5 May 2011

Results for the year to 31 March 2011

Renewed investment momentum

	Investment basis[1]		Consolidated IFRS basis[2]	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
Total return	£85.5m	£82.5m	£86.8m	£81.2m
Total return on shareholders' equity	9.2%	9.3%	9.3%	9.3%
Total dividend per share	5.72p	5.50p	5.72p	5.50p
Diluted net asset value ("NAV") per share	120.3p	116.3p	120.9p	116.7p
Diluted NAV per share after deducting final dividend of 2.86p	117.4p	113.0p	117.9p	113.4p
Portfolio value	£821.7m	£648.1m	1,093.3m	£926.5m
Cash balances	£174.6m	£313.7m	176.3m	£314.0

(1) The investment basis accounts for majority investments and subsidiaries formed specifically for investment purposes in the same way as minority investments and does not consolidate these entities as required by International Financial Reporting Standards ("IFRS").
(2) For the consolidated IFRS basis, the total return in this measure is the total comprehensive income attributable to equity holders of the parent and does not include minority interests. The gross consolidated total comprehensive income for the year was £99.5 million (2010: £94.1 million).

Commentary

- Steady NAV progression: total return of £85.5 million, or 9.2% on shareholders' equity
- Strong portfolio income generation: £69.3 million, more than double the portfolio income generated last year, covering the dividend objective for the year
- Renewed momentum in investment activity: £187.5 million invested, and four new assets added to the portfolio in the year
- Stable underlying asset performance: 1.4% growth in EBITDA of underlying equity investments over the prior year
- Solid investment track record: 19.0% annualised asset IRR since inception

Peter Sedgwick, Chairman of 3i Infrastructure plc, said: "The investment in Eversholt and the further investments in India strengthen the Company's existing portfolio, which has continued to perform well throughout the year, generating strong income. The Board looks forward to building on this positive momentum, and is working with the Investment Adviser to develop the pipeline for the next financial year."

Cressida Hogg, Managing Partner, Infrastructure, 3i Investments plc, added: "The infrastructure market continues to be relatively rich in opportunities, with the role of financial investors well established. The Investment Adviser's comprehensive market access, focused investment strategy and solid operational understanding of the asset class will be key to achieving the Company's return objectives in the years to come."

– ends –

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

Notes to editors

3i Infrastructure plc is a Jersey-incorporated, closed-ended investment company that invests in infrastructure businesses and assets and is regulated by the Jersey Financial Services Commission. The Company is building a diversified portfolio of infrastructure investments across the globe, with a focus on Europe and India. As of 31 March 2011, 3i Infrastructure had a portfolio of 17 assets valued at £822 million, and net assets of £996 million. The Company listed on the London Stock Exchange in March 2007, raising £703 million in an initial public offering and a further £115 million in a subsequent placing and open offer in July 2008, and is a constituent of the FTSE 250 index.

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

The results of 3i Infrastructure plc for the year to 31 March 2011 have been drawn up in reliance upon applicable English and Jersey law and the liabilities of the Company in connection with that report shall be subject to the limitations and restrictions provided by such law. This report may contain certain statements about the future outlook for 3i Infrastructure plc. Although the Directors believe their expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Chairman's statement

This has been an important year for 3i Infrastructure plc ("3i Infrastructure", or "the Company"), which saw continued good asset performance and significant investment momentum. During the year, the Board also focused on securing liquidity in the medium term by signing a new revolving credit facility, it extended the Company's advisory agreement and investment exclusivity with the Investment Adviser, and it implemented procedures to ensure compliance with the new UK Corporate Governance Code.

Performance

3i Infrastructure delivered steady growth in net asset value during the year to 31 March 2011. Total comprehensive income attributable to the equity holders of the parent, on a consolidated basis, totalled £86.8 million for the year, a return of 9.3% on opening shareholders' equity.

On the investment basis, which the Board also uses to monitor investment performance, the return was £85.5 million, or 9.2% on opening shareholders' equity. The return was underpinned principally by the strong income generated from the portfolio assets, totalling £69.3 million in the year, more than double the income generated last year, reflecting the strong operational performance of the asset portfolio.

Dividend

On the basis of these results, the Board is pleased to propose a final dividend payment of 2.86 pence per share. This, added to the interim dividend of 2.86 pence per share paid in January 2011, brings the total dividend to 5.72 pence per share, or 5% of opening shareholders' equity, in line with the Company's return objectives and represents an increase of 4% over the previous year.

Investment and realisations

The Company invested a total of £187.5 million, adding four new investments to the portfolio. These include the direct investment in Eversholt, as well as three investments completed through the 3i India Infrastructure Fund ("the Fund").

The acquisition of Eversholt in December 2010 was very important in the implementation of the Company's strategy of growing its "core" infrastructure portfolio, building towards the delivery of the return objectives. Eversholt, one of the three leading rail rolling stock leasing companies in the UK, is a profitable transport asset with stable contracted revenues, a strong market position and defensive characteristics. The investment has already contributed strongly to portfolio income for this financial year.

The opportunity for infrastructure investment in India is exciting and the Board is pleased with the three new assets added by the Fund in the year. These include two power projects (GVK Energy and Ind-Barath Utkal) and one toll road operator (KMC Roads), providing the Company with additional exposure to these two rapidly growing sectors through the Fund's partnerships with established promoters with a strong track record of delivery.

Developments in the debt markets have provided the backdrop for most of the divestment activity during the year and in the period following the financial year end. In October 2010 the Company completed the sale of its Viridian junior debt investment, generating proceeds of £46.8 million. In April 2011 the Thames Water tranche was repaid in full by the borrower before its full term, and the NGW Arqiva tranche was sold, generating proceeds of £55.4 million in aggregate.

Liquidity and Investment Advisory Agreement
With a significant portion of the cash balances invested, the Board looked to secure the Company's liquidity in the medium term. In November 2010, 3i Infrastructure signed a three-year, £200 million revolving credit facility with a syndicate of five major banks. This replaced the £225 million revolving credit facility signed in March 2008, which was due to expire in March 2011.

In December 2010 the Company also extended its Investment Advisory Agreement with 3i Investments plc. The renegotiation achieved two key objectives: (i) it extended the exclusivity arrangements between the Company and 3i Investments plc by a further £200 million, and (ii) it extended the fixed duration of the agreement by three years from March 2012 to March 2015.

With the investment exclusivity and the agreement with the Investment Adviser extended, and with the Company's liquidity secured over the medium term, the Company has a solid platform from which to invest.

Corporate governance and Board
The Company aims to uphold the highest standards of corporate governance and has chosen to comply fully with all applicable provisions of the Combined Code on Corporate Governance.

During the year, the Financial Reporting Council updated and reissued the UK Corporate Governance Code ("the Code"), which will now apply to all companies with a premium listing on the London Stock Exchange. The Board has conducted a thorough appraisal of the new Code and has implemented a number of changes to its procedures, to ensure that the Company complies with all applicable provisions of the new Code. These changes are described in greater detail in the Corporate governance statement in our Annual report, and include the annual re-election of all Directors and the creation of a Remuneration Committee.

Due to the nature of the Company, it is important that the members of its Board have a broad variety of skills and experience. Florence Pierre, a French national, was appointed to the Board as a non-executive Director in September 2010, bringing with her over 25 years of experience in European mergers and acquisitions and general corporate finance advisory activity.

Outlook
The investment in Eversholt and the further investments in India strengthen the Company's existing portfolio, which has continued to perform well throughout the year, generating strong income. The Board looks forward to building on this positive momentum, and is working with the Investment Adviser to develop the pipeline for the next financial year.

Peter Sedgwick – Chairman
4 May 2011

Investment Adviser's review

About the Investment Adviser
3i Investments plc ("3i Investments"), a wholly-owned subsidiary of 3i Group plc ("3i Group"), acts as the investment adviser (the "Investment Adviser") to the Company through its infrastructure investment team (the "investment advisory team").

The investment advisory team provides advice to the Company on the origination and completion of new investments, on the realisation of investments and on funding requirements, as well as on the management of the investment portfolio.

The investment advisory team is managed as a separate business line within 3i Group and operates from hubs in London and India. All investment professionals have significant experience in investing in, or advising on, infrastructure or private equity assets. The investment advisory team can also draw on 3i Group's network of investment professionals, based in 13 countries, to originate infrastructure investment opportunities.

3i Group was among the subscribers to 3i Infrastructure's Initial Public Offering and subsequent Placing and Open Offer and currently owns 32.9% of the equity in the Company.

The infrastructure asset class – key characteristics Infrastructure assets generally have a strong market position, often operating within regulated markets, or with revenues underpinned by strong, long-term contracts.

Infrastructure assets can be described as "essential", either because they support economic activity and economic growth, such as utilities or transport infrastructure, or because they support important social functions, such as education or healthcare facilities. Infrastructure assets are typically characterised by the following features:

– Strong market positions
– Capital-intensive businesses
– Some degree of inflation linkage
– Low cyclical volatility
– Predictable, income-oriented returns when operational
– Potential for capital growth

Infrastructure assets typically have only a low correlation with other asset classes, including equities and fixed income. The quality and predictability of cash flows tends to result in attractive distributions to shareholders.

Investment strategy
3i Infrastructure's objective is to provide shareholders with a total return of 12% per annum, to be achieved over the long term. Within this overall objective, the Company targets an annual distribution yield of 5% of opening net asset value.

In advising the Company on delivering this overall objective, the Investment Adviser will seek to add value by buying assets at the appropriate value point, by applying consistent and rigorous portfolio management to drive good operational performance in the portfolio assets and by encouraging portfolio companies to invest for long-term value creation.

Investment Adviser’s approach

1 Rigorous approach to investment
2 Best-in-class portfolio management
3 Investing for long-term value creation

1. Rigorous approach to investment - Consistent investment strategy

The Investment Adviser’s strategy is to build a portfolio that delivers a balance of yield and capital growth, in line with the Company’s return objectives.

The infrastructure asset class is well suited to this strategy, as it offers the possibility of diversifying investments across the risk/ return spectrum. As shown in more detail in Table 1, the infrastructure asset class can be subdivided into three main categories of assets: (i) social infrastructure/PPP/PFI; (ii) “core” infrastructure and (iii) “hybrid” infrastructure. The characteristics of each category are described in Table 1. Returns from these assets typically range between 8% and 15% or greater, depending on the risks associated with the investment. Yields generated from the assets also vary, depending, among other factors, on the stage of development of the asset (eg assets under construction versus operational assets).

The Company aims to deliver the 12% net return over the long term by building a portfolio which is predominantly weighted towards mature “core” infrastructure assets.

As shown in Table 1, nearly 70% of 3i Infrastructure’s portfolio is weighted towards mature “core” assets, with the 15% exposure to PFI/PPP assets providing support to the delivery of the yield objective, and the 16% “hybrid” exposure through the 3i India Infrastructure Fund providing higher capital growth. This is a defensive portfolio, which has delivered steady returns and a robust cash yield in times of macroeconomic and market uncertainty.

Table 1: Risk/return spectrum and asset distribution, value at 31 March 2011

	Social Infrastructure/PPP/PFI	**“Core” infrastructure**	**“Hybrid” infrastructure**
Returns	8-12%	10-16%	>15%
Characteristics	High inflation correlation Mainly government-backed revenue streams Lower risk/return profile with strong yield when fully operational	Low volume / market / GDP risk Quasi monopolies, concessions with regulatory protection or long-term contracts Asset backed, with low volatility across economic cycles	Higher risk characteristics - country risk - market/volume risk - GDP correlation Operational expertise in managing the assets is more important
Portfolio asset distribution	£121m	£566m	£135m

Premium origination and execution skills
Many transactions in the "core" infrastructure space are large and complex, requiring first-class origination and execution skills. These include an in-depth knowledge of the target sectors and geographies, a sound operational understanding of the target assets and of their regulatory regimes, as well as the ability to deliver a highly efficient financing structure. The Investment Adviser brings these skills to bear in its origination and execution activity on behalf of the Company.

The Investment Adviser adopts a rigorous approach to the assessment of investment opportunities, ensuring that only those that best fit the Company's strategy and that can contribute to the delivery of its return objectives are taken through the initial screening. The team then undertakes extensive due diligence on each opportunity, including consideration of market and specific sector risks, as well as of corporate responsibility issues, prior to any recommendation to the Board.

The Investment Adviser is focusing on developing its pipeline for the next financial year. In doing so, it leverages the resources of its main infrastructure hubs of London and Mumbai, as well as the wider resources of 3i Group. It focuses on building proprietary knowledge and networks in target sectors and geographies, its comprehensive approach to origination ensuring that a high proportion of the opportunities in the market are evaluated and screened.

