3i Infrastructure plc

Annual report and accounts 2022

Inside this report

Overview

Review of investments and Sustainability report

Governance

86
3iN Board values

Investment Manager's review

Financial review and Risk report

Accounts and other information

This Annual report and accounts contains Alternative Performance Measures ('APMs'), which are financial measures not defined in International Financial Reporting Standards ('IFRS'). These include Total return on opening net asset value ('NAV'), NAV per share, Total income and non-income cash, Investment value including commitments and Total portfolio return percentage. The definition of each of these measures is shown on page 66. The Total return for the year shown in the Performance highlights is the total comprehensive income for the year under IFRS. The Total return on opening NAV is a Key Performance Indicator ('KPI').

In previous years, in addition to the APMs, the Annual report and accounts showed portfolio information including cash and other net assets held within intermediate unconsolidated holding companies. A reconciliation of this portfolio information to the information presented in the Financial statements was provided. Following the partial divestment of the Oystercatcher investment and a restructure of some investments previously held through Luxembourg-based subsidiaries but now held directly by the Company, we have aligned the basis of reporting in this section to the Financial statements and will no longer report on an adjusted basis.

The Directors' statement on pages 120 to 124 for 3i Infrastructure plc ('3i Infrastructure', '3iN' or the 'Company') for the year to 31 March 2022 has been drawn up in accordance with applicable English law and Jersey law and the liabilities of the Company in connection with this statement shall be subject to the limitations and restrictions provided by such law.

This Annual report and accounts contains statements about the future outlook for 3i Infrastructure. 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.

The Company is managed by 3i Investments plc (the 'Investment Manager' or '3i'). The Strategic report comprises pages 1 to 82.

Cover image: SRL Traffic Systems
Page 43

Welcome

Our new digital approach

Welcome to the 2022 Annual report and accounts of 3i Infrastructure plc. This year, we have taken a digital-first approach to our report. We want this new structure to make the information that we publish more accessible to our shareholders and other stakeholders than reading a weighty printed document. We will continue to print copies of the report for users who prefer that format, but we have found in recent years that fewer printed copies have been required. Reducing the number of printed copies reduces our carbon footprint, and our printing and posting costs. We aim to evolve and improve our report each year and welcome feedback from stakeholders on the structure and content.

"We want to make information more accessible to our stakeholders."

Richard Laing
Chair, 3i Infrastructure plc

Watch video online
www.3i-infrastructure.com

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

Invest responsibly | **Sustainable returns** | **Positive impact**

Performance highlights

Consistent delivery against our target return of 8% to 10% per annum.

Total return on opening NAV

17.2%

2018	28.6%
2019	15.4%
2020	11.4%
2021	9.2%
2022	**17.2%**

NAV

£2,704m

+13.1%

2018	£1,710m
2019	£1,902m
2020	£2,269m
2021	£2,390m
2022	**£2,704m**

NAV per share

303.3p

+13.1%

2018	211.0p
2019	234.7p
2020	254.5p
2021	268.1p
2022	**303.3p**

Full year dividend per share

10.45p

+6.6%

2018	7.85p+
2019	8.65p
2020	9.20p
2021	9.80p
2022	**10.45p**

+ Special dividend in 2018: 41.40p

Total return for the year

£404m

March 2021: £206m

2023 Target dividend per share

11.15p

+6.7%

At a glance

A well-diversified investment portfolio.

