uses these segments for the analysis of results as it is the most closely aligned with IFRS reporting requirements. The Company is an investment holding company and does not consider itself to have any customers.

The following is an analysis of the Company's investment return, profit before tax, assets, liabilities and net assets by portfolio segment for the year to 31 March 2021:

For the year to 31 March 2021	Economic infrastructure businesses £m	Projects portfolio £m	India Fund £m	Unallocated[1] £m	Total £m
Investment return	**196**	**8**	**5**	**11**	**220**
Profit/(loss) before tax	**215**	**11**	**5**	**(25)**	**206**
For the year to 31 March 2020					
Investment return/(loss)	192	60	(2)	4	254
Profit/(loss) before tax	213	60	(2)	(47)	224
As at 31 March 2021					
Assets	**1,748**	**96**	**3**	**568**	**2,415**
Liabilities	**(6)**	**–**	**–**	**(19)**	**(25)**
Net assets	**1,742**	**96**	**3**	**549**	**2,390**
As at 31 March 2020					
Assets	1,582	76	27	613	2,298
Liabilities	(11)	(1)	–	(17)	(29)
Net assets	1,571	75	27	596	2,269

1 Unallocated includes cash, management and performance fees payable, RCF drawn and other payables and receivables which are not directly attributable to the investment portfolio.

The following is an analysis of the Company's investment return, profit before tax, assets, liabilities and net assets by geography for the year to 31 March 2021:

For the year to 31 March 2021	UK and Ireland[1] £m	Continental Europe[2] £m	Asia £m	Total £m
Investment return	**53**	**162**	**5**	**220**
Profit before tax	**17**	**184**	**5**	**206**
For the year to 31 March 2020				
Investment return/(loss)	190	66	(2)	254
Profit/(loss) before tax	139	87	(2)	224
As at 31 March 2021				
Assets	**868**	**1,544**	**3**	**2,415**
Liabilities	**(19)**	**(6)**	**–**	**(25)**
Net assets	**849**	**1,538**	**3**	**2,390**
As at 31 March 2020				
Assets	898	1,373	27	2,298
Liabilities	(17)	(12)	–	(29)
Net assets	881	1,361	27	2,269

1 Including Channel Islands. All centrally incurred costs have been deemed to be incurred in the UK and Ireland while recognising these costs support allocations across geographies.

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

The Company generated 24% (2020: 75%) of its investment return in the year from investments held in the UK and Ireland and 74% (2020: 26%) of its investment return from investments held in continental Europe. During the year, the Company generated 94% (2020: 77%) of its investment return from investments in Economic infrastructure businesses, 4% (2020: 24%) from investments in Projects and 2% (2020: (1)%) from its investment in the India Fund. Given the nature of the Company's operations, the Company is not considered to be exposed to any operational seasonality or cyclicality that would impact the financial results of the Company during the year or the financial position of the Company at 31 March 2021.

2 Management and performance fees payable

	Year to 31 March 2021 £m	Year to 31 March 2020 £m
Management fee	**24**	28
Performance fee	**7**	17
	31	45

Total management and performance fees payable by the Company for the year to 31 March 2021 were £31 million (2020: £45 million). Note 18 provides further details on the calculation of the management fee and performance fee.

3 Operating expenses

Operating expenses include the following amounts:

	Year to 31 March 2021 £m	Year to 31 March 2020 £m
Audit fees	**0.4**	0.3
Directors' fees and expenses	**0.5**	0.5

In addition to the fees described above, audit fees of £0.07 million (2020: £0.09 million) were paid by unconsolidated subsidiary entities for the year to 31 March 2021 to the Company's auditor.

Services provided by the Company's auditor
During the year, the Company obtained the following services from the Company's auditor, Deloitte LLP.

Audit services		Year to 31 March 2021 £m	Year to 31 March 2020 £m
Statutory audit	Company	**0.30**	0.26
	UK unconsolidated subsidiaries[1]	**0.04**	0.04
	Overseas unconsolidated subsidiaries[1]	**0.03**	0.05
		0.37	0.35

1 These amounts were paid from unconsolidated subsidiary entities and do not form part of operating expenses but are included in the net gains on investments.

Non-audit services
Deloitte LLP and their associates provided non-audit services for fees totalling £52,700 for the year to 31 March 2021 (2020: £65,173). This related to agreed-upon procedures work in respect of the management and performance fees (£7,200) and the review of the interim financial statements (£45,500). In line with the Company's policy, Deloitte LLP provided non-audit services to certain investee companies. The fees for these services are ordinarily borne by the underlying investee companies or unconsolidated subsidiaries, and therefore are not included in the expenses of the Company. Details on how such non-audit services are monitored and approved can be found in the Governance section of the Annual report and accounts.

4 Finance costs

	Year to 31 March 2021 £m	Year to 31 March 2020 £m
Finance costs associated with the debt facilities	**2**	2
Professional fees payable associated with the arrangement of debt financing	**–**	1
	2	3

5 Movement in the fair value of derivative financial instruments

	Year to 31 March 2021 £m	Year to 31 March 2020 £m
Movement in the fair value of forward foreign exchange contracts	**22**	21

The movement in the fair value of derivative financial instruments is included within profit before tax but not included within investment return.