Rigorous approach to investment:

Eversholt Rail Group
The £2.1 billion acquisition of Eversholt this year in consortium with Morgan Stanley Infrastructure Partners and STAR Capital Partners contributed significantly towards the achievement of a portfolio weighted in favour of "core" assets. Eversholt is one of the three leading rail rolling stock companies in the UK, and owns approximately 29% of the total British rail fleet. The acquisition, completed in December 2010, was immediately accretive to NAV and income and provided exposure to a profitable transport asset with stable contracted revenues, a strong market position and defensive characteristics.

The Investment Adviser's market access and execution skills were key to the success of the transaction. The team was able to obtain exclusivity very early in the process by partnering with a credible consortium with in-depth knowledge of Eversholt's market, an understanding of the value drivers and of the value opportunity, as well as the skills required to put together the complex financing package.

Since investing, the consortium has been implementing a comprehensive 100-day post acquisition programme. This has focused on strengthening Eversholt's leadership through the appointment of a new chairman, on a comprehensive assessment of operational targets, and on refinancing most of the debt in the acquisition structure. Three new public bonds have been issued by Eversholt since December 2010, for a total of £1.1 billion, attracting strong demand from public market investors. All are long dated and were priced at attractive terms, significantly reducing the ongoing interest costs and refinancing risk.

2. Best-in-class portfolio management
Infrastructure assets typically have strong market positions, backed by concessions or some form of regulatory protection, have low cyclical volatility and provide predictable, income-oriented returns over the long term.

Mature infrastructure assets tend to be held over long periods of time, as income is generally a more important component of the return for these types of assets than capital growth and matches investors' long-term liabilities. Value, which can be enhanced through gradual and incremental improvements in the assets' operational performance, is delivered in large part through income, and less often through realised profits following a sale.

The Company's intention, therefore, is generally to hold investments over the long term and to generate income from these assets over time. Matching the long-term hold period of the underlying assets with evergreen funding was the principal reason for structuring the Company as a listed vehicle with permanent capital. However, investments in the 3i India Infrastructure Fund, which are at an earlier stage of their development, may be held for a shorter period.

Portfolio management is a key area of focus for the Investment Adviser and is an important tool in achieving the Company's return objectives. The Investment Adviser works with portfolio companies to develop and refine business strategies to deliver improvements in operational performance, and to monitor key indicators to ensure that any issues are identified and acted upon quickly. The Company is represented, generally through the Investment Adviser, on the boards of all its equity investments.

3i Infrastructure will sell assets on an opportunistic basis, where compelling offers generate shareholder value, as was the case for Alma Mater and I^2 in 2008 and 2009, or where there are asset specific reasons for a disposal, as for the Viridian junior debt investment.

Table 2 illustrates how this portfolio management strategy has delivered strong returns from the portfolio assets. In particular, the table shows that: (i) the return is underpinned in the vast majority of cases by substantial cash generation in the form of income or realised proceeds; (ii) most assets can return a significant proportion of their cost through income in a relatively short period of time, and (iii) where assets have been sold, notably in the PFI portfolio, they have generated good uplifts to cost.

In total, against a total investment cost of £863 million, the portfolio has already returned cash income of £143 million since inception, and realised proceeds of £273 million, including realised profits over cost of £57 million.

Table 2: Portfolio asset returns throughout holding period (£m)

Asset	Total cost	Value at 31 March 2011 including accrued interest	Proceeds on disposals	Cash income
AWG	173	197	11	62
Eversholt	151	167	-	7
Oystercatcher	85	120	-	34
Junior debt portfolio	120	90	50	17
3i India Infrastructure Fund	94	135	-	-
PFI portfolio	222	122	202	23
T2C and Novera	18	-	10	-

3. Investing for long-term value creation

Driving income generation from portfolio assets is crucial to the delivery of the Company's return objectives. Returns from "core" infrastructure assets, however, also have a significant capital growth component, which is maximised through capital investment for long-term development. As a consequence, it is important that portfolio companies are encouraged to invest in expansion projects that deliver value accretion over the long term.

The Investment Adviser works with management teams to devise and implement long-term development strategies. This requires an in-depth knowledge of market and sector dynamics, as well as an understanding of the long-term value drivers for each of the assets.

The Investment Adviser has been applying these skills very successfully to the Company's investment in Oystercatcher, which was valued at £119.6 million at 31 March 2011 relative to an investment cost of £84.5 million, and which has delivered income of £34.4 million since 3i Infrastructure's investment in August 2007. The case study below shows that the operating companies in Oystercatcher have invested heavily in expansion projects.

Investing for long-term value creation:

Oystercatcher

Since the Company's initial investment in Oystercatcher in 2007 the Investment Adviser has been actively involved in the assessment of a range of capital expenditure project proposals, both to increase storage capacity and to improve operational effectiveness, at all three terminals.

– In Singapore, a 160,000 cubic metre expansion project was approved in 2008 to accommodate increasing demand from adjacent refineries and petrochemicals industries. This was completed on time and within budget in June 2009. The capacity was let on a use-or-pay basis under a long-term contract to an existing customer.

– In Amsterdam, a 42,000 cubic metre expansion project was approved in 2009 to provide dedicated storage for biodiesel products for a new production facility being constructed beside Oiltanking Amsterdam's site, due to be completed in the summer of 2011. This capacity is also let on a use-or-pay basis under a long-term contract. Along with this, several smaller investments were approved to upgrade throughput and customer service, including higher capacity pumps and new pipeline connections to improve blending capabilities.

– In Malta, investment in a new 13,000 cubic metre tank has recently been approved, to be let on a use-or-pay contract to an existing customer from completion at the end of 2011.

From the year of Oystercatcher's investment to the end of 2010, total capacity at the three terminals has increased by over 12% while annual throughput has increased by over 25%.

This demonstrates the Company's willingness to see its portfolio companies deploy capital in new projects which deliver long-term value accretion.

Market and opportunities

Conditions for investment
Transaction volumes in the infrastructure market increased throughout the year, as investor confidence returned.

Banks' appetite for infrastructure exposure remained, and the continued availability of debt at relatively attractive terms underpinned purchasers' confidence to bid for assets. Demand for capital markets debt issued by strong "core" infrastructure companies also increased, as demonstrated by Eversholt's successful public bond issuance programme.

The outlook for inflation and interest rates will continue to be an important determinant in the conditions for investment going forward. While relatively high inflation is positive for the infrastructure asset class, its impact on interest rates may affect financing, as well as achievable returns.

The opportunity

The market opportunity for infrastructure investment remains positive, and after an intensification of investment activity in the year to March 2011, the Investment Adviser is focusing on building the pipeline for the next financial year.

There are several themes driving the pipeline, many of which we have described before. Our key themes include:

Non-core disposals
Many corporates continue to be under pressure to deleverage their balance sheets. In the case of financial institutions, the evolution of capital adequacy regulations means that regulatory capital buffers will have to be increased, and this is likely to be achieved, at least in part, through the sale of assets. The Company's acquisition of Eversholt Rail Group from HSBC is an example of this.

The pressure to reduce debt is driving many companies to renew focus on their activities in core areas. Examples of this include: utilities selling networks to focus resources on power generation; oil and gas companies exiting midstream assets to focus on upstream activities; and construction companies divesting assets that have completed their construction phase, to recycle capital into new projects.

Public sector budget constraints
As European governments cut spending to tackle public sector deficits, private sector investment in essential infrastructure should increase through privatisations and PPP-style transactions. While we believe this will be the case in the medium to long term, in the shorter term new PFI/PPP procurement may slow, as governments evaluate their priorities and work through the implementation of spending cuts. Some government sales, however, are taking place: for example, the UK government successfully privatised the HS1 rail link in 2010.

Policy drivers
The requirement for new and replacement infrastructure, as well as the shift to the "green economy", may drive government incentives for new infrastructure projects (eg the Green Investment Bank announced by the UK government). Infrastructure may also be used in some countries as a tool for economic stimulus.

Cyclical recovery/market stabilisation
As market conditions are stabilising, there is greater consensus between parties on forecasts and outlook, for example on traffic projections for transportation assets. This may result in an increase in pro-cyclical and volume sensitive assets, such as airports, changing hands in the short to medium term.

Secondary market sales/opportunities from refinancing
Some infrastructure funds are nearing the end of their fund life, and while the first wave of forced exits is probably two to three years away, some funds are looking to sell assets to prove fund valuations. Many of these assets are likely to be sold to other infrastructure funds. There may also be opportunities from the refinancing of assets currently held in infrastructure funds.

India
The opportunity in India remains significant, as shown by the increased level of transaction activity for the 3i India Infrastructure Fund. Strong GDP growth and an increasingly urbanised population continue to drive demand for new build infrastructure. There is political momentum for new infrastructure development in India, and the Indian government continues to place much importance on private sector participation.

The competitive environment

Investors are increasingly attracted to investing in assets with infrastructure characteristics, as they seek protection from volatility in other asset classes and from inflation and other macroeconomic risks.

Significant funds have been raised over the past three to four years, and some investors, most notably sovereign wealth funds and large pension funds, have also begun to invest directly in infrastructure assets.

Growing demand for assets has resulted in greater pricing pressure, in particular in the more liquid segments such as PPP/PFI, and increasingly in the "core" infrastructure segment.

The Investment Adviser's strong track record, particularly in completing complex transactions and working closely with operating partners and other investors, means that 3i Infrastructure is well positioned to see the best deal flow even in more competitive markets.

Outlook

The infrastructure market continues to be relatively rich in opportunities, with the role of financial investors well established. The Investment Adviser is building a diverse pipeline for the next financial year. As pricing pressure for assets increases, however, the Investment Adviser's comprehensive market access, focused investment strategy and solid operational understanding of the asset class will be key to achieving the Company's return objectives in the years to come.

Portfolio

Table 3 below summarises the valuation and changes to the portfolio for the year, as well as the return per asset. Tables 4, 5 and 6 below illustrate the breakdown of the portfolio by geography, sector and maturity as at 31 March 2011.

All the financial information presented in this section is prepared according to the investment basis of preparation.

Table 3
Portfolio summary on an investment basis (£m)

Portfolio assets	Directors' valuation 31 March 2010	Investment in the year	Divestment in the year	Value movement	Foreign exchange translation
AWG	193.6	-	-	2.3	-
Eversholt	-	151.1	-	9.6	-
3i India Infrastructure Fund	97.9	35.2	-	7.5	(5.9)
Oystercatcher	118.8	-	-	1.8	(1.0)
Junior debt portfolio	123.7	-	(43.2)	10.0	(0.3)
Elgin	38.7	-	-	1.5	-
I^2 loan notes	30.4	1.2[(2)]	-	-	-
Octagon	28.8	-	-	2.3	-
Alpha Schools	16.2	-	-	1.5	-
T2C	0.0	-	-	-	-
	648.1	187.5	(43.2)	36.5	(7.2)

Table 3 continued - Portfolio summary on an investment basis (£m)

Portfolio assets	**Directors' valuation 31 March 2011**	Profit on disposal	Income in the year[(1)]	**Asset total return in the year**
AWG	**195.9**	-	27.0	**29.3**
Eversholt	**160.7**	-	6.5	**16.1**
3i India Infrastructure Fund	**134.7**	-	-	**1.6**
Oystercatcher	**119.6**	-	13.7	**14.5**
Junior debt portfolio	**90.2**	3.6	6.3	**19.6**
Elgin	**40.2**	-	3.3	**4.8**
I^2 loan notes	**31.6**	-	2.5	**2.5**
Octagon	**31.1**	-	3.1	**5.4**
Alpha Schools	**17.7**	-	1.4	**2.9**
T2C	**0.0**	-	-	**-**
	821.7	3.6	63.8	**96.7**

(1) Relates to dividend and interest income. For Eversholt, an additional £6.8 million was received as a fee.
(2) Capitalised loan note interest.

Table 4

Asset portfolio by geography	
UK and Ireland	64%
Continental Europe	20%
Asia	16%

Table 5

Asset portfolio by sector	
Social infrastructure	15%
Transportation	42%
Utilities	43%

Table 6

Asset portfolio by maturity	
Early stage	9%
Operational growth	7%
Mature	84%

Movements in portfolio value

As set out in Table 7, the value of 3i Infrastructure's portfolio increased from £648.1 million to £821.7 million over the course of the financial year.

The components of this value movement are investment of £187.5 million, divestment of £43.2 million, an unrealised value growth of £36.5 million, and foreign exchange losses (before hedging) of £7.2 million.