Portfolio value including commitments*

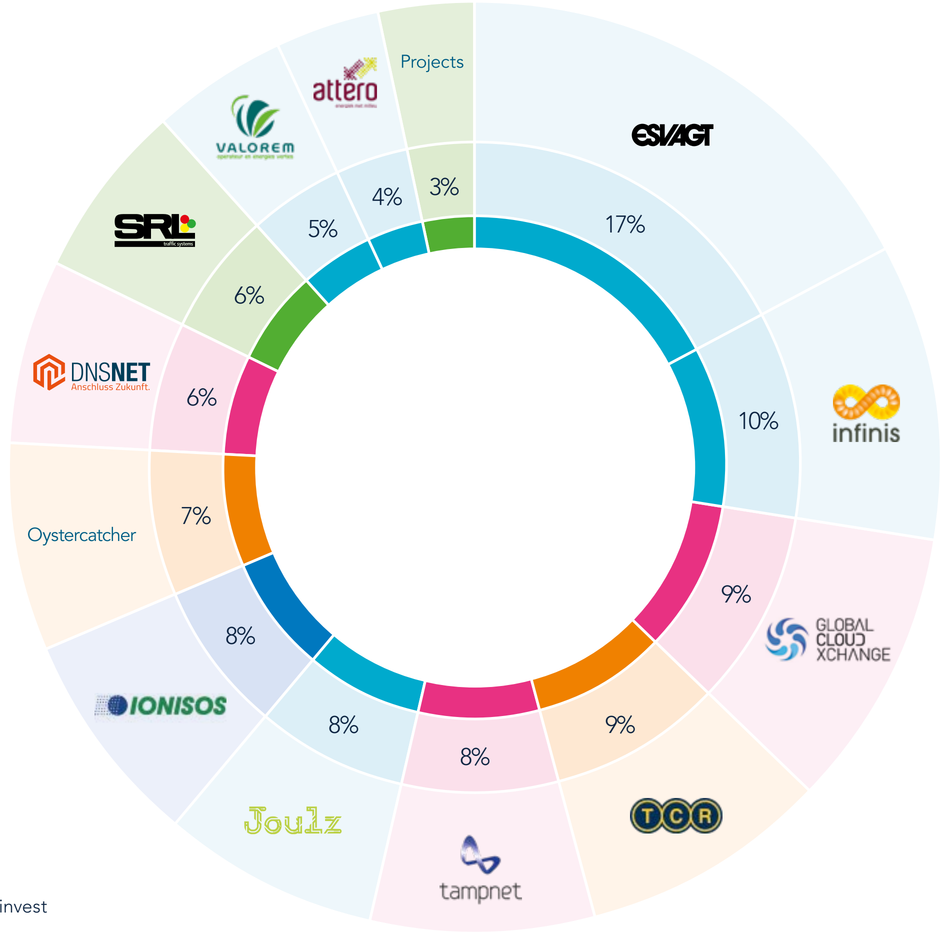
£3.2bn

2021: £2.0bn

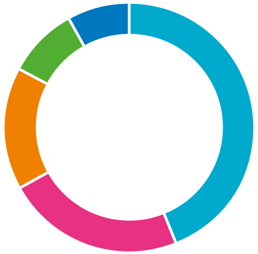
Assets

18

Portfolio value by investment including commitments*



Megatrends**



Energy transition	44%
Digitalisation	23%
Globalisation	16%
Renewing social infrastructure	9%
Demographic change	8%

** Refer to page 8 for details on megatrends

* All charts at 31 March 2022 and include commitment to invest in GCX announced on 17 November 2021 (see page 25).

Read more in Review of investments
Pages 35 to 45

Chair's statement

3i Infrastructure continues to meet its strategic objectives and deliver its purpose.

The Company aims to provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term. I am delighted to report that we achieved a return of 17.2% in the year ended 31 March 2022, well ahead of our target and demonstrating the attractiveness of our portfolio. This is the eighth consecutive year that we have met or exceeded our return target; and we have increased the dividend per share in every year of the Company's existence.

Our portfolio companies have continued to demonstrate resilience throughout the Covid-19 pandemic, keeping essential infrastructure operating and supporting customers, suppliers, employees and their communities. None of our portfolio companies has direct exposure to Russia or Ukraine.

We have made good progress against our sustainability objectives and are pleased with the level of engagement and enthusiasm that we see across our portfolio companies. Our report this year includes information on greenhouse gas ('GHG') emissions for each company, which can be found in the Sustainability report.

I am grateful to shareholders and the Board of Directors for their support during the year, as well as to the Investment Manager's team for their hard work in a year when office life and business travel were again restricted. We made good use of virtual means of communication, as well as meeting in person where possible.

Our purpose

Our purpose, as set out on page 1, is to invest responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive impact on our portfolio companies and their stakeholders. The key elements of our purpose are used to structure our Strategic report.

Sustainability is central to our purpose and we create value for all stakeholders by investing in, developing and actively managing essential infrastructure which responds to public needs, fosters sustainable growth and improves the lives of communities. We invest across a broad range of infrastructure investment themes, and are highlighting two in particular in this report: energy transition and digitalisation.