6 Income taxes

	Year to 31 March 2021 £m	Year to 31 March 2020 £m
Current taxes		
Current year	**–**	–
Total income tax charge in the Statement of comprehensive income	**–**	–

Reconciliation of income taxes in the Statement of comprehensive income

The tax charge for the year is different from the standard rate of corporation tax in the UK, currently 19% (2020: 19%), and the differences are explained below:

	Year to 31 March 2021 £m	Year to 31 March 2020 £m
Profit before tax	**206**	224
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2020: 19%)	**39**	43
Effects of:		
Non-taxable capital profits due to UK approved investment trust company status	**(26)**	(28)
Non-taxable dividend income	**(1)**	(6)
Dividend designated as interest distributions	**(12)**	(9)
Total income tax charge in the Statement of comprehensive income	**–**	–

The Company's affairs are directed so as to allow it to meet the requisite conditions to continue to operate as an approved investment trust company for UK tax purposes. The approved investment trust status allows certain capital profits of the Company to be exempt from tax in the UK and also permits the Company to designate the dividends it pays, wholly or partly, as interest distributions. These features enable approved investment trust companies to ensure that their investors do not ultimately suffer double taxation of their investment returns, ie once at the level of the investment fund vehicle and then again in the hands of the investors.

In the Spring Budget 2021, the UK Government announced that the main rate of UK corporation tax would remain at 19% until April 2023 when it will increase to 25%. Should the Company recognise deferred tax assets and liabilities, a rate of 19% or 25% would therefore be used depending on when the assets and liabilities are expected to be crystallised.

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

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

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

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

The table below shows the classification of financial instruments held at fair value into the fair value hierarchy at 31 March 2021. For all other assets and liabilities, their carrying value approximates to fair value. During the year ended 31 March 2021, there were no transfers of financial instruments between levels of the fair value hierarchy (2020: none).

Trade and other receivables in the Balance sheet includes £1 million of deferred finance costs relating to the arrangement fee for the revolving credit facility (2020: £1 million). This has been excluded from the table below as it is not categorised as a financial instrument.

Financial instruments classification

	As at 31 March 2021			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Investments at fair value through profit or loss	**–**	**–**	**1,804**	**1,804**
Trade and other receivables	**–**	**105**	**–**	**105**
Derivative financial instruments	**–**	**43**	**–**	**43**
	–	**148**	**1,804**	**1,952**
Financial liabilities				
Derivative financial instruments	**–**	**(6)**	**–**	**(6)**
	–	**(6)**	**–**	**(6)**

	As at 31 March 2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	1,652	1,652
Trade and other receivables	–	199	–	199
Derivative financial instruments	–	33	–	33
	–	232	1,652	1,884
Financial liabilities				
Derivative financial instruments	–	(12)	–	(12)
	–	(12)	–	(12)

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

Level 3 fair value reconciliation	**As at 31 March 2021 £m**
Opening fair value	**1,652**
Additions	**91**
Disposal proceeds and repayment	**(48)**
Movement in accrued income	**(9)**
Fair value movement (including exchange movements)	**118**
Closing fair value	**1,804**

Level 3 fair value reconciliation	As at 31 March 2020 £m
Opening fair value	1,697
Additions	423
Disposal proceeds and repayment	(597)
Movement in accrued income	1
Fair value movement (including exchange movements)	128
Closing fair value	1,652

The fair value movement (including exchange movements) is equal to the Net gains on investments showing in the Statement of comprehensive income. All unrealised movements on investments and foreign exchange movements are recognised in profit or loss in the Statement of comprehensive income during the year and are attributable to investments held at the end of the year.

The holding period of the investments in the portfolio is expected to be greater than one year. Therefore, investments are classified as non-current unless there is an agreement to dispose of the investment within one year and all relevant regulatory approvals have been received. It is not possible to identify with certainty whether any investments may be sold within one year.

Investment income of £92 million (2020: £123 million) comprises dividend income of £6 million (2020: £32 million), interest of £83 million (2020: £85 million) and distributions of £3 million (2020: £6 million) from unconsolidated subsidiaries.

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

The Company's policy is to fair value both the equity and shareholder debt investments in infrastructure assets together where they will be managed and valued as a single investment, were invested at the same time and cannot be realised separately. The Directors consider that equity and debt share the same characteristics and risks and they are therefore treated as a single unit of account for valuation purposes and a single class for disclosure purposes. As at 31 March 2021, the fair value of unquoted investments was £1,802 million (2020: £1,647 million). Individual portfolio asset valuations are shown within the Portfolio summary earlier in this document.

For the March 2020 valuations a broad set of general assumptions in relation to the Covid-19 pandemic were made across the whole portfolio. This included that the general stay-at-home policies, closed borders and major restrictions on travel would continue for four months from 1 April 2020, followed by a gradual recovery over the remainder of 2020. The Directors considered the impact on the portfolio of the restrictions extending for nine months from 1 April 2020 followed by a gradual recovery throughout 2021 and disclosed this as an additional sensitivity. The experience of the last year has demonstrated that the impact on the portfolio is company specific and in many cases the impact was limited. We have updated the cash flow forecasts for each investment and, in relation to the impact of Covid-19, we now have better visibility of the short to medium-term impact than we had in March 2020, with operations continuing largely without interruption across large parts of the portfolio, but the recovery will vary widely by sector. The asset most affected by Covid-19 was TCR which operates in the aviation sector and this is discussed further in the Significant accounting policies section.

The fair value of the investments is sensitive to changes in the macroeconomic assumptions used as part of the portfolio valuation process. As part of its analysis, the Board has considered the potential impact of a change in a number of the macroeconomic assumptions used in the valuation process. By considering these potential scenarios, the Board is well positioned to assess how the Company is likely to perform if affected by variables and events that are inherently outside of the control of the Board and the Investment Manager.