Table 7
Reconciliation of the movement in portfolio value on an investment basis (£m)

Opening portfolio value at 1 April 2010	648.1
Investment	187.5
Realisations	(43.2)
Value movement	36.5
Foreign exchange movement	(7.2)
Closing portfolio value at 31 March 2011	821.7

Investment
Investment activity increased in the year to 31 March 2011, with total investment of £187.5 million (2010: £73.4 million). Four new investments were completed, with a total value of £186.3 million, of which one, Eversholt Rail Group, was a direct investment and three were completed through the 3i India Infrastructure Fund (the "Fund"). Total investment also includes capitalised interest of £1.2 million from the I^2 loan notes. An additional US$14.0 million (£8.7 million) was committed in the year to fund the second tranche of the acquisition of GVK Energy by the 3i India Infrastructure Fund, but has not yet been drawn down.

Eversholt Rail Group
In November 2010 3i Infrastructure, in consortium with Morgan Stanley Infrastructure Partners and STAR Capital Partners, announced it had agreed to acquire Eversholt Rail Group ("Eversholt") from HSBC Asset Finance (UK) Limited, a wholly owned subsidiary of HSBC Holdings plc.

The transaction, which achieved financial close in December 2010, valued Eversholt's gross assets at approximately £2.1 billion, and the consortium financed the acquisition through a combination of equity and debt. 3i Infrastructure contributed £151.1 million as part of the total consideration.

A full description of the Company's investment in Eversholt, as well as of the investment rationale, can be found in the Review of investments section.

3i India Infrastructure Fund
The Fund completed three new investments in the year, two power assets and one toll road developer and operator. The rapidly growing Indian power generation market is an attractive area for investment, as the continuing imbalances between power demand and supply in India are expected to continue over the next decade. The Indian road sector has seen similar growth, as the Indian government remains focused on relieving road congestion and improving accessibility. Like the other investments in the Fund, all three investments have been made alongside strong local promoters with an established track record of delivery in their respective sectors.

GVK Energy Limited ("GVK Energy") is developing a power portfolio comprising an operational capacity of 915MW, with a further 3,132MW under various stages of development. The GVK Energy portfolio is differentiated from other power projects in the

Fund, as it is mainly gas fired. The Fund invested US$177.9 million (£112.5 million) for a substantial minority stake in GVK Energy in December 2010, with GVK Power and Infrastructure, GVK Energy's parent company, retaining a majority. 3i Infrastructure's share of this investment was US$37.2 million (£23.7 million), of which US$23.3 million (£15.0 million) was drawn by the Fund on announcement, with the remainder expected to be drawn over the next financial year.

Ind-Barath (Utkal) Limited ("Ind-Barath Utkal"), is building a 700MW coal-fired power plant based in the state of Orissa. The Fund invested US$45.2 million for a minority stake in Ind-Barath Utkal in March 2011, with the company's parent, Ind-Barath Power Infra Limited, a developer of power projects, retaining the majority. The Company's share of the investment was US$9.5 million (£5.8 million).

KMC Infratech Limited ("KMC Roads"), is a subsidiary of KMC Constructions Limited ("KMCCL"), a Hyderabad-based infrastructure engineering and construction company. KMC Roads is KMCCL's "build, operate and transfer" roads business. Its portfolio currently comprises 10 such projects, totalling c. 1,000 kilometres across India, making it one of the largest road portfolios in the country and a strong platform for future BOT road projects. The Fund invested US$111.4 million (£68.6 million) for a substantial minority in KMC Roads in March 2011, of which the Company's share was US$23.3 million (£14.3 million).

Realisations

In October 2010, the Company sold the entirety of its holding in one of Viridian's junior debt facilities (Electricinvest Holding Company Limited £500 million Junior Facility), for £46.8 million, representing a profit over original cost of £4.8 million. The Viridian position, built over the course of 2008 and 2009, was valued at £43.2 million at 31 March 2010.

Unrealised value movement

The portfolio generated an unrealised value gain of £36.5 million (2010: £66.8 million). This was lower than last year due to the impact on value of strong income receipts, as well as to a smaller increase in value from the mark-to-market valuation of the junior debt portfolio.

As shown in Table 8, the mark-to-market valuation of the junior debt portfolio increased by 12% in the year, from £80.5 million at 31 March 2010 to £90.2 million at 31 March 2011 (2010: 38%). The March 2011 figures above are net of the divestment of the Viridian debt holding in October 2010. The increase in value was due in part to the market-wide recovery in the trading of junior debt instruments, and underpinned by the performance of the junior debt portfolio's underlying companies. In particular, the Thames Water junior debt tranche, which was repaid in full by the borrower in early April 2011, was valued at close to par at 31 March 2011.

The majority of the Company's portfolio saw positive value movements, offset in most cases by the strong levels of income generated by the portfolio assets this year.

Eversholt was valued at £160.7 million at 31 March 2011, compared to a total consideration for the acquisition of £151.1 million. This increase reflects the successful refinancing of a substantial part of the acquisition debt, and good operational performance since acquisition.

Table 8 **Junior debt valuation movements** (£m)	**Cost**	**Value at 31 March 2011**	Value at 31 March 2010	Value movement
Viridian[1]				
Electricinvest Holding Company Limited £500 million Junior Facility	**42.0**	**n/a**	43.2	n/a
NGW Arqiva				
Macquarie UK Broadcast Enterprise Limited £475 million Junior Facility	**32.4**	**32.3**	29.7	2.6
Télédiffusion de France				
Tyrol Acquisition 2 SAS €470 million Second Lien Facility	**24.2**	**36.8**	33.4	3.4[2]
Thames Water				
Kemble Water Structure Limited £835 million Term Loan Facility	**18.9**	**21.1**	17.4	3.7
	117.5	**90.2**	123.7	9.7

(1) Sold in October 2010 for £46.8 million.
(2) Includes a £0.3 million exchange loss.

The assets with revenues and value most linked to inflation, **AWG** and the **PFI portfolio**, benefited from an increase in inflation during the year. The positive impact of higher inflation, however, was offset in several cases by the strong levels of income paid to the Company. AWG, in particular, paid a higher dividend this year than in 2010, following the rebound in RPI and the regulatory capital value adjustment at the beginning of the new regulatory period.

The value of the **3i India Infrastructure Fund**, including exchange movements, was broadly in line with last year (before new investment), as the decline in the mark-to-market value of Adani Power largely offset gains elsewhere in the Fund's portfolio.

Foreign exchange impact

Foreign exchange rates were volatile throughout the year. As set out in Table 9, movements in foreign exchange generated net losses of £4.3 million on non sterling assets. Sterling appreciated by 5% against the Indian rupee in the year, resulting in foreign exchange losses of £5.1 million for the Company, as its exposure to the Indian rupee through the 3i India Infrastructure Fund remains unhedged. The Board has monitored the rupee exposure on a regular basis. During the year, sterling also appreciated by 1% against the euro, but the resulting losses were more than offset by foreign exchange derivatives entered into to provide some mitigation from movements in the sterling/euro exchange rate (the "euro hedging programme").

Table 9 **Impact of foreign exchange movements on portfolio value** (£m)	
	Year to 31 March 2011
Translation of assets £/€	(1.3)
Translation of assets £/US$	(5.9)
Foreign exchange losses on investments	**(7.2)**
Asset valuation US$/rupee[(1)]	0.8
Movement in the fair value of derivative financial instruments (£/€ hedging)	2.1
Other foreign exchange movements	**2.9**
Net foreign exchange losses	**(4.3)**

(1) Contained within Unrealised profits on revaluation of investments in Table 11.

Summary of valuation methodology

Investment valuations are calculated at the half year and at the financial year end by the Investment Adviser and then reviewed and approved by the Board. Investments are reported at the Directors' estimate of fair value at the reporting date. The valuation principles used are based on International Private Equity and Venture Capital ("IPEV") valuation guidelines, generally using a discounted cash flow ("DCF") methodology, which the Board considers to be the most appropriate valuation methodology for unquoted infrastructure equity investments.

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

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

Discounted cash flow and discount rates
Around 78% of the portfolio was valued on a DCF basis at 31 March 2011. The weighted average discount rate applied at that date was 13.2% (2010: 12.5%), deriving from a range of 8.2% (an operational PFI asset) and 21.2% (a project within the 3i India Infrastructure Fund). Table 10 shows the movement in the weighted average discount rate applied to the portfolio in each six-month period since inception.

The increase in the weighted average discount rate compared to last year was due principally to the acquisition of Eversholt, as well as to the addition of three new assets to the 3i India Infrastructure Fund, all valued using discount rates above last year's weighted average.

The discount rate applied to each investment is reviewed at each valuation date. The rate selected reflects the risk inherent in the business, taking into account sustained movements in "risk-free" rates of return in the relevant country and appropriate risk premia. There were no changes to the discount rates used to value any of the assets since the last valuation at 30 September 2010, with the exception of the discount rate applied to Soma Enterprise and Krishnapatnam Port within the 3i India Infrastructure Fund, as Krishnapatnam Port became fully operational and several of Soma Enterprise's BOT projects progressed through their construction phase.

Table 10 **Portfolio weighted average discount rate** (%)	
September 2007	13.1
March 2008	12.4
September 2008	12.0
March 2009	13.8
September 2009	12.8
March 2010	12.5
September 2010	12.5
March 2011	13.2

3i India Infrastructure Fund
The Company's investment in the 3i India Infrastructure Fund was valued as the Company's share of net assets held by the Fund. Within the Fund valuation, Adani Power, which has been a listed company since August 2009, is valued on a mark-to-market basis using closing bid prices. All other assets were valued on a DCF basis, with the exception of a portion of Soma Enterprise's valuation, which was calculated using earnings multiples.

Junior debt portfolio
The Company's investment in the junior debt portfolio was valued using closing bid prices at 31 March 2011 provided by third party brokers. The portfolio traded up 12.1% in the year to 31 March 2011.

Underlying asset performance

The fully operational assets in which the Company holds an equity stake delivered a stable performance in the year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") for these assets increased by 1.4% on a like-for-like basis relative to the prior year.

The assets included in this analysis are those that have been held by the Company and largely operational for one year or more: AWG, Oystercatcher, Elgin (underlying project companies), Octagon and Alpha Schools and, within the 3i India Infrastructure Fund, Adani Power, Soma Enterprise and Krishnapatnam Port.

The two key drivers for the 1.4% increase are a 1.3% decrease in EBITDA for AWG and a 2.7% increase for Oystercatcher.

In the case of AWG, the EBITDA reduction was fully anticipated following the rebasing of revenues on 1 April 2010 at the commencement of the new five-year regulatory period.

The stable returns from the portfolio assets, achieved after two years of substantial improvements in operational performance, and in persistently volatile market conditions, are evidence of the robustness of infrastructure as an asset class.

Activity since the year end

The Thames Water junior debt tranche was repaid in full before its full term by the borrower in April 2011, generating proceeds of £21.2 million, representing an uplift over cost of £2.4 million, and an uplift over the value at 31 March 2011 of £0.2 million.

The NGW Arqiva junior debt tranche was sold in April 2011 for £34.2 million, generating a profit over cost of £1.8 million and a profit over the value at 31 March 2011 of £1.9 million.

Review of investments

Anglian Water Group

Cost	£161.9m
Value	£195.9m
Equity interest	10.3%
Income in the year	£27.0m
Asset total return in the year	£29.3m
Valuation basis	DCF

The value on an IFRS basis is £286.0 million.

Description

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

The investment is held through 3i Osprey LP, an intermediary limited partnership that is managed separately by 3i Investments and owned with other third parties, and in which 3i Group also has a small interest.

Investment rationale

AWG has strong infrastructure characteristics, with a regulated near-monopoly position in its geographical area for the provision of water supply and wastewater treatment, stable and predictable earnings through RPI-linked tariffs and largely predictable operating costs.

Developments in the year

AWG continues to perform in line with expectations. Following the publication of Ofwat's Final Determination in November 2009, the company has been implementing a wide-ranging operational improvements programme, which is currently on target to achieve its objectives over the five-year regulatory period.

AWG generated strong income in the year, as the business increased its dividend following two years of restraint due to low RPI and uncertainty preceding the outcome of the regulatory review for the 2010-2015 regulatory period.

Anglian Water maintained a top two place in Ofwat's performance measure, the Overall Performance Assessment, for the third year running.

AWG complies with the Walker Code and its report and accounts are available on www.awg.com.