As the countries in which we invest increase their focus on climate change, we see continued opportunities to invest in energy transition, putting our capital to work to generate sustainable returns and to have a positive impact through mitigating climate change. Similarly, increasing demand for digital connectivity brings opportunities to invest in building the underlying infrastructure required to meet that demand.

Performance

The Company generated a total return of £404 million in the year ended 31 March 2022, or 17.2% on opening NAV, ahead of our target of 8% to 10% per annum to be achieved over the medium term.

"This has been another excellent year, and we have confidence in the future of our Company and portfolio."

Richard Laing
Chair, 3i Infrastructure plc

2007 → 2022

In the 15 years since the initial public offering ('IPO') the Company has delivered an annualised total shareholder return of

13.1%

per annum

The NAV per share increased to 303.3 pence. We delivered a Total Shareholder Return ('TSR') of 20.9% in the year (FTSE 250: 0.5%). Since IPO, the Company's annualised TSR is 13.1%, comparing favourably with the broader market (FTSE 250: 7.1% annualised over the same period).

Investment activity

This was a busy year for new investments. In June 2021, we completed the acquisition of a 60% stake in DNS:NET for £157 million. DNS:NET is a leading independent telecommunications provider in Germany.

In November 2021, we agreed to invest c.$512 million to acquire 100% of Global Cloud Xchange ('GCX'). GCX is a leading global data communications service provider. Additional acquisition debt was raised in March 2022, reducing the Company's equity commitment to c.£300 million. The transaction is expected to complete in summer 2022.

In December 2021, we invested £191 million, net of a subsequent debt raise, in SRL Traffic Systems ('SRL'). SRL is the market leading traffic management equipment rental company in the UK.

We bought out our co-investor, AMP Capital, purchasing their stake in ESVAGT for £258 million in February 2022.

We have continued to support growth in our portfolio companies with an aggregate £71 million investment into DNS:NET, Valorem, ESVAGT and Joulz to fund further growth.

We completed the sale of Oystercatcher's four European terminals in October 2021. This resulted in a distribution of €55 million to the Company after repaying all of Oystercatcher's debt facilities. Oystercatcher retains its holding of a 45% stake in Oiltanking Singapore. At the end of the financial year, in March 2022, we agreed to sell our European Projects portfolio to 3i European Operational Projects Fund ('3i EOPF') for £103 million. This transaction is expected to reach completion by June 2022.

Dividend

Following the payment of the interim dividend of 5.225 pence per share in January 2022, the Board is recommending a final dividend for the year of 5.225 pence per share, meeting our target for the year of 10.45 pence per share, 6.6% above last year's total dividend. We expect the final dividend to be paid on 11 July 2022. Consistent with our progressive dividend policy, we are announcing a total dividend target for the year ending 31 March 2023 of 11.15 pence per share, representing an increase of 6.7%.

Changes to the Investment Manager's team

On 31 March 2022, the Investment Manager announced that Phil White is stepping down from his role as Managing Partner and Head of Infrastructure, 3i Investments plc, with effect from 1 July 2022. Scott Moseley and Bernardo Sottomayor will be appointed as Co-Heads of European Infrastructure and will take on Phil's role in relation to the Company.

Phil has contributed enormously to the Company's success over many years. During his eight-year tenure as Managing Partner, the Company's returns have been consistently ahead of the FTSE 250 benchmark and, under his leadership, the capabilities of the management team have grown considerably. We have appreciated Phil's experience, wisdom and commitment and are extremely grateful for all that he has done for the Company.

Chair's statement continued

We note that Phil will continue with the Investment Manager on a part-time basis and will remain a member of the Investment Committee. We welcome the appointment of Scott and Bernardo, knowing them well and having worked with them over many years. The Board is confident that under their leadership the team will continue to provide excellent management of the Company.

Corporate governance and Company domicile

The Company's Annual General Meeting ('AGM') was held on 8 July 2021 as a purely functional meeting only conducting the formal business due to Government guidance and continued restrictions related to the Covid-19 pandemic in place at the time.