The majority of the assets held within Level 3 are valued on a discounted cash flow basis, hence, the valuations are sensitive to the discount rate assumed in the valuation of each asset. Other significant unobservable inputs include the long-term inflation rate assumption, the interest rates assumption used to project the future cash flows and the forecast cash flows themselves. The sensitivity to the long-term inflation rate and interest rates is described below and the sensitivity to the forecast cash flows is captured in the Market risk section in Note 9.

A discussion of discount rates applied can be found in the Summary of portfolio valuation methodology section. Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £152 million (2020: £136 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £176 million (2020: £157 million).

The majority of assets held within Level 3 have revenues that are linked, partially linked or in some way correlated to inflation. The long-term inflation rate assumptions for the country of domicile of the investments in the portfolio range from 5.0% (India) (2020: 5.0%) to 2.0% (the Netherlands) (2020: 2.0%). The long-term RPI assumption for the UK is 2.5% (2020: 2.5%). Changing the inflation rate assumption may result in consequential changes to other assumptions used in the valuation of each asset. The impact of increasing the inflation rate assumption by 1% for the next two years would increase the value of the portfolio by £25 million (2020: £16 million). Decreasing the inflation rate assumption used in the valuation of each asset by 1% for the next two years would decrease the value of the portfolio by £25 million (2020: £15 million).

The valuations are sensitive to changes in interest rates, which may result from: (i) unhedged existing borrowings within portfolio companies; (ii) interest rates on uncommitted future borrowings assumed within the asset valuations; and (iii) cash deposits held by portfolio companies. These comprise a wide range of interest rates from short-term deposit rates to longer-term borrowing rates across a broad range of debt products. Increasing the cost of borrowing assumption for unhedged borrowings and any future uncommitted borrowing and the cash deposit rates used in the valuation of each asset by 1% would reduce the value of the portfolio by £88 million (2020: £76 million). Decreasing the interest rate assumption used in the valuation of each asset by 1% would increase the value of the portfolio by £82 million (2020: £71 million). This calculation does not take account of any offsetting variances which may be expected to prevail if interest rates changed, including the impact of inflation discussed above.

Intermediate holding companies
The Company invests in a number of intermediate holding companies that are used to hold the unquoted investments, valued as referred to above. All other assets and liabilities of the intermediate holding companies are held either at fair value or a reasonable approximation to fair value. The fair value of these intermediate holding companies therefore approximates to their NAV and the Company classifies the fair value as Level 3. As at 31 March 2021, the fair value of the other assets and liabilities within these intermediate holding companies was £2 million (2020: £5 million).

Over-the-counter derivatives
The Company uses over-the-counter foreign currency derivatives to hedge foreign currency movements. The derivatives are held at fair value which represents the price that would be received to sell or transfer the instruments at the balance sheet date. The valuation technique incorporates various inputs including foreign exchange spot and forward rates, and uses present value calculations. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

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

8 Trade and other receivables

	Year to 31 March 2021 £m	Year to 31 March 2020 £m
Non-current assets		
Vendor loan notes	–	99
Current assets		
Vendor loan notes	**105**	99
Other receivables including prepayments and accrued income	–	1
Capitalised finance costs	**1**	1
	106	200

Vendor loan notes ('VLNs') of £196 million were received from the purchaser following the sale of WIG in December 2019. These are repayable unconditionally in two equal instalments. The first instalment was received in December 2020 and the second instalment is due in December 2021 and carries an interest rate of 6%. These are measured at amortised cost using the effective interest method. Accrued interest on the vendor loan notes is included in the table above.

9 Financial risk management

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

Each investment made by the Company is subject to a full risk assessment through a consistent investment approval process. The Board's Management Engagement Committee, Audit and Risk Committee and the Investment Manager's investment process are part of the overall risk management framework of the Company.

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

Capital structure

The Company has a continuing commitment to capital efficiency. The capital structure of the Company consists of cash held on deposit in AAA rated money market funds, borrowing facilities and shareholders' equity. 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 Company. The type and maturity of the Company's borrowings are analysed in Note 11 and the Company'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 that the Company can operate effectively in the marketplace and sustain future development of the business. The Board is responsible for regularly monitoring capital requirements to ensure that the Company is maintaining sufficient capital to meet its future investment needs.

The Company is regulated by the Jersey Financial Services Commission under the provisions of the Collective Investment Funds (Jersey) Law 1988 as a listed closed-ended collective investment fund and is not required as a result of such regulation to maintain a minimum level of capital.

Capital is allocated for investment in utilities, communications, healthcare, transportation, energy and natural resources and social infrastructure across the UK, continental Europe and Asia. As set out in the Company's investment policy, the maximum exposure to any one investment is 25% of gross assets (including cash holdings) at the time of investment.

Credit risk

The Company is subject to credit risk on the debt component of its unquoted investments, cash, deposits, derivative contracts and receivables. The maximum exposure to credit risk as a result of counterparty default equates to the current carrying value of these financial assets. Throughout the year and the prior year, the Company's cash and deposits were held with a variety of counterparties, principally in AAA rated money market funds, as well as in short-term bank deposits with a minimum of a BBB+ credit rating. The counterparties selected for the derivative financial instruments were all banks with a minimum of a BBB+ credit rating with at least one major rating agency. Following the sale of WIG in December 2019, the Company received VLNs from the purchaser, Brookfield Infrastructure Fund IV, that are reported within Trade receivables. The credit risk on these VLNs has been assessed through calculating an expected credit loss using the credit ratings of underlying investors in the Brookfield fund and the amount of undrawn commitments to the fund to calculate a probability of default.

The credit quality of unquoted investments, which are held at fair value and include debt and equity elements, is based on the financial performance of the individual portfolio companies. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements. This incorporates the impact of the Covid-19 pandemic, the volatility in the oil prices and power prices and other macroeconomic factors. The performance of underlying investments is monitored by the Board to assess future recoverability.