Eversholt Rail Group

Cost	£151.1m
Value	£160.7m
Equity interest	33.3%
Investment in the year	£151.1m
Income in the year	£6.5m
Asset total return in the year	£16.1m
Valuation basis	DCF

Description

Eversholt Rail Group ("Eversholt") is one of the three leading rail rolling stock companies in the UK, and owns approximately 29% of the current British rail fleet. Its 19 fleets, predominantly weighted towards electric trains, are leased to seven Train Operating Companies ("TOCs"). Its primary revenue stream consists of lease payments from TOCs. It also owns a freight fleet. All of Eversholt's assets are fully operational, with the exception of one fleet, which is in the process of being delivered.

The rolling stock companies are not directly regulated, and have instead entered into a code of practice agreement with the Office of Rail Regulation under which they agree to work independently of each other.

Investment rationale

Eversholt has strong infrastructure characteristics and fits well with 3i Infrastructure's investment mandate as a mature, profitable transport asset with stable contracted revenues and a strong market position. The market fundamentals for rolling stock companies are positive, with new rolling stock procurement restricted by budgetary constraints, and Eversholt's passenger fleets are fully leased out.

Developments in the year

Since investing, the consortium has been implementing a comprehensive 100-day post acquisition programme, focused on strengthening the company's leadership through the appointment of a new chairman, as well as on the refinancing of most of the debt in the acquisition structure. Three new public bonds have been issued by Eversholt since December 2010, for a total of £1.1 billion. All are long dated and were priced on attractive terms, reducing refinancing risk, and attracted substantial demand from public bond investors.

Oystercatcher

Cost	£84.5m
Value	£119.6m
Equity interest	45.0%
Income in the year	£13.7m
Asset total return in the year[(1)]	£14.5m
Valuation basis	DCF

(1) Includes a £1.0 million foreign exchange loss.
The value on an IFRS basis is £301.1 million.

Description

Oystercatcher Luxco 2 S.àr.l. ("Oystercatcher") is the holding company through which 3i Infrastructure invested in 45% stakes in three subsidiaries of Oiltanking GmbH ("Oiltanking"), located in the Netherlands, Malta and Singapore. These businesses provide over 3.6 million cubic metres of oil, petroleum and other oil-related and chemicals storage facilities and associated services to a broad range of clients, including private and state oil companies, refiners, petrochemical companies and traders.

Oiltanking is one of the world's leading independent storage partners for oils, chemicals and gases, operating 71 terminals in 22 countries with a total storage capacity of 17.6 million cubic metres.

Investment rationale

This business meets the Company's infrastructure investment criteria through long-term demand for oil storage capacity, coupled with the shortage of competing supply and low customer turnover. Each of the three operating companies enjoys a strong market position in key oil and oil product trading hubs, and has a defensive position and reliable cash flows. Contracts are on a use-or-pay basis with fixed terms of up to 10 years, often with tariffs linked to local inflation rates.

Developments in the year

All three terminals have performed in line with or ahead of expectations in the year. Although market conditions for traders have not been as favourable as in recent years, all three terminals have experienced high throughput and full capacity utilisation. Demand for oil storage capacity will continue to be underpinned in the medium term by continuing global imbalances and a trend towards higher product specification, leading in turn to increasing differentiation in storage requirements. At all three terminals, operating costs were well managed, contributing to an improvement in EBITDA of 2.7% compared to the prior year.

Junior Debt Portfolio

Cost	£75.5m
Value	£90.2m
Divestment in the year	£43.2m
Profit on disposal in the year	£3.6m
Income in the year	£6.3m
Asset total return in the year[(1)]	£19.6m
Valuation basis	Quoted debt

(1) Includes a £0.3 million foreign exchange loss.

Description

3i Infrastructure invested in a portfolio of junior debt positions in core infrastructure businesses, with leading positions in the markets in which they operate. The assets held in the year are listed below.

Viridian operates both regulated and unregulated businesses within the Irish energy market, managing power transmission, distribution and supply infrastructure, as well as a power generation business and a business offering power-related services to the power industry.

NGW Arqiva is the leading owner and operator of national broadcast infrastructure supporting television, radio and wireless communication in the UK.

Télédiffusion de France is the leading provider of broadcast transmission infrastructure and services and telecommunications infrastructure in France, and also has operations in Germany, Finland and Hungary.

Thames Water is the UK's largest water and wastewater services company, operating across London and the Thames Valley.

Investment rationale

3i Infrastructure's strategy has been to acquire a portfolio of junior debt investments in core infrastructure businesses at prices below par, delivering attractive equity-like returns to maturity and strong levels of cash yield.

Developments in the year

In October 2010, the Company sold the entirety of its holding in the Viridian junior debt facility for £46.8 million, representing a profit over original cost of £4.8 million.

Market prices for junior debt instruments were stable for most of the year, but increased over the second half, resulting in a 12.1% increase in the value of the remaining portfolio over the year. Income from the portfolio was in line with last year, as LIBOR rates have remained stable. Based on the valuation at 31 March 2011, the annualised yield on the portfolio averaged 5.2%, while the expected yield to maturity was 9.6% based on the asset valuation. The average remaining maturity of the portfolio at 31 March 2011 was 4.0 years. The reported financial performance of each of the investments within the debt portfolio is monitored by the Investment Adviser and has been in line with expectations.

Developments since the year end

The Thames Water junior debt tranche was refinanced at par in early April 2011 and the NGW Arqiva holding was sold in late April. These transactions are described in more detail in the Activity since the year end section. Following these disposals, the annualised yield on the portfolio is 5.9%, and the expected yield to maturity is 10.5%, based on the residual asset valuation at 31 March 2011.

Elgin

Cost	£38.5m
Value	£40.2m
Equity interest	49.9%
Income in the year	£3.3m
Asset total return in the year	£4.8m
Valuation basis	DCF

Description
Elgin Infrastructure Limited ("Elgin") holds a portfolio of PFI project investments, in which Robertson Capital Projects Limited ("Robertson") retains a 50.1% holding. Robertson is a private company with activities covering construction, PFI projects, facilities management services and timber products. The Elgin portfolio comprises five schools projects and 11 community healthcare schemes, all of which are now fully operational.

Investment rationale
Exposure to social infrastructure through PFI projects is helpful in providing the Company's portfolio with lower risk, index-linked cash flows. The Elgin portfolio is fully operational, and is delivering a robust yield. In Robertson, the Company is partnering with a well-established player in the PFI market.

Developments in the year
Midlothian Hospital, Elgin's only project still in construction at the time of the acquisition, was completed and handed over to the procuring authority in August 2010, six weeks ahead of schedule. All 16 projects in the portfolio are performing in line with the investment case and the asset generated strong income in the year.

Octagon

Cost	£20.2m
Value	£31.1m
Equity interest	36.8%
Income in the year	£3.1m
Asset total return in the year	£5.4m
Valuation basis	DCF

Description
Octagon Healthcare Limited ("Octagon") is a concession company under a 35-year PFI contract to build, operate and maintain the Norfolk and Norwich University Hospital. Construction of the hospital was completed in August 2001. Octagon receives RPI-linked payments from the NHS Foundation Trust to cover services and buildings maintenance, which are subject to performance deductions for service failures and unavailability. Octagon subcontracts the provision of facilities services to Serco.

Investment rationale
Octagon is a social infrastructure investment in a mature asset providing the Company with a stable, long-term income stream with RPI linkage.

Developments in the year
Octagon continues to perform well financially and operationally and has maintained its strong working relationship with the NHS Trust and with Serco.

In July, the National Patient Safety Agency's Patient Environment Action Team awarded the hospital the top "excellent" rating in all three categories of assessment: catering, cleanliness, and privacy and dignity, for the third year running.

The hospital participated in a project to give young people with learning difficulties the skills to get paid employment, in partnership with City College Norwich, Serco, Remploy and Norfolk County Council. The project won the Anglian Water Most Innovative New Programme Award at the Business in the Community East of England Awards 2010.

Alpha Schools

Cost	£9.1m
Value	£17.7m
Equity interest	50.0%
Income in the year	£1.4m
Asset total return in the year	£2.9m
Valuation basis	DCF

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

Investment rationale
Alpha Schools is a social infrastructure investment in a portfolio of operational assets providing the Company with a stable, long-term income stream with RPIX linkage.

Developments in the year
All schools are operating successfully and performance has been good throughout the year. Handover of the remaining sports pitches is progressing as growing conditions permit.

I^2 loan notes

Cost[1]	£31.6m
Value	£31.6m
Income in the year[2]	£2.5m
Asset total return in the year	£2.5m
Valuation basis	Cost

(1) Represents the value of the vendor loan notes on issue in 2009 and subsequent PIK notes issued.
(2) Includes capitalised interest of £1.2 million.

Description

In January 2009 3i Infrastructure sold its stake in Infrastructure Investors LP ("I^2") to Barclays Integrated Infrastructure Fund LP ("BIIF LP"), receiving part of the consideration in the form of loan notes with a principal amount of £28.2 million (the "loan notes"). At the time of the sale, I^2 owned a portfolio of equity and subordinated debt investments in over 80 PFI projects. BIIF LP now owns these projects through a corporate holding company structure, rather than through I^2.

The loan notes are unsecured, bear a fixed 8% annual interest rate (part cash pay) and are redeemable over the period to 2018. The issuer of the loan notes is BIIF IssuerCo Limited ("BIIF IssuerCo"), part of BIIF LP's corporate holding company structure for the underlying projects.

The loan notes are serviced by cash flows upstreamed from the underlying projects after servicing existing senior debt. Under the terms of the loan notes, no equity dividends can be paid by BIIF IssuerCo whilst payments of interest or principal are due and outstanding on the loan notes. 3i Infrastructure is accorded information rights similar to those of a BIIF LP senior lender, which allows the Company to monitor the performance of the underlying projects and the ongoing recoverability of the loan notes.

Developments in the year

During the year, the Company accrued interest of £2.5 million from the loan notes, half of which was capitalised in accordance with the terms of the loan notes. The underlying projects continue to perform broadly in line with projections at the time of the sale in January 2009.

T2C

Cost	£6.5m
Value	£nil
Equity interest	16.7%
Asset total return in the year	£nil

Description
Thermal Conversion Compound ("T2C") is a special purpose company established to build, operate and maintain a waste-to-energy plant on an industrial park near Frankfurt, Germany. The plant will generate steam and power from refuse-derived fuels ("RDF"). Construction is subcontracted to Ebara, a Japanese environmental technology developer and provider, using proven technology. T2C has subcontracted project management, operation and maintenance services to Infraserv GmbH & Co. Höchst KG ("ISH"), which manages the industrial park where T2C is located. T2C has contracted long-term revenues under a 15-year fixed-price take-or-pay contract with ISH, with an upwards only price review after 10 years.

Developments in the year
A provision was taken against the value of T2C in March 2010, due principally to further delays in the completion of construction. During the year significant progress was made both in construction and commissioning of the plant. All three lines have achieved first fire in the year, and the plant is progressing towards practical completion later this year. Discussions over the necessary restructuring of T2C's financing arrangements are continuing and as a result the asset remains valued at nil.

3i India Infrastructure Fund

Cost	£93.8m
Value	£134.7m
Partnership interest	20.9%
Investment in the year	£35.2m
Asset total return in the year[(1)]	£1.6m
Valuation basis	LP share of funds

(1) Includes a £5.9 million foreign exchange loss.

Description

The 3i India Infrastructure Fund (the "Fund") is a US$1.2 billion fund closed in 2008 to invest in a diversified portfolio of equity (or equivalent) infrastructure investments in India, focusing on the port, airport, road and power sectors. 3i Infrastructure has committed US$250 million to the Fund. As at 31 March 2011, the Fund was 65% invested and 70% committed, having completed six investments, and 3i Infrastructure had an outstanding commitment of US$86.3 million, or £53.8 million.

Investment rationale

The macroeconomic outlook in India is favourable, with strong projected growth, and the fundamentals for infrastructure investment remain attractive, with the current infrastructure deficit in the country providing much opportunity for private investment. The investment in the Fund offers 3i Infrastructure exposure to a diversified pool of assets and larger investments than the Company could access on its own account, at no additional cost to the Company. The Fund remains well positioned, with an established presence in its market and the investment team's broad network of contacts.

Developments in the year

The Fund completed three new investments in the year, in GVK Energy, KMC Roads and in Ind-Barath Utkal, as described in more detail in the Investment section. The Company's share of these investments was £35.2 million, with a further £8.7 million to be drawn for the second phase of the investment in GVK Energy.

GVK Energy is developing a power portfolio, principally gas-fuelled, comprising an operational capacity of 915MW, with a further 3,132MW under various stages of development.

KMC Roads owns a portfolio of 10 "build-operate-transfer" ("BOT") road projects. This portfolio, aggregating c. 1,000 km across India, is one of the largest such portfolios in the country.