All resolutions were approved by shareholders, including the re-election of the existing Directors. I was pleased with the high level of shareholder engagement via proxy voting at that meeting. We also held an interactive online shareholder presentation two weeks before the AGM which enabled shareholders to submit questions for Directors to answer.

This year's AGM will be held on 7 July 2022. Further details are provided in the Notice of Meeting and on the Company's website, www.3i-infrastructure.com. We very much look forward to seeing shareholders in person again at this year's AGM.

In 2021, the UK government consulted on proposals to implement a simplified corporate re-domiciliation regime that would allow overseas companies to become UK domiciled. The Company responded supporting these proposals. If implemented, the Company would be likely to take advantage of this route to become a UK company. There would be no change in the Company's status as an approved UK investment trust.

Directors' duties

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

In accordance with the AIC Code of Corporate Governance 2019 (the 'AIC Code'), the Board does this through understanding the views of the Company's key stakeholders and carefully considering how their interests and the matters set out in section 172 Companies Act 2006 of England and Wales have been considered in Board discussions and decision making. More detail can be found in the Directors' duties and Section 172 Statement sections later in this document.

Outlook

The Company has remained disciplined in its investment approach, and has succeeded in making a number of new investments during the year. Our portfolio consists of defensive businesses providing essential services to their customers and the communities they serve, often benefitting from long-term sustainable trends.

We remain confident in our business model. As our Company has grown, we have increased the size of the investments we can hold in our portfolio and the funding options we have available to us. We are well-placed to take advantage of new investment opportunities and to continue to support and grow our portfolio companies.

Richard Laing
Chair, 3i Infrastructure plc
9 May 2022

Our approach
We invest responsibly and have a positive impact

Our purpose

Invest responsibly

Sustainable returns

Positive impact

Responsible investing

We believe that a responsible approach to investment will add value to our portfolio and that the effective assessment of Environmental, Social and Governance ('ESG') risks and opportunities has a positive effect on the value of our investee companies.

Since 2011, the Investment Manager has been a signatory to the UN Principles for Responsible Investment and has embedded a clear and comprehensive Responsible Investment policy into its investment and asset management processes. This policy sets out the businesses in which the Company will not invest, as well as minimum standards in relation to ESG matters which we expect new portfolio companies to meet, or to commit to meeting over a reasonable time period. The policy applies to all of our investments, irrespective of their country or sector.

Our influence

We use our influence as owners and active managers to ensure that our investee companies are run responsibly and that they have a positive impact on the environment and on the communities in which they operate.

This includes supporting and empowering management teams to develop business strategies that deliver value whilst mitigating adverse environmental and social impacts. We create a culture where there is an ambition to improve our businesses and where it is known that we value management teams spending time and resources on sustainability initiatives.

We also seek to manage all material ESG risks and opportunities during the period of the Company's investment. This includes enhancing portfolio companies' corporate governance and their board reporting.

We seek to invest in opportunities that, where appropriate, will develop solutions to sustainability challenges. We make a limited number of investments each year, allowing us to be very selective in our approach to new investment.

RCF

Sustainability-linked revolving credit facility ('RCF')

During the year, we refinanced the Company's revolving credit facility as a sustainability-linked RCF. The new facility includes stretching targets across ESG themes aligned with our purpose.

Our approach continued
The infrastructure market

Competitive landscape

Competition for infrastructure assets remained high with considerable capital available in the market leading to another record year of infrastructure assets under management. This year has seen the launch of several new UK listed and private funds targeting economic infrastructure investment opportunities. This includes a number of funds with narrow mandates focused on specific sub-sectors of the infrastructure market.

Macro environment

Accelerating trends in the macro environment have also increased investor appetite for the infrastructure asset class.

This year has seen rising inflation followed by expectations of rising interest rates and a tightening of monetary policy from central banks.

In this environment, demand for infrastructure assets typically increases since they can act as a hedge with revenues directly or indirectly linked to inflation. These trends, and our response to them, are discussed in more detail within the Risk report on page 75.

Megatrends

Megatrends are shaping the world around us, influencing decision making and changing the demands placed on our economy and services. Identifying the potential for change is a key driver of our investment decision making – from the businesses, sectors and countries we invest in, to the way we go about finding opportunities.