For those assets and income entitlements 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 has failed and there is no expectation to recover any residual value from the investment, the Company's policy is to record an impairment for the full amount of the loan. When the net present value of the future cash flows predicted to arise from the asset, discounted using the effective interest rate method, implies non-recovery of all or part of the Company's investment a fair value movement is recorded equal to the valuation shortfall.

As at 31 March 2021, the Company had no loans or receivables or debt investments considered past due (2020: nil).

The Company actively manages counterparty risk. Counterparty limits are set and closely monitored by the Board and a regular review of counterparties is undertaken by the Investment Manager and reported to the Board. As at 31 March 2021, the Company did not consider itself to have a significant exposure to any one counterparty and held deposits and derivative contracts with a number of different counterparties to reduce counterparty risk (2020: same).

Due to the size and nature of the investment portfolio there is the potential for concentration risk. This risk is managed by diversifying the portfolio by sector and geography.

Liquidity risk
Further information on how liquidity risk is managed is provided in the Risk report. The table below analyses the maturity of the Company's contractual liabilities.

2021	**Payable on demand £m**	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Total £m**
Liabilities					
Loans and borrowings[1]	**–**	**(2)**	**(2)**	**–**	**(4)**
Trade and other payables	**(9)**	**–**	**(8)**	**(2)**	**(19)**
Derivative contracts	**–**	**(4)**	**(2)**	**–**	**(6)**
Financial commitments[2]	**(38)**	**–**	**–**	**–**	**(38)**
Total undiscounted financial liabilities	**(47)**	**(6)**	**(12)**	**(2)**	**(67)**

1 Loans and borrowings relate to undrawn commitment fees and interest payable on the RCF referred to in Note 11.
2 Financial commitments are described in Note 16 and are not recognised in the Balance sheet.

2020	Payable on demand £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total £m
Liabilities					
Loans and borrowings[1]	–	(2)	(2)	–	(4)
Trade and other payables	(6)	–	(6)	(5)	(17)
Derivative contracts	–	(8)	(2)	(2)	(12)
Financial commitments[2]	(30)	–	–	–	(30)
Total undiscounted financial liabilities	(36)	(10)	(10)	(7)	(63)

1 Loans and borrowings relate to undrawn commitment fees and interest payable on the RCF referred to in Note 11.
2 Financial commitments are described in Note 16 and are not recognised in the Balance sheet.

The derivative contracts liability shown is the net cash flow expected to be paid on settlement.

In order to manage the contractual liquidity risk the Company is not dependent on the cash flows from financial assets as it has free cash and debt facilities in place.

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

(i) Interest rate risk
Further information on how interest rate risk is managed is provided in the Risk report.

An increase of 100 basis points in interest rates over 12 months (2020: 100 basis points) would lead to an approximate increase in net assets and to the net profit of the Company of £5 million (2020: £4 million). This exposure relates principally to changes in interest receivable on cash on deposit held at the year end. The average cash balance of the Company, which is more representative of the cash balance during the year, was £405 million (2020: £157 million) and the weighted-average interest earned was 0.1% (2020: 0.62%). The risk exposure at this year end is considered to be representative of this year as a whole. In addition, the Company has indirect exposure to interest rates through changes to the financial performance of portfolio companies caused by interest rate fluctuations as disclosed in Note 7. This risk is considered a component of market risk described in section (iii). The Company does not hold any fixed rate debt investments or borrowings and is therefore not exposed to fair value interest rate risk.

(ii) Currency risk
Further information on how currency risk is managed is provided in the Risk report. The currency denominations of the Company's net assets are shown in the table below. The sensitivity analysis demonstrates the exposure of the Company's net assets to movements in foreign currency exchange rates. The hedging strategy is discussed in the Financial review.

	As at 31 March 2021					
	Sterling[1] £m	**Euro £m**	**NOK £m**	**DKK £m**	**US dollar £m**	**Total £m**
Net assets	**848**	**1,116**	**234**	**189**	**3**	**2,390**
Sensitivity analysis						
Assuming a 10% appreciation in sterling against the euro, NOK, DKK and US dollar exchange rates:						
Impact of exchange movements on net profit and net assets	**109**	**(101)**	**(21)**	**(17)**	**–**	**(30)**

1 Sterling impact relates to the impact of fair value movement in derivatives held by the Company to hedge foreign currency fluctuations in the valuation of the investment portfolio. The notional amount of the derivatives is disclosed in Note 10.

	As at 31 March 2020					
	Sterling[1] £m	Euro £m	NOK £m	DKK £m	US dollar £m	Total £m
Net assets	883	1,012	208	139	27	2,269
Sensitivity analysis						
Assuming a 10% appreciation in sterling against the euro, NOK, DKK and US dollar exchange rates:						
Impact of exchange movements on net profit and net assets	101	(92)	(19)	(13)	(2)	(25)

1 Sterling impact relates to the impact of fair value movement in derivatives held by the Company to hedge foreign currency fluctuations in the valuation of the investment portfolio. The notional amount of the derivatives is disclosed in Note 10.

The impact of an equivalent depreciation in sterling against the euro, NOK, DKK and US dollar exchange rates has the inverse impact on net profit and net assets from that shown above. There is an indirect exposure to the rupee through the investment in the India Fund which is denominated in US dollars but it is only the direct exposure that is considered here. The risk exposure at the year end is considered to be representative of this year as a whole.

(iii) Market risk
Further information about the management of external market risk and its impact on price or valuation, which arises principally from unquoted investments, is provided in the Risk report. A 10% increase in the fair value of those investments would have the following direct impact on net profit and net assets. The impact of a change in all cash flows has an equivalent impact on the fair value, as set out below.