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

The three other investments in the Fund continue to perform well.

Adani Power Limited continues to make progress in building its portfolio of power generation assets. Its main project in Mundra (Mundra I) has grown significantly in both size and scope. The first five units of Mundra I (1,980MW) are now operational, with the fifth unit, a 660MW unit based on supercritical technology, receiving the "Clean Development Mechanism (CDM) Project" certification from the United Nations Framework Convention on Climate Change ("UNFCCC"). This is the world's first project based on supercritical technology to obtain registration as a CDM Project under the UNFCCC. Construction of a further 660MW unit is currently underway. As part of a second project in Mundra (Mundra II), two additional units are being built and are due to be completed later this year. Adani Power is developing a pipeline of projects in other regions of India.

Soma Enterprise Limited is one of the fastest growing infrastructure developers in India, focused on construction and development of core infrastructure projects. Its order book, valued at over US$3 billion, comprises projects diversified across sectors such as hydro power, irrigation, railways, power transmission and urban infrastructure, and BOT road projects aggregating to approximately 800 km. Soma Enterprise is performing well, and continues to add projects to the order book.

Krishnapatnam Port Company Limited has a concession to develop, operate and maintain the port of Krishnapatnam in the state of Andhra Pradesh. Construction of the facilities is progressing well. Currently eight berths are operational, with a further two under construction.

Cargo volumes have continued to grow in line with expectations, underpinned by strong industrial development in the port's geographic region. Performance in the year was negatively affected by a temporary ban on the export of iron ore in a neighbouring state, served by the port. The ban has now been lifted by India's Supreme Court.

Financial review

Key performance indicators

Total return		**Dividend**	
Objective	To provide shareholders with a total return of 12% per annum, to be achieved over the long term.	**Objective**	To target an annual distribution yield of 5% of the opening NAV[(1)].
Measurement	Total return for the period expressed as a percentage of opening shareholders' equity[(1)].	**Measurement**	Dividend for the financial year, expressed as a percentage of opening shareholders' equity[(1)].
Status	9.2% total return for the year to 31 March 2011.	**Status**	Total dividend of 5.72p equates to a 5% distribution on opening shareholders' equity.

(1) Opening NAV and opening shareholders' equity are net of final dividend paid in the prior year.

Table 11
Summary of total return on an investment basis (£m)

	Year to 31 March 2011	Year to 31 March 2010	**Consolidated IFRS basis Year to 31 March 2011**
Realised profits over fair value on the disposal of investments	**3.6**	7.1	**3.6**
Unrealised profits on the revaluation of investments	**36.5**	66.8	**31.8**
Foreign exchange losses on investments	**(7.2)**	(10.4)	**(0.3)**
Capital return	**32.9**	**63.5**	**35.1**
Portfolio income			
Dividends	**39.4**	10.9	**62.3**
Income from loans and receivables	**18.1**	12.2	**20.4**
Income from quoted debt investments	**6.3**	7.2	**6.3**
Fees payable on investment activities	**(1.3)**	(3.0)	**(1.3)**
Fees receivable on investment activities	**6.8**	-	**6.8**
Interest receivable	**1.5**	2.4	**1.5**
Investment return	**103.7**	**93.2**	**131.1**
Advisory, performance and management fees payable	**(15.4)**	(11.7)	**(16.5)**
Operating expenses	**(2.4)**	(2.1)	**(2.4)**
Finance costs	**(2.2)**	(1.4)	**(13.2)**
Movements in the fair value of derivative financial instruments	**2.1**	4.5	**7.3**
Net income	**-**	-	**0.3**
Profit for the year	**85.8**	**82.5**	**106.6**
Income taxes	**(0.3)**	-	**(0.3)**
Profit after tax	**85.5**	**82.5**	**106.3**
Exchange difference on translation of foreign operations	**-**	-	**(6.8)**
Total comprehensive income attributable to minority interests for the year	**-**	-	**(12.7)**
Total comprehensive income ("Total Return")	**85.5**	**82.5**	**86.8**

Returns

The commentary in this section analyses the key drivers of the Company's returns according to the investment basis of preparation, as shown in Table 11. The basis of preparation for the investment basis, along with an analysis of the key differences in accounting treatment to information prepared in accordance with IFRS is shown later in the Basis of preparation section.

Performance against KPIs

3i Infrastructure generated a total return for the year to 31 March 2011 of £85.5 million, representing a 9.2% return on opening shareholders' equity (2010: £82.5 million, 9.3%), deriving, as shown in Table 12, from an asset return of 15.4%, driven principally by strong income generation (£69.3 million) and moderate unrealised gains (£36.5 million). The total return of 9.2% reflects costs and the dilution from holding cash balances, but the strong asset return allowed the Company to fully cover its 5% dividend objective for the year.

Table 12 puts this year's return in context, and demonstrates that since inception the assets in the portfolio have delivered a strong asset IRR of 19%, in line with the Company's objective of delivering a net total return of 12% on full investment. This asset return, generated principally from income and realised proceeds, has underpinned the delivery of the 5% dividend objective, which has been achieved in each year since inception.

Capital return

Realised capital return
There was a realised capital return of £3.6 million (2010: £7.1 million) generated from the divestment of the Company's holding in the Viridian junior debt facility for proceeds of £46.8 million, described in more detail in the Realisations section.

Unrealised capital return
The portfolio generated an unrealised value gain of £36.5 million (2010: £66.8 million), underpinned by the solid operational performance of the portfolio assets, by gains in the mark-to-market valuation of the junior debt portfolio, and by the progress of Eversholt. Please see the Review of investments section for more details.

Foreign exchange impact

Movements in foreign exchange generated overall losses of £7.2 million on non-sterling assets, which were partly offset by the impact of the euro hedging programme, resulting in a net foreign exchange loss of £4.3 million. This is shown in more detail in Table 9.

Table 12: Track record – components of total return since inception (%)

	Asset return	Total return	Income yield
2008	26.7	13.1	5.0
2009	13.5	8.8	5.2
2010	17.4	9.3	5.0
2011	15.4	9.2	5.0

Investment return

Portfolio income

The portfolio generated strong income of £69.3 million during the year, net of fees payable and receivable on investment activity (2010: £27.3 million).

Dividends from portfolio assets totalled £39.4 million (2010: £10.9 million), driven in large part by substantial dividends received from AWG and Oystercatcher.

Income from AWG was up significantly (£27.0 million in the year, against £8.8 million last year), as the business increased its dividend following two years of restraint due to low RPI and uncertainty preceding the outcome of the regulatory review for the 2010-2015 regulatory period.

Income received from Oystercatcher was also up year on year (£13.7 million against £6.4 million last year).

Interest income from the portfolio totalled £24.4 million (2010: £19.4 million). The increase compared to last year reflects interest income of £6.5 million received from Eversholt, which was partially offset by a decline in the interest income receivable from the junior debt portfolio, due to the sale of Viridian.

Fees payable for transaction costs in relation to deals which did not reach, or have yet to reach final completion were lower than last year at £1.3 million (2010: £3.0 million). Fees receivable of £6.8 million (2010: £nil) were due to an exceptional fee paid by Eversholt to the Company.

Interest income

Interest income from financial assets has declined compared to last year, totalling £1.5 million (2010: £2.4 million). This reflects the decline in the average amount of cash balances compared to last year. The Company's cash balances generated interest at an average rate of 0.6% during the year (2010: 0.7%).

Table 13
Reconciliation of movements in NAV on an investment basis (£m)

Opening NAV at 1 April 2010[1]	928.0
Income including interest receivable	70.8
Realised gains	3.6
Unrealised gains	35.7
Net foreign exchange movement	(4.3)
Costs including advisory and performance fees	(20.3)
Warrant conversion	5.8
Pre-distribution NAV	1,019.3
Proposed distribution to shareholders	(46.6)
Closing NAV at 31 March 2011	972.7

(1) Net of prior year final dividend paid.

Advisory fees, performance fees and other operating costs

During the year, the Company incurred advisory and performance fees totalling £15.4 million (2010: £11.7 million). The advisory fee, payable to 3i plc, is calculated as 1.5% of the Gross Investment Value, which is based on the opening portfolio value and the cost of any new investment made during the year. The performance fee, calculated as 20% of returns above a performance hurdle of 8% per annum growth in net asset value, totalled £2.9 million (2010: £2.6 million). For a more detailed explanation of how fees are calculated, please refer to Note 8.

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £2.4 million for the year (2010: £2.1 million).

Finance costs of £2.2 million comprise the arrangement and commitment fees for the Company's £200 million revolving credit facility.

Movements in the fair value of derivatives of £2.1 million (2010: £4.5 million) represent the fair value movements of the euro hedging programme, and included a £1.7 million gain on the settlement of derivatives at their maturity.

Balance sheet

At 31 March 2011 the Company's net assets totalled £996.1 million, or £972.7 million after the deduction of the proposed final dividend (2010: £928.0 million), comprising the asset portfolio, valued at £821.7 million (2010: £648.1 million), cash and cash equivalents of £174.6 million (2010: £313.7 million) and other net liabilities of £0.2 million (2010: £7.0 million), primarily relating to accrued income from portfolio investments and prepayments, offset by accrued fees and derivative financial instrument valuations.

A summary balance sheet is included in Table 14.

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

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

Revolving credit facility
On 15 November 2010, 3i Infrastructure signed a three-year, £200 million revolving credit facility with a syndicate of five major banks comprising Lloyds TSB Bank, the Royal Bank of Scotland, National Australia Bank, Citigroup Global Markets and Société Générale. This facility replaced the £225 million revolving credit facility signed in March 2008, which was due to expire in March 2011, and extended the Company's financial flexibility over the medium term. The Company intends to use this facility as a bridge to equity to finance future transaction activity. At 31 March 2011, and at the time of reporting, the £200 million revolving credit facility held by the Company had not been drawn.

Net asset value per share
The total NAV per share at 31 March 2011 was 121.9p (2010: 117.7p). This reduces to 119.0p after the payment of the proposed final dividend of 2.86p per share. The diluted net asset value per share, adjusted for the 65 million warrants outstanding, was 120.3p per share (2010: 116.3p), which reduces to 117.4p after the payment of the proposed final dividend.

During the year, 5.8 million warrants were converted, increasing the number of shares outstanding from 811.1 million to 816.9 million. The warrants are due to expire on 13 March 2012. The diluted NAV per share above incorporates the effect of all the warrants outstanding being exercised.

Table 14
Summary balance sheet on an investment basis (£m)

	As at 31 March 2011	As at 31 March 2010	**Consolidated IFRS basis As at 31 March 2011**
Assets			
Non-current assets			
Investment portfolio	**821.7**	648.1	**1,093.3**
Current assets			
Other current assets	**11.7**	4.4	**16.5**
Cash and cash equivalents	**174.6**	313.7	**176.3**
Total current assets	**186.3**	**318.1**	**192.8**
Total assets	**1,008.0**	**966.2**	**1,286.1**
Non-current liabilities			
Borrowings	**-**	-	**(167.9)**
Derivative financial instruments	**(2.2)**	(5.6)	**(15.7)**
Total non-current liabilities	**(2.2)**	**(5.6)**	**(183.6)**
Current liabilities			
Trade and other payables	**(6.2)**	(5.2)	**(6.7)**
Derivative financial instruments	**(3.5)**	(0.6)	**(3.8)**
Total current liabilities	**(9.7)**	**(5.8)**	**(10.5)**
Total liabilities	**(11.9)**	**(11.4)**	**(194.1)**
Net assets	**996.1**	**954.8**	**1,092.0**
Equity			
Stated capital account	**117.2**	111.4	**117.2**
Retained reserves	**878.9**	843.4	**845.4**
Translation reserve	**-**	-	**38.1**
Total shareholders' equity	**996.1**	**954.8**	**1,000.7**
Minority interests	**-**	**-**	**91.3**
Total equity	**996.1**	**954.8**	**1,092.0**

Risk

The Board is ultimately responsible for the risk management of the Company and has a risk management framework (outlined in the table below) which provides a structured and consistent process for identifying, assessing and responding to risks in relation to its strategy and business objectives. Due to the structure of the Company, it is reliant on the risk management framework of the Investment Adviser and other key service providers, as well as on the risk management operations of each portfolio company. The Company manages these risks through updates from the Investment Adviser and other service providers and, where possible, through representation on portfolio companies' boards.