As the Company's portfolio continues to grow, we seek to diversify our investments across a range of megatrends that will provide a supportive environment for long-term sustainable business growth and returns to shareholders. We also continually assess underlying risk factors, both when considering new investment opportunities and in managing the existing portfolio and its exposure to certain risks, such as commodity prices and foreseeable technological disruptions.

Megatrend	Investment theme	Our portfolio
Energy transition – low-carbon and circular economy	Renewable energy generation	infinis, Valorem, attero, ESVAGT
	Electrification/energy transition	Joulz, TCR
	Shared resources	TCR, SRL
	Waste treatment and recycling	attero
Digitalisation and technology disruption	Automation, digital operations and increasing connectivity	tampnet, DNSNET, Global Cloud Xchange
Demographic change	Demand for healthcare	IONISOS
Globalisation	Global trade and transport	Oystercatcher, TCR
Renewing social infrastructure	Urbanisation and smart cities	SRL, Projects

Our approach continued
A disciplined investor

Origination approach

We remain a disciplined investor and where possible seek opportunities to transact off-market, only participating in competitive processes where we believe we have a distinct advantage.

We have a large and focused investment team, with a broad network and access across the geographies in which we invest. Our reputation, local presence and the relationships we develop with management teams provide us with competitive advantages and allowed us to be successful in signing our new investments this year in DNS:NET, SRL and GCX on attractive terms.

Asset management

Throughout the year we maintained a significant focus on asset management activities and investment stewardship.

£100m-£400m
Typical equity investment

9%-14%
Typical range of gross returns per annum

As social restrictions due to Covid-19 began to ease, we ensured that portfolio companies were able to continue delivering essential services whilst focusing on the health and safety of employees, and the needs of customers and suppliers.

We have increased our focus on sustainability. During the year we worked with portfolio companies to implement processes to collect and analyse greenhouse gas emissions data and are pleased to report the results in our Sustainability report on page 55. Portfolio companies are now developing plans for reducing their emissions over time.

In the year we also performed a review of each portfolio company's cyber security. Portfolio company management teams are now implementing bespoke recommendations to enhance their cyber security positions.

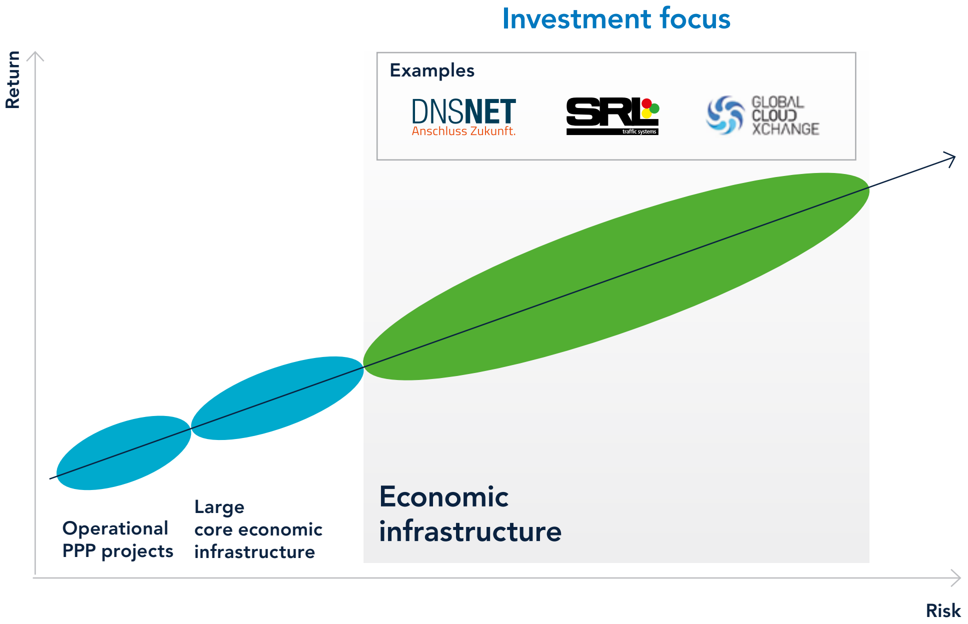
Unique offering for shareholders

The Company remains unique, providing shareholders with access to private infrastructure assets across a variety of megatrends, sectors and geographies.