	As at 31 March 2021 Investments at fair value £m	As at 31 March 2020 Investments at fair value £m
Increase in net profit and net assets	**180**	165

The impact of a 10% decrease in the fair value of those investments would have the inverse impact on net profit and net assets, from that shown above. The risk exposure at the year end is considered to be representative of this year as a whole.

By the nature of the Company's activities, it has large exposures to individual assets that are susceptible to movements in price. This risk concentration is managed within the Company's investment strategy as discussed in the Risk report.

(iv) Fair values
The fair value of the investment portfolio is described in detail in the Portfolio valuation methodology section and in Note 7. The fair values of the remaining financial assets and liabilities approximate to their carrying values (2020: same).

The sensitivity analysis in respect of the interest rate, currency and market price risks is considered to be representative of the Company's exposure to financial risks throughout the period to which they relate (2020: same).

10 Derivative financial instruments

	As at 31 March 2021 £m	As at 31 March 2020 £m
Non-current assets		
Forward foreign exchange contracts	**18**	7
Current assets		
Forward foreign exchange contracts	**25**	26
Non-current liabilities		
Forward foreign exchange contracts	**(2)**	(4)
Current liabilities		
Forward foreign exchange contracts	**(4)**	(8)

Forward foreign exchange contracts
The Company uses forward foreign exchange contracts to minimise the effect of fluctuations in the investment portfolio from movements in exchange rates and also to fix the value of certain expected future cash flows arising from distributions made by investee companies.

The fair value of these contracts is recorded in the balance sheet. No contracts are designated as hedging instruments and consequently all changes in fair value are taken through profit or loss.

As at 31 March 2021, the notional amount of the forward foreign exchange contracts held by the Company was £1,090 million (2020: £1,160 million).

11 Loans and borrowings

On 30 April 2018, the Company entered into a three-year, £300 million RCF with a syndicate of banks. The RCF is secured by a fixed and floating charge over directly held assets of the Company. Interest is payable at LIBOR plus a fixed margin on the drawn amount. As at 31 March 2021, the Company had not drawn cash from the RCF (2020: nil).

The RCF has certain loan covenants, including a debt service coverage ratio and loan to value ratio. The Company has the right to increase the size of the RCF by up to a further £200 million, provided that existing lenders have a right of first refusal. In May 2020, the Company agreed the second one-year extension to the maturity date, to 27 April 2023.

There was no change in total financing liabilities for the Company during the year as the cash flows relating to the financing liabilities were equal to the income statement expense. Accordingly, no reconciliation between the movement in financing liabilities and the cash flow statement has been presented.

12 Trade and other payables

	As at 31 March 2021 £m	As at 31 March 2020 £m
Non-current liabilities		
Performance fee	**10**	11
Current liabilities		
Management and performance fees	**8**	6
Accruals and other creditors	**1**	–
	19	17

The carrying value of all liabilities is representative of fair value (2020: same).

13 Issued capital

	As at 31 March 2021		As at 31 March 2020	
	Number	**£m**	Number	£m
Authorised, issued and fully paid				
Opening balance	**891,434,010**	**1,496**	810,434,010	1,273
Issued as part of Placing	**–**	**–**	81,000,000	223
Closing balance	**891,434,010**	**1,496**	891,434,010	1,496

Aggregate issue costs of £24 million arising from IPO and subsequent share issues have been offset against the stated capital account in previous years. In addition, the stated capital account was reduced by Court order on 20 December 2007 with an amount of £693 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Therefore, as at 31 March 2021, the residual value on the stated capital account was £779 million.

14 Per share information

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

	Year to 31 March 2021	Year to 31 March 2020
Earnings per share (pence)		
Basic and diluted	**23.1**	26.4
Earnings (£m)		
Profit after tax for the year	**206**	224
Number of shares (million)		
Weighted average number of shares in issue	**891.4**	847.6
Number of shares at the end of the year	**891.4**	891.4

	As at 31 March 2021	As at 31 March 2020
Net assets per share (pence)		
Basic and diluted	**268.1**	254.5
Net assets (£m)		
Net assets	**2,390**	2,269

15 Dividends

	Year to 31 March 2021		Year to 31 March 2020	
Declared and paid during the year	**Pence per share**	**£m**	Pence per share	£m
Interim dividend paid on ordinary shares	**4.900**	**44**	4.600	41
Prior year final dividend paid on ordinary shares	**4.600**	**41**	4.325	35
	9.500	**85**	8.925	76

The Company proposes paying a final dividend of 4.9 pence per share (2020: 4.6 pence) which will be payable to those shareholders that are on the register on 18 June 2021. On the basis of the shares in issue at year end, this would equate to a total final dividend of £44 million (2020: £41 million).

The final dividend is subject to approval by shareholders at the AGM in July 2021 and has therefore not been accrued in these Financial statements.

16 Commitments

	As at 31 March 2021 £m	As at 31 March 2020 £m
Unquoted investments	**38**	30

As at 31 March 2021, the Company was committed to investing a further US$38 million (£27 million) (2020: US$38 million, £30 million) of loan commitment in the India Fund. This commitment is not expected to be drawn. In addition, the Company committed to invest a further DKK 100 million (£11 million) in ESVAGT.

17 Contingent liabilities

As at 31 March 2021, the Company had no contingent liabilities (2020: nil).

18 Related parties

Transactions between 3i Infrastructure and 3i Group
3i Group plc ('3i Group') holds 30.2% (2020: 30.2%) of the ordinary shares of the Company. This classifies 3i Group as a 'substantial shareholder' of the Company as defined by the Listing Rules. During the year, 3i Group received dividends of £26 million (2020: £24 million) from the Company.