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

	Risk description	**Risk mitigation**
Macroeconomic risk	- The performance of underlying investments is influenced by macroeconomic conditions/ variables in Europe and India, where the Company currently has exposure - M&A and IPO activity and the availability of debt finance affect the ability to make investments and the performance of underlying investments	- Diversification of the portfolio across a range of infrastructure sectors with different economic cycles and across different geographies - Modelling of sensitivity of each investment to macroeconomic variables - Hedging undertaken where appropriate
Geopolitical risk	- The Company's investment strategy involves investing in less mature or emerging markets - Legal and regulatory frameworks and capital markets in these countries may be less developed than in Europe	- Periodic legal and regulatory updates on Company's markets and in depth market and sector research - Extensive research and due diligence on any proposed investment into new geographical markets
Government policy and regulation	- The Company is regulated under the provisions of the Collective Investment Funds (Jersey) Law 1988 - The Investment Adviser is regulated by the Financial Services Authority and is an authorised person under the Financial Services and Markets Act 2000 - Breach of these regulations could affect Company's operations and financial position	- Changes to applicable legal and regulatory frameworks are closely monitored - Rigorous processes to minimise risk of breach are in place

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

	Risk description	Risk mitigation
Investment decisions	- The ability to source and execute good quality investments in changing markets is dependent primarily on the Investment Adviser's expertise and relationships	- Each investment is subject to a complete review process by the Investment Adviser, including an Investment Committee chaired by an authorised member of 3i Group's Leadership Team - A thorough review is then undertaken by the Board prior to the final investment decision
Investment performance	- The performance of the portfolio is dependent on: i. The quality of the initial investment ii. The ability to execute on business strategy iii. Favourable outcomes relative to assumptions in the investment model	- Portfolio asset reviews are undertaken regularly and reviewed bi-annually by the Board - Representation on the board of underlying investments where equity stakes are held
Investment concentration	- Overexposure to a particular sector or geography could expose the Company to any adverse developments in that sector or geography - Any increase in the average size of investments over time could increase exposure to a small number of large investments	- Portfolio concentration measures are periodically reviewed by the Board - The Investment Adviser undertakes a concentration review for each new asset

Strategic
Risks arising from the analysis, design and implementation of the Company's business model and key decisions on investment growth rates and financing

	Risk description	Risk mitigation
	- Deviations from assumptions factored in the Company's strategy and business model could affect its performance and financial position	- KPIs and forecasts are monitored on an ongoing basis - Plans and underlying assumptions for the Company and portfolio assets are updated continuously

Financial risks
Risks in relation to changes in market prices and rates; access to capital markets and the appropriate capital structure

	Risk description	Risk mitigation
Credit risk	- The Company's financial assets are principally unsecured investments in unquoted companies - Increases in portfolio concentration could impact credit risk - Variation in interest rates, or variations in the availability of credit for refinancing, could increase credit risk	- Regular asset reviews provide early indications of increased credit risk - The Company's financial assets are held in AAA-rated money market funds or short-term deposits with A+ rated banks - Counterparty limits are set and monitored on a regular basis - Reviews of counterparties are undertaken regularly
Financing and interest rate risk	- Changes in interest rates affect: i. The costs of servicing Company debt ii. The ability to generate attractive returns from investments iii. The ability to invest in competition with buyers with a lower cost of debt iv. The debt financing capability of portfolio companies v. The rate of return on the Company's liquid assets	- The financing strategy limits the Company's borrowings to 50% of gross assets. Currently the Company has no recourse borrowings - The use of a combination of fixed and floating rate debt in portfolio companies reduces interest rate risk - Hedging is undertaken where appropriate to manage the risk exposure - The level of debt, refinancing risk and hedging requirement in the portfolio companies are monitored regularly
Currency risk	- A portion of underlying investments is denominated in euro, US dollar and (indirectly) Indian rupee and Singapore dollar - Fluctuations in foreign exchange may adversely impact returns	- The euro and Singapore dollar exposure is broadly hedged to stabilise returns - The hedging strategy is monitored regularly by the Board. Hedging involves the use of foreign exchange swaps or forward contracts
Liquidity risk	- The Company's investments require a long-term commitment of capital and are relatively illiquid - The investment rate could exceed current liquidity levels, requiring short-term funding measures to be put in place - The ability to meet financial liabilities as they fall due	- The Board regularly analyses cash resources against the investment pipeline and the repayment of existing financial liabilities or other payables - The committed £200 million revolving credit facility ensures the availability of resources in the event of a liquidity shortfall

Operational
Risks arising from inadequate or failed processes, people and systems or from external factors affecting these

	Risk description	Risk mitigation
	- Operational risks can arise from inadequate processes, people, systems or external providers - External factors also pose risks to operations	- A framework of core values, standards and controls is operated by the Company - The Board monitors the performance and operations of key service providers - The Company receives regular updates on legal, tax and regulatory matters from its advisers

Basis of preparation

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

Several adjustments were made in order to show returns on an investment basis, the main adjustments being:

3i Infrastructure holds 68.5% of 3i Osprey LP, the vehicle through which it holds its investment in AWG. 3i Infrastructure is required under IFRS to consolidate the results and balance sheet of this limited partnership into its financial statements on a line-by-line basis. The remaining 31.5% of this entity is held by 3i Group and other third parties. In the investment basis presentation, 3i Infrastructure has recognised only its share of the income and balance sheet of 3i Osprey LP. This adjustment has the effect of eliminating the minority interest entitlement shown on the statement of comprehensive income and the balance sheet on an IFRS basis.

One subsidiary of the Company, 3i Primary Infrastructure 2005-06 LP, which holds the investment in Alpha Schools, has investing partners which are entitled to a 3.75% share of profits, once certain cash hurdle criteria are met. Amounts due to this limited partnership are treated as a minority interest on a consolidated basis but are accrued as an expense in the investment basis.

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

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

Consolidated statement of comprehensive income
for the year to 31 March

	Notes	**Year to 31 March 2011 £m**	Year to 31 March 2010 £m
Realised gains over fair value on the disposal of investments		**3.6**	7.8
Unrealised gains on the revaluation of investments		**31.8**	76.8
Foreign exchange losses on investments		**(0.3)**	(1.1)
		35.1	83.5
Portfolio income			
Dividends receivable		**62.3**	23.4
Income from loans and receivables		**20.4**	16.1
Income from quoted debt investments		**6.3**	7.2
Fees payable on investment activities		**(1.3)**	(3.0)
Fees receivable on investment activities		**6.8**	-
Interest receivable		**1.5**	2.4
Investment return		**131.1**	129.6
Advisory, performance and management fees payable	2	**(16.5)**	(12.8)
Operating expenses		**(2.4)**	(2.2)
Finance costs		**(13.2)**	(13.6)
Unrealised movements in the fair value of derivative financial instruments		**6.0**	4.5
Realised gains/(losses) over fair value on the settlement of derivative financial instruments		**1.3**	(2.6)
Other net income		**0.3**	0.3
Profit before tax		**106.6**	103.2
Income taxes	3	**(0.3)**	-
Profit after tax and profit for the year		**106.3**	103.2
Other comprehensive income			
Exchange losses on translation of foreign operations		**(6.8)**	(9.1)
Total comprehensive income for the year		**99.5**	94.1
Profit after tax and profit for the year attributable to:			
Equity holders of the parent		**93.6**	90.3
Minority interests		**12.7**	12.9
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**86.8**	81.2
Minority interests		**12.7**	12.9
Earnings per share			
Basic earnings per share attributable to equity holders of the parent (pence)	6	**11.5**	11.1
Diluted earnings per share attributable to equity holders of the parent (pence)	6	**11.4**	11.1

Consolidated and Company statement of changes in equity

For the year to 31 March

Group for the year to 31 March 2011	**Stated capital account £m**	**Retained reserves £m**	**Translation reserve £m**	**Total shareholders' equity £m**	**Minority interest £m**	**Total equity £m**
Opening balance	**111.4**	**801.8**	**44.9**	**958.1**	**90.2**	**1,048.3**
Total comprehensive income	**-**	**93.6**	**(6.8)**	**86.8**	**12.7**	**99.5**
Capital returned to minority interests	**-**	**-**	**-**	**-**	**(11.6)**	**(11.6)**
Conversion of warrants to ordinary shares	**5.8**	**-**	**-**	**5.8**	**-**	**5.8**
Dividends paid to Company shareholders during the year	**-**	**(50.0)**	**-**	**(50.0)**	**-**	**(50.0)**
Closing balance	**117.2**	**845.4**	**38.1**	**1,000.7**	**91.3**	**1,092.0**

Group for the year to 31 March 2010	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
Opening balance	111.4	755.3	54.0	920.7	132.3	1,053.0
Total comprehensive income	-	90.3	(9.1)	81.2	12.9	94.1
Net capital returned to minority interests	-	-	-	-	(30.1)	(30.1)
Acquisition of interests held by minorities	-	-	-	-	(24.9)	(24.9)
Dividends paid to Company shareholders during the year	-	(43.8)	-	(43.8)	-	(43.8)
Closing balance	111.4	801.8	44.9	958.1	90.2	1,048.3

Company for the year to 31 March 2011	**Stated capital account £m**	**Retained reserves £m**	**Total equity £m**
Opening balance	**111.4**	**719.6**	**831.0**
Total comprehensive income	**-**	**54.1**	**54.1**
Conversion of warrants to ordinary shares	**5.8**	**-**	**5.8**
Dividends paid to Company shareholders during the year	**-**	**(50.0)**	**(50.0)**
Closing balance	**117.2**	**723.7**	**840.9**

Company for the year to 31 March 2010	Stated capital account £m	Retained reserves £m	Total equity £m
Opening balance	111.4	747.5	858.9
Total comprehensive income	-	15.9	15.9
Dividends paid to Company shareholders during the year	-	(43.8)	(43.8)
Closing balance	111.4	719.6	831.0

Consolidated and Company balance sheet
As at 31 March

	Notes	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Assets					
Non-current assets					
Investments					
Unquoted investments	4	**723.6**	668.7	**25.2**	23.7
Debt investments held at fair value through profit and loss	4	**90.2**	123.7	**-**	-
Loans and receivables	4	**279.5**	134.1	**144.2**	-
Investment portfolio		**1,093.3**	926.5	**169.4**	23.7
Interests in Group entities		**-**	-	**492.0**	501.7
Total non-current assets		**1,093.3**	926.5	**661.4**	525.4
Current assets					
Trade and other receivables		**15.8**	8.6	**21.7**	6.3
Derivative financial instruments		**0.7**	-	**0.4**	-
Cash and cash equivalents		**176.3**	314.0	**167.3**	308.9
Total current assets		**192.8**	322.6	**189.4**	315.2
Total assets		**1,286.1**	1,249.1	**850.8**	840.6
Liabilities					
Non-current liabilities					
Loans and borrowings		**(167.9)**	(169.6)	**-**	-
Derivative financial instruments		**(15.7)**	(25.0)	**(2.5)**	(5.6)
Total non-current liabilities		**(183.6)**	(194.6)	**(2.5)**	(5.6)
Current liabilities					
Trade and other payables		**(6.7)**	(5.2)	**(4.2)**	(3.4)
Derivative financial instruments		**(3.8)**	(1.0)	**(3.2)**	(0.6)
Total current liabilities		**(10.5)**	(6.2)	**(7.4)**	(4.0)
Total liabilities		**(194.1)**	(200.8)	**(9.9)**	(9.6)
Net assets		**1,092.0**	1,048.3	**840.9**	831.0
Equity					
Stated capital account		**117.2**	111.4	**117.2**	111.4
Retained reserves		**845.4**	801.8	**723.7**	719.6
Translation reserve		**38.1**	44.9	**-**	-
Total equity attributable to equity holders of the parent		**1,000.7**	958.1	**840.9**	831.0
Minority interests		**91.3**	90.2	**-**	-
Total equity		**1,092.0**	1048.3	**840.9**	831.0