Whilst listed and private funds compete against the Company for new investments, other UK listed infrastructure funds typically target smaller investments than the Company or investments in operational and greenfield Public Private Partnership ('PPP') projects, which are outside our investment focus.

Our primary investment focus remains mid-market economic infrastructure with controlling majority or significant minority positions and strong governance rights, whilst adhering to a set of core investment characteristics and risk factors. More information on our business model can be found on page 14.

Market segmentation and investment focus



Energy transition

In conversation with Bernardo Sottomayor on the energy transition.

Q What is your approach to investing in the energy transition and why do you believe it will deliver good risk-adjusted returns?

A The global effort towards decarbonisation requires huge investment in underlying energy infrastructure. This strong demand for capital and underlying growth fundamentals create a clear opportunity to invest and obtain superior returns in these areas.

3i Infrastructure's portfolio contains a range of companies targeting this theme in a number of different ways.

Q How are companies in the 3iN portfolio helping to drive the energy transition forward?

A Many of our portfolio companies are supporting the energy transition in some way. Some are doing that directly by generating renewable energy like Infinis, Valorem and Attero which have almost 900MW of installed renewable capacity between them, enough to power 60% of the households in London.

Others are contributing indirectly through adapting their business models to more sustainable practices. Our portfolio company ESVAGT is a good example of this. ESVAGT provides emergency rescue and response vessels and when we acquired the company in 2015 almost all of its business was based around oil and gas. Under our ownership we have encouraged ESVAGT to focus on vessels serving the offshore wind sector and today that is where the majority of its earnings come from.

Q As an owner of multiple assets across different sub-sectors, how are you encouraging sustainability across the portfolio as a whole?

A Sustainability is no longer a 'nice to have'. It's an important part of managing risk, maximising the potential of an investment and doing the right thing. All the companies in our portfolio must have a sustainability strategy.

We encourage our companies to look at sustainability holistically, focusing on Social and Governance issues as well as the Environment. For example, at Tampnet we have worked with the management team to further promote improved health and wellbeing for their employees.

We also facilitate the sharing of best practice across our portfolio, and arrange sessions on sustainability topics with advisers and industry experts, as many of our companies are facing similar challenges, so they are able to learn from each other.

Q Do you see some infrastructure sectors having more impact on the energy transition than others?

A We encourage all of our portfolio companies to embrace the energy transition regardless of sub-sector. Every contribution matters.

For example, TCR, our airport ground handling equipment business, actively researches electrical alternatives to its traditional diesel-powered equipment in order to advise and fund its airport and airline rental customers on this transition, indirectly supporting their GHG reduction commitments.

Another example is Joulz, whose core activity is to install and upgrade the electrical infrastructure for its industrial and commercial customers, enabling their own energy transition efforts, which in many cases include the installation of electric vehicle charging points, solar panels, batteries and non-fossil fuel heating solutions.

"We encourage all of our portfolio companies to embrace the energy transition regardless of sub-sector."

Bernardo Sottomayor
Partner, Co-Head of Economic Infrastructure, Europe

Energy transition continued

Joulz is benefitting from the Dutch government's commitment to decarbonise the economy. The energy transition is further advanced than in other European countries and leads to an increased demand for Joulz's equipment and services.

Read more
Page 39

Infinis collects environmentally harmful landfill gas and converts it into a consistent source of baseload electricity for the local UK grid.
Infinis is using its platform to make new investments in activities such as solar power generation and battery storage.

Read more
Page 36

Valorem is a leading developer of renewable energy projects from wind, solar and hydro. The company continues to grow its asset base, now owning 663MW of fully developed renewable capacity.

Read more
Page 44

Under our ownership, ESVAGT has established a leading position as a renewable offshore services provider in the fast growing offshore wind industry, both in Europe and the US. ESVAGT's vessels support the efficient maintenance of offshore windfarms, a key contribution to the energy transition.

Read more
Page 35

In conversation with Scott Moseley on digital infrastructure.

Q Which digitalisation trends have been accelerated by Covid-19?