In 2007 the Company committed US$250 million to the 3i India Infrastructure Fund (the 'India Fund') to invest in the Indian infrastructure market. 3i Group also committed US$250 million to the India Fund. No commitments (2020: nil) were drawn down by the India Fund from the Company during the year. In total, commitments of US$184 million or £133 million re-translated (2020: US$184 million or £148 million) had been drawn down at 31 March 2021 by the India Fund from the Company. As the India Fund has reached the end of its investment period, the Company's outstanding commitment to the India Fund is limited to 15% of the original US$250 million commitment. At 31 March 2021, the outstanding commitment was US$38 million, or £27 million re-translated (2020: US$38 million or £30 million).

3i Investments plc, a subsidiary of 3i Group, is the Company's Alternative Investment Fund Manager and provides its services under an Investment Management Agreement ('IMA'). 3i Investments plc also acts as the investment manager of the India Fund. 3i plc, another subsidiary of 3i Group, together with 3i Investments plc, provides support services to the Company (which are ancillary and related to the investment management service) which it is doing pursuant to the terms of the IMA.

Fees under the IMA consist of a tiered management fee and time weighting of the management fee calculation and a one-off transaction fee of 1.2% payable in respect of new investments. The applicable tiered rates are shown in the table below. The management fee is payable quarterly in advance.

Gross investment value	Applicable tier rate
Up to £1.25bn	1.4%
£1.25bn to £2.25bn	1.3%
Above £2.25bn	1.2%

For the year to 31 March 2021, £24 million (2020: £28 million) was payable and advance payments of £24 million were made resulting in an amount due to 3i plc of less than £1 million at 31 March 2021 (2020: less than £1 million due from 3i plc). A one-off transaction fee of £1 million (2020: £2 million) was paid to 3i plc in respect of new investments and there was no outstanding balance payable as at 31 March 2021 (2020: nil). In consideration of the provision of support services under the IMA, the Company pays the Investment Manager an annual fixed fee. The cost for the support services incurred for the year to 31 March 2021 was £1 million (2020: £1 million). There was no outstanding balance payable as at 31 March 2021 (2020: nil).

Under the IMA, a performance fee is payable to the Investment Manager equal to 20% of the Company's total return in excess of 8%, payable in three equal annual instalments. The second and third instalments will only be payable if either (a) the Company's performance in the year in which that instalment is paid also triggers payment of a performance fee in respect of that year, or (b) if the Company's performance over the three years starting with the year in which the performance fee is earned exceeds the 8% hurdle on an annual basis. There is no high water mark requirement.

The performance hurdle requirement was exceeded for the year to 31 March 2021 and therefore a performance fee of £7 million was recognised (2020: £17 million). The outstanding balance payable as at 31 March 2021 was £18 million (2020: £17 million), which includes the second and third instalments of the prior year fee.

Year	Performance fee (£m)	Outstanding balance (£m)	Payable in FY22 (£m)
FY21	7	7	2
FY20	17	11	6

Under the IMA, the Investment Manager's appointment may be terminated by either the Company or the Investment Manager giving the other not less than 12 months' notice in writing, but subject to a minimum term of four years from 15 October 2018, unless 3i Investments plc has previously ceased to be a member of 3i Group, or with immediate effect by either party giving the other written notice in the event of insolvency or material or persistent breach by the other party. The Investment Manager may also terminate the agreement on two months' notice given within two months of a change of control of the Company.

Regulatory information relating to fees
Under the Alternative Investment Fund Managers Regulations 2013, 3i Investments plc is the Alternative Investment Fund Manager ('AIFM') to the Company. In performing the activities and functions of the AIFM, the AIFM or another 3i company may pay or receive fees, commissions or non-monetary benefits to or from third parties of the following nature:

- **Payments for third-party services**: The Company may retain the services of third-party consultants; typically this is for an independent director or other investment management specialist expertise. The amount paid varies in accordance with the nature of the service and the length of the service period and is usually, but not always, paid or reimbursed by the portfolio companies. The payment may involve a flat fee, retainer or success fee. Such payments, where borne by the Company, are included within Operating expenses. In some circumstances, the AIFM may retain the services of third-party consultants which are paid for by the AIFM and not recharged to the Company.

- **Payments for services from 3i companies**: Other 3i companies may provide investment advisory and other services to the AIFM or other 3i companies and receive payment for such service.