Directors
4 May 2011

Consolidated and Company statement of cash flows
For the year to 31 March

	Group		Company	
	Year to 31 March 2011 £m	Year to 31 March 2010 £m	**Year to 31 March 2011 £m**	Year to 31 March 2010 £m
Cash flow from operating activities				
Purchase of investments	**(186.3)**	(46.3)	**(187.2)**	(71.2)
Proceeds from realisations of investments	**46.8**	52.2	**46.8**	25.5
Income received from loans and receivables	**11.7**	13.2	**30.1**	11.7
Income from quoted debt investments	**6.3**	6.7	**-**	-
Dividends received	**62.6**	23.2	**22.8**	4.5
Fees received on investment activities	**6.8**	-	**6.8**	-
Fees paid on investment activities	**(1.1)**	(3.0)	**(1.1)**	(3.0)
Operating expenses paid	**(2.0)**	(2.0)	**(2.0)**	(1.7)
Interest received	**1.6**	2.2	**1.6**	2.2
Advisory, performance and management fees paid	**(15.6)**	(10.0)	**(13.2)**	(7.4)
Carried interest paid	**-**	(1.5)	**-**	-
Income taxes paid	**(0.3)**	-	**-**	-
Other income	**0.4**	0.2	**-**	-
Net cash flow from operations	**(69.1)**	34.9	**(95.4)**	(39.4)
Cash flow from financing activities				
Proceeds from the issue of share capital from conversion of warrants	**5.8**	-	**5.8**	-
Proceeds from redemption of shares in subsidiary	**-**	-	**-**	12.2
Interest paid	**(10.0)**	(11.0)	**-**	-
Short-term loan repaid by subsidiary undertaking	**-**	-	**-**	6.5
Fees paid on financing activities and the settlement of derivative contracts	**(3.2)**	(4.7)	**(2.0)**	(4.2)
Dividends paid	**(50.0)**	(43.8)	**(50.0)**	(43.8)
Acquisition of investments held by minority interests	**-**	(24.9)	**-**	-
Net capital returned to minority interests	**(11.6)**	(30.1)	**-**	-
Net cash flow from financing activities	**(69.0)**	(114.5)	**(46.2)**	(29.3)
Change in cash and cash equivalents	**(138.1)**	(79.6)	**(141.6)**	(68.7)
Cash and cash equivalents at the beginning of the year	**314.0**	393.7	**308.9**	377.6
Effect of exchange rate fluctuations	**0.4**	(0.1)	**-**	-
Cash and cash equivalents at the end of the year	**176.3**	314.0	**167.3**	308.9

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

As a company listed on the London Stock Exchange, 3i Infrastructure is subject to the FSA's Listing Rules and Disclosure and Transparency Rules, as well as to all applicable laws and regulations of Jersey, where it is incorporated. Jersey Company law requires the Directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company and Group are required by law to give a true and fair view of the state of affairs of the Company and Group at the period end and of the profit or loss of the Company and Group for the period then ended.

In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements prepared by the Company and Group comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These financial statements comply with International Financial Reporting Standards and reasonable and prudent judgments and estimates have been used in their preparation.

In accordance with the FSA's Disclosure 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 and of the Group taken as a whole; and
(b) the Directors' report includes a fair review of the development and performance of the business and the position of the Company and of the Group 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.

Peter Sedgwick, Non-executive Chairman
Philip Austin, Non-executive Director, Senior Independent Director
Sir John Collins, Non-executive Director
Florence Pierre, Non-executive Director
Charlotte Valeur, Non-executive Director
Paul Waller, Non-executive Director
Steven Wilderspin, Non-executive Director, chairman of the Audit Committee

Notes to the accounts

1. Segmental analysis

The Directors of the Company review the financial performance of the Group on the "investment basis". However, the Directors also review information on a regular basis that is analysed by geography and is consistent with the consolidated accounting basis. In accordance with IFRS 8, the segmental information provided below uses this geographic analysis of results as it is the most closely aligned with IFRS reporting requirements. The Group only operates in one service line, being that of an investment holding company. Therefore no segmental analysis by service line has been produced. The Group is an investment holding company and does not consider itself to have any customers. However, the Company received 70% (2010: 55%) of its portfolio income in the year from investments held in the UK and a further 30% (2010: 45%) of portfolio income from investments held in Europe. The Group received income from its investment in AWG of £39.5 million, which represents 30% of the investment return. There was no other income entitlement during the year that represented more than 10% of investment return.

For the year to 31 March 2011	UK and Ireland[1] £m	Continental Europe[2] £m	Asia £m	Total £m
Investment return				
Realised gains over fair value on the disposal of investments	**3.6**	**-**	**-**	**3.6**
Unrealised profits/(losses) on the revaluation of investments	**24.6**	**(0.3)**	**7.5**	**31.8**
Foreign exchange losses on investments	**-**	**(0.3)**	**-**	**(0.3)**
Portfolio income	**66.3**	**28.2**	**-**	**94.5**
Interest receivable	**1.5**	**-**	**-**	**1.5**
Investment return	**96.0**	**27.6**	**7.5**	**131.1**
Interest expense	**-**	**(10.0)**	**-**	**(10.0)**
Other income/(expenses)	**(18.7)**	**4.2**	**-**	**(14.5)**
Profit before tax	**77.3**	**21.8**	**7.5**	**106.6**

Balance sheet				
Fair value of investment portfolio	**620.6**	**338.0**	**134.7**	**1,093.3**
Cash and cash equivalents	**170.2**	**5.2**	**0.9**	**176.3**
Other assets	**12.7**	**3.8**	**-**	**16.5**
Assets	**803.5**	**347.0**	**135.6**	**1,286.1**
Loans and borrowings	**-**	**(167.9)**	**-**	**(167.9)**
Derivative financial instruments	**(5.3)**	**(14.2)**	**-**	**(19.5)**
Other liabilities	**(6.3)**	**(0.2)**	**(0.2)**	**(6.7)**
Liabilities	**(11.6)**	**(182.3)**	**(0.2)**	**(194.1)**
Net assets	**791.9**	**164.7**	**135.4**	**1,092.0**

(1) Including Channel Islands.
(2) Continental Europe includes all returns generated and investment portfolio relating to Oystercatcher, including those derived from its underlying business in Singapore.

For the year to 31 March 2010	UK and Ireland (1) £m	Continental Europe(2) £m	Asia £m	Total £m
Investment return				
Realised gains over fair value on the disposal of investments	7.8	-	-	7.8
Unrealised profits on the revaluation of investments	50.0	16.4	10.4	76.8
Foreign exchange losses on investments	-	(1.1)	-	(1.1)
Portfolio income	24.1	19.6	-	43.7
Interest receivable	2.4	-	-	2.4
Investment return	84.3	34.9	10.4	129.6
Interest expense	-	(11.0)	-	(11.0)
Other expenses	(11.3)	(4.1)	-	(15.4)
Profit before tax	73.0	19.8	10.4	103.2

Balance sheet				
Fair value of investment portfolio	487.0	341.6	97.9	926.5
Cash and cash equivalents	309.8	4.2	-	314.0
Other assets	5.1	3.5	-	8.6
Assets	801.9	349.3	97.9	1,249.1
Loans and borrowings	-	(169.6)	-	(169.6)
Derivative financial instruments	(6.2)	(19.8)	-	(26.0)
Other liabilities	(5.2)	-	-	(5.2)
Liabilities	(11.4)	(189.4)	-	(200.8)
Net assets	790.5	159.9	97.9	1,048.3

(1) Including Channel Islands.
(2) Continental Europe includes all returns generated and investment portfolio relating to Oystercatcher, including those derived from its underlying business in Singapore.

2 Advisory, performance and management fees payable

	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Advisory fee	**(12.5)**	(9.1)
Performance fee	**(2.9)**	(2.6)
Management fee	**(1.1)**	(1.1)
	(16.5)	(12.8)

The performance fee for the year of £2.9 million includes £0.1 million relating to the finalisation of the performance fee for the year ended 31 March 2010.

Note 8 provides further details on the calculation of the advisory free, management fee and the performance fee.

3 Income taxes

	2011 £m	2010 £m
Current year charge	**0.2**	-
Prior year under provision	**0.1**	-

	0.3	-

Profits arising in the Company are subject to tax at the standard rate in Jersey of 0% (2010: 0%).

Subsidiaries of the Company have provided for taxation at the appropriate rates in the countries in which they operate. As the returns of these subsidiaries are largely exempt from tax, in the relevant countries where they are subject to tax, the total tax provided in respect of them is minimal.

Reconciliation of income taxes in the statement of comprehensive income

The tax charge for the period differs from the standard rate of corporation tax in Jersey, currently 0% (2010: 0%) and the differences are explained below:

	As at 31 March 2011 £m	As at 31 March 2010 £m
Profit before tax	**106.6**	103.2
Profit before tax multiplied by rate of corporation tax in Jersey of 0% (2010: 0%)	**-**	-
Effects of:		
Foreign taxes for the current period	**0.2**	-
Foreign taxes underprovided for prior periods	**0.1**	-
Total income taxes in the statement of comprehensive income	**0.3**	-

4 Investment portfolio

				Group
				As at 31 March 2011
	Unquoted investments £m	**Debt investments £m**	**Loans and receivables £m**	**Total £m**
Opening fair value	**668.7**	**123.7**	**134.1**	**926.5**
Additions	**42.1**	**-**	**145.4**	**187.5**
Disposals and repayments	**-**	**(43.2)**	**-**	**(43.2)**
Unrealised gains on investments	**21.8**	**10.0**	**-**	**31.8**
Foreign exchange losses	**(9.0)**	**(0.3)**	**-**	**(9.3)**
Closing fair value	**723.6**	**90.2**	**279.5**	**1,093.3**

					Group
					As at 31 March 2010
	Quoted equity investments £m	Unquoted investments £m	Debt investments £m	Loans and receivables £m	Total £m
Opening fair value	3.8	640.7	91.9	126.0	862.4
Additions	-	25.5	5.2	17.8	48.5
Disposals and repayments	(3.8)	(32.5)	(2.3)	(5.8)	(44.4)
Unrealised gains/(losses) on investments	-	50.8	29.7	(3.7)	76.8
Foreign exchange losses	-	(15.8)	(0.8)	(0.2)	(16.8)
Closing fair value	-	668.7	123.7	134.1	926.5

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

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

The Group invested in Elgin Infrastructure Limited in December 2009. It has been treated as a joint venture and under IAS 31 it has been held at fair value through profit and loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income.

Elgin Infrastructure Limited was incorporated as a Special Purpose Entity in October 2009, to hold the underlying portfolio of PFI projects. As at 31 March 2011 there were no outstanding commitments from the Group, or from the Company to Elgin Infrastructure Limited, or to the underlying assets of Elgin Infrastructure Limited (2010: £nil).

Fair value hierarchy

The Group classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy:

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 (i.e. as prices) or indirectly (i.e. derived from prices)	Debt investments held at fair value
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments and loans and receivables

Unquoted equity instruments 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 equity instruments can be found in the section called Portfolio valuation methodology.

The debt investments held at fair value through profit and loss had a carrying value of £90.2 million (2010: £123.7 million). In accordance with the fair value hierarchy the debt instruments held at fair value are classified as Level 2 with reference to observable market information.

The Group's investment portfolio for equity instruments and the debt investments held at fair value and loans and receivables are classified by the fair value hierarchy as the following:

				Group as at 31 March 2011
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Unquoted equity	**-**	**-**	**723.6**	**723.6**
Debt investments held at fair value	**-**	**90.2**	**-**	**90.2**
Loans and receivables	**-**	**-**	**279.5**	**279.5**
	-	**90.2**	**1,003.1**	**1,093.3**

				Group as at 31 March 2010
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Unquoted equity	-	-	668.7	668.7
Debt investments held at fair value	-	123.7	-	123.7
Loans and receivables	-	-	134.1	134.1
	-	123.7	802.8	926.5

This disclosure only relates to the investment portfolio, however the fair value hierarchy also applies to derivative financial instruments.

				Group as at 31 March 2011
Level 3 fair value reconciliation	**Unquoted investments £m**	**Debt investments £m**	**Loans and receivables £m**	**Total £m**
Opening fair value	**668.7**	**-**	**134.1**	**802.8**
Additions	**42.1**	**-**	**145.4**	**187.5**
Disposals	**-**	**-**	**-**	**-**
Unrealised gains/(losses) on investments	**21.8**	**-**	**-**	**21.8**
Foreign exchange loss	**(9.0)**	**-**	**-**	**(9.0)**
Closing fair value	**723.6**	**-**	**279.5**	**1,003.1**

There have been no reclassifications for assets that have been transferred in or out of Level 2 or Level 3 during the year (2010: £91.9 million).

				Group as at 31 March 2010
Level 3 fair value reconciliation	Unquoted investments £m	Debt investments £m	Loans and receivables £m	Total £m
Opening fair value	640.7	91.9	126.0	858.6
Additions	25.5	-	17.8	43.3
Disposals	(32.5)	-	(5.8)	(38.3)
Unrealised gains/(losses) on investments	50.8	-	(3.7)	47.1
Foreign exchange loss	(15.8)	-	(0.2)	(16.0)
Transfer to Level 2	-	(91.9)	-	(91.9)
Closing fair value	668.7	-	134.1	802.8

All unrealised movements on investments and foreign exchange movements are recognised in the Statement of Comprehensive Income during the year. The foreign exchange loss of £9.0 million (2010: £16.0 million) in the Level 3 fair value reconciliation table above includes a foreign exchange loss of £8.7 million (2010: £14.9 million) relating to assets that are held by intermediary holding companies of the Group, for which sterling is not the functional currency. As a result, this exchange loss of £8.7 million (2010: £14.9 million) is recognised within Other Comprehensive Income as part of the overall loss of £6.8 million (2010: £9.1 million) arising on re-translation of foreign currency subsidiaries. All other movements are recognised within the total Investment Return of £131.1 million (2010: £129.6 million).