19 Unconsolidated subsidiaries and related undertakings

Name	Place of incorporation and operation	Ownership interest
3i Infrastructure (Luxembourg) S.à r.l.	Luxembourg	100%
3i Infrastructure (Luxembourg) Holdings S.à r.l.	Luxembourg	100%
Oystercatcher Luxco 1 S.à r.l.	Luxembourg	100%
Oystercatcher Luxco 2 S.à r.l.	Luxembourg	100%
Oystercatcher Holdco Limited	UK	100%
3i Osprey LP	UK	69%
3i India Infrastructure Fund A LP	UK	100%
BIF WIP LP	UK	100%
BIF WIP Dutch Holdco B.V.	The Netherlands	100%
3i Infrastructure (Netherlands) B.V. (formerly Heijmans Capital B.V.)	The Netherlands	100%
NMM Company B.V.	The Netherlands	100%
Heijmans A12 B.V.	The Netherlands	100%
3i ERRV Denmark Limited	Jersey	100%
3i WIG Limited	Jersey	100%
3i Envol Limited	Jersey	100%
3i Tampnet Holdings Limited	UK	100%
3iN Attero Holdco Limited	UK	100%
Blitz F21-368 GmbH	Germany	100%
Blitz F21-369 GmbH	Germany	100%
Joulz Group:		
Joulz Holdco B.V.	The Netherlands	99%
Joulz Bidco B.V.	The Netherlands	99%
Joulz Diensten B.V.	The Netherlands	99%
Joulz Meetbedrijf B.V.	The Netherlands	99%
Joulz Infradiensten B.V.	The Netherlands	99%
Joulz Laadoplossingen B.V.	The Netherlands	99%
Ionisos Group:		
Epione Holdco SAS	France	96%
Epione Bidco SAS	France	96%
Ionisos Mutual Services SAS	France	96%
Ionisos SAS	France	96%
Ionisos GmbH	Germany	96%
Ionmed Esterilizacion SA	Spain	96%
Scandinavian Clinics Estonia OÜ	Estonia	96%
Steril Milano Srl	Italy	96%
Infinis Group:		
3i LFG Topco Limited	Jersey	100%
Infinis Energy Group Holdings Limited	UK	100%
Infinis Energy Management Limited	UK	100%
Infinis Limited	UK	100%
Infinis (Re-Gen) Limited	UK	100%
Novera Energy (Holdings 2) Limited	UK	100%
Novera Energy Generation No. 1 Limited	UK	100%
Novera Energy Operating Services Limited	UK	100%

Name	Place of incorporation and operation	Ownership interest
Gengas Limited	UK	100%
Novera Energy Generation No. 2 Limited	UK	100%
Renewable Power Generation Limited	UK	100%
Novera Energy Generation No. 3 Limited	UK	100%
Costessey Energy Limited	UK	100%
Mayton Wood Energy Limited	UK	100%
Infinis Alternative Energies Limited	UK	100%
Infinis Energy Services Limited	UK	100%
Novera Energy Services UK Limited	UK	100%
Infinis China (Investments) Limited	UK	100%
Infinis (COE) Limited	UK	100%
Infinis Hydro Holdings Limited	UK	100%
Infinis Energy Storage Limited	UK	100%
Novera Energy Pty Limited	UK	100%
Novera Energy Limited	UK	100%
Barbican Holdco Limited	UK	100%
Barbican Bidco Limited	UK	100%
Alkane Energy Limited	UK	100%
Alkane Biogas Limited	UK	100%
Alkane Energy UK Limited	UK	100%
Alkane Services Limited	UK	100%
Seven Star Natural Gas Limited	UK	100%
MW Renewables Limited	UK	100%
Regent Park Energy Limited	UK	100%
Leven Power Limited	UK	100%
Rhymney Power Limited	UK	100%
Alkane Energy CM Holdings Limited	UK	100%
Alkane Energy CM Limited	UK	100%
Infinis Solar Holdings Limited	UK	100%
Infinis Solar Developments Limited	UK	100%
Infinis Solar Limited	UK	100%

The list above comprises the unconsolidated subsidiary undertakings of the Company as at 31 March 2021.

There are no current commitments or intentions to provide financial or other support to any of the unconsolidated subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support except for those disclosed in Note 16 (2020: none). No such financial or other support was provided during the year (2020: none).

There are no significant restrictions on the ability of any of the unconsolidated subsidiaries to transfer funds to the Company in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiaries.

Oystercatcher Luxco 2 S.à r.l. has total borrowings of €228 million or £194 million (2020: €227 million, £201 million). These consist of three euro denominated term loans (EUR Private Placement ('PP') tranches) totalling €183 million or £156 million and a Singapore dollar denominated term loan (SGD PP tranche) of SGD 71 million or £38 million. The EUR and SGD PP tranches are with financial institutions.

The three EUR PP tranches are repayable between March 2026 and December 2027 and the SGD PP tranche in March 2029. The facilities have certain loan covenants including interest cover ratios and a leverage ratio which may restrict the future payment of cash dividends from the subsidiary. RBC Europe Ltd, as security agent, has security over the equity investments held by Oystercatcher Luxco 2 S.à r.l. The value of this security at 31 March 2021 was £347 million (2020: £347 million).

Investment policy (unaudited)

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 Manager, that that is the most appropriate and effective means of investing), which may be advised or managed either by the Investment Manager or a third party. If the Company invests in another fund advised or managed by 3i Group, the relevant proportion of any advisory or management fees payable by the investee fund to 3i plc will be deducted from the annual management fee payable under the Investment Management Agreement and the relevant proportion of any performance fee will be deducted from the annual performance fee, if payable, under the Investment Management 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 25% of the Company's gross assets, including cash holdings, at the time of making the investment. It is expected that most individual investments will exceed £50 million. In some cases, the total amount required for an individual transaction may exceed the maximum amount that the Company is permitted to commit to a single investment. In such circumstances, the Company may consider entering into co-investment arrangements with 3i Group (or other investors who may also be significant shareholders), pursuant to which 3i Group and its subsidiaries (or such other investors) may co-invest on the same financial and economic terms as the Company. The suitability of any such co-investment arrangements will be assessed on a transaction-by-transaction basis. 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 Company (valuing investments on the basis included in the Company'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.

Statement of Directors' responsibilities

In accordance with the FCA's Disclosure Guidance and Transparency Rules, the Directors confirm to the best of their knowledge that:

(a) the Financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and

(b) the Annual report and accounts include a fair review of the development and performance of the business and the position of the Company taken as a whole, together with a description of the principal risks and uncertainties faced by the Company.

The Directors of the Company and their functions are listed below. The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2021.

Richard Laing
Chair
10 May 2021

Board of Directors and their functions

Richard Laing
Non-executive Chair and Chair of the Nominations Committee and the Management Engagement Committee.

Doug Bannister
Non-executive Director.

Wendy Dorman
Non-executive Director and Chair of the Audit and Risk Committee.

Samantha Hoe-Richardson
Non-executive Director.

Robert Jennings CBE
Non-executive Director.

Ian Lobley
Non-executive Director.

Paul Masterton
Senior Independent Director and Chair of the Remuneration Committee.

Portfolio valuation methodology (unaudited)

A description of the methodology used to value the investment portfolio of 3i Infrastructure ('the Company') is set out below in order to provide more detailed information than is included within the accounting policies and the Investment Manager's review for the valuation of the portfolio. The methodology complies in all material aspects with the International Private Equity and Venture Capital valuation guidelines which are endorsed by the British Private Equity and Venture Capital Association and Invest Europe.

Basis of valuation

Investments are reported at the Directors' estimate of fair value at the reporting date in compliance with IFRS 13 Fair Value Measurement. Fair value is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.

General

In estimating fair value, the Directors seek to use a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the overall portfolio. The methodology that is the most appropriate may consequently include adjustments based on informed and experience-based judgements, 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 judgements and making necessary estimates.

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

Quoted investments

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

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

Discounted Cash Flow ('DCF');

Proportionate share of net assets;

Sales basis; and

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, including contracted and uncontracted revenues, expenses, capital expenditure, financing and taxation, and the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The terminal value attributes a residual value to the investee company at the end of the projected discrete cash flow period. The discount rate will be estimated for each investment derived from the market risk-free rate, a risk-adjusted premium and information specific to the investment or market sector.

Proportionate share of net assets

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

Sales basis

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

Cost less fair value adjustment

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

Glossary

Alternative Investment Fund ('AIF') 3i Infrastructure plc is an AIF managed by 3i Investments plc.

Alternative Investment Fund Manager ('AIFM') is the regulated manager of an AIF. For 3i Infrastructure plc, this is 3i Investments plc.

Approved Investment Trust Company This is a particular UK tax status maintained by 3i Infrastructure plc. An approved Investment Trust company is a UK tax resident company which meets certain conditions set out in the UK tax rules which include a requirement for the company to undertake portfolio investment activity that aims to spread investment risk and for the company's shares to be listed on an approved exchange. The 'approved' status for an investment trust must be agreed by the UK tax authorities and its benefit is that certain profits of the company, principally its capital profits, are not taxable in the UK.

Association of Investment Companies ('AIC') The Association of Investment Companies is a UK trade body for closed-ended investment companies.

Board The Board of Directors of the Company.

Capital reserve recognises all profits that are capital in nature or have been allocated to capital. These profits are distributable by way of a dividend.

Company 3i Infrastructure plc.

Discounting The reduction in present value at a given date of a future cash transaction at an assumed rate, using a discount factor reflecting the time value of money.

External auditor The independent auditor, Deloitte LLP.

Fair value through profit or loss ('FVTPL') is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains and losses on assets and liabilities measured as FVTPL are recognised directly in the Statement of comprehensive income.

FY15, FY18, FY20, FY21, FY22 refers to the financial years to 31 March 2015, 31 March 2018, 31 March 2020, 31 March 2021 and 31 March 2022 respectively.

Initial Public Offering ('IPO') is the mechanism by which a company admits its stock to trading on a public stock exchange. 3i Infrastructure plc completed its IPO in March 2007.

International Financial Reporting Standards ('IFRS') are accounting standards issued by the International Accounting Standards Board ('IASB'). The Company's financial statements are required to be prepared in accordance with IFRS, as endorsed by the EU.

Investment income is that portion of income that is directly related to the return from individual investments and is recognised as it accrues. It is comprised of dividend income, income from loans and receivables and fee income. It is recognised to the extent that it is probable that there will be an economic benefit and the income can be reliably measured.

Key Performance Indicator ('KPI') is a measure by reference to which the development, performance or position of the Company can be measured effectively.

Money multiple is calculated as the cumulative distributions or realisation proceeds plus any residual value divided by invested or paid-in capital.

Net asset value ('NAV') is a measure of the fair value of all the Company's assets less liabilities.

Net assets per share ('NAV per share') is the NAV divided by the total number of shares in issue.

Net gains on investments is the movement in the fair value of investments between the start and end of the accounting period, or investment disposal date, or the investment acquisition date and the end of the accounting period, including divestment related costs where applicable, converted into sterling using the exchange rates in force at the end of the period.

Ongoing charges A measure of the annual recurring operating costs of the Company, expressed as a percentage of average NAV over the reporting period.

Public Private Partnership ('PPP') is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

Retained reserves recognise the cumulative profits to 15 October 2018, together with amounts transferred from the Stated capital account.

Revenue reserve recognises all profits that are revenue in nature or have been allocated to revenue.

Revolving credit facility ('RCF') A £300 million facility provided by the Company's lenders with a maturity date in April 2023.

SORP means the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts.

Stated capital account The Stated capital account of the Company represents the cumulative proceeds recognised from share issues or new equity issued on the conversion of warrants made by the Company net of issue costs and reduced by any amount that has been transferred to Retained reserves, in accordance with Jersey Company Law, in previous years.

TCFD is the Task Force on Climate-related Financial Disclosures.

Total return measured as a percentage, is calculated against the opening NAV, net of the final dividend for the previous year, and adjusted (on a time weighted average basis) to take into account any equity issued and capital returned in the year.

Total shareholder return ('TSR') is the measure of the overall return to shareholders and includes the movement in the share price and any dividends paid, assuming that all dividends are reinvested on their ex-dividend date.