The majority of the assets held within Level 3 are valued on a discounted cash flow basis, hence, the valuations above are sensitive to the discount rate assumed in the valuation of each asset. Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £50.5 million (2010: £45.1 million).

			Company as at 31 March 2011		Company as at 31 March 2010
	Unquoted equity £m	**Loans and receivables £m**	**Total £m**	Unquoted equity £m	Total £m
Opening fair value	**23.7**	**-**	**23.7**	-	-
Additions	**-**	**144.2**	**144.2**	23.5	23.5
Unrealised gains on investments	**1.5**	**-**	**1.5**	0.2	0.2
Closing fair value	**25.2**	**144.2**	**169.4**	23.7	23.7

The Company holds two direct investments – Loans and receivables of £144.2 million (2010: £nil) in Eversholt Investment Group SCS and unquoted equity of £25.2 million (2010: £23.7 million) in Elgin Infrastructure Limited. Both assets are considered to be in Level 3 of the investment hierarchy.

There have been no reclassifications for assets that have been transferred in or out of Level 2 or Level 3 during the year for the Company (2010: £nil).

5 Issued capital

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

	As at 31 March 2011		As at 31 March 2010	
	Number	**£m**	Number	£m
Issued and fully paid				
Opening balance	**811,082,581**	**817.6**	811,082,081	817.6
Conversion of warrants	**5,828,580**	**5.8**	500	-
Closing balance	**816,911,161**	**823.4**	811,082,581	817.6

Under the Initial Public Offering in March 2007, ordinary shares were issued for £1.00, resulting in proceeds of £702.9 million being received. For every 10 shares issued as part of the IPO, one warrant was issued, resulting in 70.2 million warrants being issued. A further 640,980 warrants were issued as part of the over-allotment arrangement. Each warrant entitles the holder to subscribe for one ordinary share at £1.00 at any time from 13 September 2007 to 13 March 2012. As at 31 March 2011, there were 64,721,900 warrants in issue (2010: 70,550,480), with 5,828,580 warrants converted in the year for a total consideration of £5.8 million (2010: 500 warrants converted).

On 9 July 2008, 108.1 million ordinary shares were issued as part of the Placing and Open Offer for a price of £1.06, resulting in proceeds of £114.6 million being received. No warrants were attached to these shares.

6 Per share information

	Year to 31 March 2011	Year to 31 March 2010
Earnings per share (pence)		
Basic	**11.5**	11.1
Diluted	**11.4**	11.1
Earnings (£ million)		
Profit for the year attributable to equity holders of the parent	**93.6**	90.3
Number of shares (million)		
Weighted average number of shares in issue	**812.7**	811.1
Effect of dilutive potential ordinary shares – warrants	**8.2**	-
Diluted shares	**820.9**	811.1
Net assets per share (pence)		
Basic	**122.5**	118.1
Diluted	**120.9**	116.7
Net assets (£ million)		
Net assets attributable to equity holders of the parent	**1,000.7**	958.1

7 Dividends

	As at 31 March 2011		As at 31 March 2010	
Declared and paid during the year	**Pence per share**	**£m**	Pence per share	£m
Interim dividend paid on ordinary shares	**2.86**	**23.2**	2.20	17.8
Prior year final dividend paid on ordinary shares	**3.30**	**26.8**	3.20	26.0
	6.16	**50.0**	5.40	43.8
Proposed final dividend	**2.86**	**23.4**	3.30	26.8

8 Related parties

The Group has various related parties stemming from relationships with limited partnerships owned by the Group, its investments and its Investment Adviser. In addition, the Company has related party relationships in respect of its subsidiaries.

Investments
The Group principally takes minority holdings in the equity of unquoted companies. This normally allows the Group to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. These investments are not equity accounted for (as permitted by IAS 28 and IAS 31) but are related parties. The total amounts recognised in the statement of comprehensive income and the balance sheet for these investments are as follows:

Group Statement of comprehensive income	**Year to 31 March 2011 £m**	Year to 31 March 2010 £m
Unrealised profits on the revaluation of investments	**18.4**	26.5
Portfolio income	**40.7**	21.5

Balance sheet	**As at 31 March 2011 £m**	As at 31 March 2010 £m
Unquoted equity	**506.9**	455.5
Loans and receivables	**178.5**	34.3
	685.4	489.8

The Company holds two direct investments, a 33.3% equity stake in Eversholt Investment Group SCS, valued at £144.2 million and a 49.9% equity stake in Elgin Infrastructure Limited, valued at £25.2 million. During the year, the Company received £13.4 million of portfolio income from Eversholt (2010: £nil) and £1.3 million from Elgin Infrastructure Limited (2010: £1.6 million).

Subsidiaries
Transactions between the Company and its subsidiaries, which are related parties of the Company, are eliminated on consolidation. Details of related party transactions between the Company and its subsidiaries are detailed below:

Company Statement of comprehensive income	**Year to 31 March 2011 £m**	Year to 31 March 2010 £m
Income from subsidiary undertakings	**59.5**	33.0

Balance sheet	**As at 31 March 2011 £m**	As at 31 March 2010 £m
Investments made in subsidiary undertakings	**44.2**	49.9
Disposals of investments held in subsidiary undertakings	**(42.0)**	(24.8)

The Company makes investments through a number of subsidiaries by providing funding in the form of capital contributions or loans, depending on the legal form of the entity making the investment. The legal form of these subsidiaries may be limited partnerships or limited companies or equivalent, depending on the jurisdiction of the investment.

The Company is not considered to have any Key Management Personnel as it has a non-executive Board and no employees.

Transactions between 3i Infrastructure and 3i Group
3i Group plc ("3i Group") holds 32.9% (2010: 33.2%) of the ordinary shares of the Company and also holds warrants which give it rights to acquire a further 32.5 million ordinary shares. This classifies 3i Group as a "substantial shareholder" of the Company as defined by the Listing Rules.

The Company has committed US$250 million to the 3i India Infrastructure Fund to invest in the Indian infrastructure market. 3i Group has also committed US$250 million for investment to this Fund. In total, commitments of US$163.7 million (£94.7 million) (2010: US$106.2 million, £58.9 million) had been drawn down at 31 March 2011 from 3i Infrastructure. At 31 March 2011, the Group's outstanding commitment to the Fund was US$86.3 million (£53.8 million).

3i Osprey GP, a subsidiary of 3i Group, receives a priority profit share from 3i Osprey LP, a subsidiary of the Company. During the year, £3.0 million (2010: £2.8 million) was payable to 3i Group of which £1.9 million was offset against the Advisory fee (2010: £1.7 million). As at 31 March 2011, £0.2 million remained outstanding (2010: £0.2 million).

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

In December 2010, the Company extended its Investment Advisory agreement with 3i Investments plc. The renegotiation extended the exclusivity arrangements between the Company and 3i Investments plc by a further £200 million and it extended the fixed duration of the Agreement by three years (subject to a back stop date of March 2015) from March 2012 to March 2015. The amendments to the Agreement were subject to approval from the Jersey Financial Services Commission. In accordance with the UK Listing Authority Rules, a fairness opinion was obtained on this transaction from an independent adviser.

Under the Investment Advisory Agreement, an annual advisory fee is payable to 3i plc based on the Gross Investment Value of 3i Infrastructure at the end of each financial period. Gross Investment Value is defined as the total aggregate value (including any subscription obligations) of the investments of the Company as at the start of a financial period plus any investment (excluding cash) made during the period valued at cost (including any subscription obligations). The applicable annual rate is 1.5%, dropping to an annual rate of 1.25% for investments that have been held by the Group for longer than five years. The advisory fee accrues throughout a financial period and quarterly instalments are payable on account of the advisory fee for that period. The advisory fee is not payable in respect of cash or cash equivalent liquid temporary investments held by the Group throughout a financial period. For the year to 31 March 2011, £12.5 million was payable and £0.3 million remains due to 3i plc. For the year to 31 March 2010, £9.1 million was payable and £0.2 million remained due to 3i plc.

The Investment Advisory Agreement also provides for an annual performance fee to be payable to 3i plc. This becomes payable when the Adjusted Total Return per ordinary share (being mainly closing net asset value per share aggregated with any distributions made in the course of the financial period and any accrued performance fees relating to the financial period) for the period exceeds the Target Total Return per share, being the Net Asset Value per ordinary share equal to the opening Net Asset Value per ordinary share increased at a rate of 8% per annum ("the performance hurdle"). If the performance hurdle is exceeded, the performance fee will be equal to 20% of the Adjusted Total Return per share in excess of the performance hurdle for the relevant financial period, multiplied by the weighted average of the total number of shares in issue over the relevant financial period. For the year to 31 March 2011, £2.9 million was payable and included £0.1 million in relation to the transaction of the prior year's performance fee and at 31 March 2011, £2.8 million remains due to 3i plc. For the year to 31 March 2010, £2.6 million was payable and at 31 March 2010 remained due to 3i plc.

Under the Investment Advisory Agreement, the Investment Adviser's appointment may be terminated by either the Company or the Investment Adviser giving the other not less than 12 months' notice in writing (expiring on or after 31 March 2015, unless 3i Investments plc has previously ceased to be a member of 3i Group), or with immediate effect by either party giving the other written notice in the event of insolvency or material or persistent breach by the other party. The Investment Adviser may also terminate the agreement on two months' notice given within two months of a change of control of the Company.

Pursuant to the UK Support Services Agreement, the Company also pays 3i plc an annual fee for the provision of support services. Such remuneration is payable quarterly in arrears. The amount payable for the year to 31 March 2011 was £0.5 million (2010: £0.5 million). The outstanding balance payable as at 31 March 2011 was £0.1 million (2010: £nil).

Transaction with a joint venture company

In January 2010 the Group invested £39.1 million to acquire a 49.9% stake in Elgin Infrastructure Limited. This has been treated as a joint venture in accordance with IAS 31 and has been held at fair value through profit and loss and accounted for in accordance with IAS 39. The value as at 31 March 2011 was £40.2 million (2010: £38.7 million).

During the year, £3.3 million portfolio income was recognised in the Group from Elgin (2010: £2.0 million) with £0.5 million outstanding to the Group as at 31 March 2011 (2010: £0.5 million).

Investment policy

The Company aims to build a diversified portfolio of equity investments in entities owning infrastructure businesses and assets.

The Company seeks investment opportunities globally, but with a focus on Europe, North America and Asia. The Company's equity investments will often comprise share capital and related shareholder loans (or other financial instruments that are not shares but that, in combination with shares, are similar in substance). The Company may also invest in junior or mezzanine debt in infrastructure businesses or assets.

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

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

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

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

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

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

Portfolio valuation methodology

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

Basis of valuation

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

General

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

Quoted investments

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

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

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

– Discounted Cash Flow ("DCF")
– Limited Partnership share of fund net assets
– Sales basis: expected sales proceeds
– Cost less any fair value adjustments required

DCF

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

LP share of fund net assets

Where the Group has made investments into other infrastructure funds, the value of the investment will be derived from the Group's share of net assets of the fund based on the most recent reliable financial information available from the fund. Where the underlying investments within a fund are valued on a DCF basis, the discount rate applied may be

adjusted by the Company to reflect its assessment of the most appropriate discount rate for the nature of assets held in the fund.

Sales basis

The expected sale proceeds methodology will be used in cases where offers have been received as part of an investment sales process.

This may either support the value derived from another methodology or may be used as the valuation. A marketability discount is applied to the expected sale proceeds to derive the valuation where appropriate.

Cost less fair value adjustment

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

Notes to the preliminary announcement

Note 1
The statutory accounts for the year to 31 March 2011 have not yet been delivered to the Jersey Financial Services Commission. The statutory accounts for the year to 31 March 2010 have been delivered to the Jersey Financial Services Commission. The auditors' 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 2010.

Note 2
Subject to shareholder approval, the proposed final dividend will be payable on 8 July 2011 to holders of ordinary shares on the register on 17 June 2011. The Ex-dividend date for final dividend will be on 15 June.

Note 3
Copies of the Report and accounts 2011 will be distributed to shareholders on or soon after 24 May 2011.

Note 4
This announcement may contain certain statements about the future outlook for 3i Infrastructure plc. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.