A We are all aware of the rapid shift to a more dynamic way of working and learning caused by the pandemic. Many of us have also experienced transformational growth in e-commerce and online gaming. Perhaps less immediately evident to our day-to-day lives is the increasing emphasis on industrial process digitalisation. The consumption of data is growing exponentially and the architecture of network connectivity is proliferating across increasingly diverse routes, creating investment opportunity in areas such as mobile communication, data centres, and subsea and terrestrial fibre-optic networks.

Q Can you tell us more about your latest investments in the digital connectivity space and your rationale for investing?

A Our most recent investment is a company called Global Cloud Xchange, one of the largest private subsea fibre optic networks globally. Its 66,000km of underwater cabling provides high-bandwidth connectivity on important routes between Europe, Asia and North America. Its customers range from hyper-scalers to content streaming and telecom carriers, and it is well-positioned to provide bulk transmission of data across continents along high value routes.

At a more local level, another recent investment is DNS:NET, which is rolling out fibre-to-the-home connectivity in the Berlin area. We think there are particularly attractive dynamics in the German market, where fibre-to-the-home coverage at only 14% is low compared to other markets and it is really the only technology capable of future-proofing demand requirements.

We also own Tampnet, which operates fibre networks in the North Sea and Gulf of Mexico, providing offshore connectivity and smart digitalisation solutions to energy platforms and wind farms to enable efficient utilisation of our offshore energy resources.

The diversification evident across these investments helps our shareholders benefit from digitalisation as a megatrend in different ways.

66,000km

GCX's subsea fibre optic network

Q What's the outlook for digital connectivity and what opportunities are you seeing?

A Communications infrastructure is arguably now as fundamental to the prospects of our economies as energy and water utilities.

Innovation across smart cities, industries and devices is dependent upon data transmission. Recent high profile corporate activity, such as Microsoft's acquisition of video game maker Activision Blizzard and Meta's push into the metaverse, provides further evidence that network infrastructure facilitating connectivity is going to be increasingly vital.

We are confident that we are well placed to take advantage of these digital opportunities.

"Communications infrastructure is arguably now as fundamental to the prospects of our economies as energy and water utilities."

Scott Moseley
Partner, Co-Head of Economic Infrastructure, Europe

Digital infrastructure continued

GCX owns one of the world's largest private subsea fibre optic networks and is well-positioned to capitalise on the exponential growth in data usage.

Read more
Page 25

DNS:NET is rolling out the largest fibre-to-the-home network in the Berlin area, where demand is growing rapidly, as consumers normalise data intensive activities such as cloud-based remote working, high definition streaming and online gaming.

Read more
Page 42

Tampnet's offshore fibre optic network provides customers with mission-critical reliable communications in the North Sea and Gulf of Mexico. The company is benefitting from the growing requirement for high speed, high bandwidth and low latency in data links that allow customers to improve efficiency through remote operations.

Read more
Page 38

Our business model

Our purpose

Invest responsibly

Sustainable returns

Positive impact

We invest responsibly in infrastructure to create long-term value for stakeholders.

What enables us to create value

Investment Manager's team

3i Group network

Engaged asset management

Reputation and brand

High ESG standards

Robust policies and procedures

Efficient balance sheet

Read more
Pages 15 and 16

Characteristics we look for in new investments

- Asset intensive business
- Asset bases that are hard to replicate
- Provide essential services
- Established market position
- Good visibility of future cash flows
- An acceptable element of demand or market risk
- Opportunities for further growth
- Sustainability

Read more
Page 17

How we create value

Buy well → Strong governance → Define strategy → Execute plan → Realisation

Framed by our strategic priorities

Read more
Page 17

Value created in the year

Financial

17.2%
Total return on opening net asset value

10.45p
Ordinary dividend per share

19%
Asset IRR (since inception)

Non-financial

4
Further investments in portfolio companies to fund growth

4
New Chair and non-executive Director appointments in portfolio companies

+5.5%
Increase in installed renewable energy capacity

10
Portfolio companies reporting on greenhouse gas emissions

Our business model explained

What enables us to create value

Investment Manager's team

The Company is managed by an experienced and well-resourced team. The European infrastructure team was established by 3i Group in 2005 and now comprises more than 50 people, including over 30 investment professionals.

This is one of the largest and most experienced groups of infrastructure investment professionals in Europe, supported by dedicated finance, tax, legal, operations and strategy teams.

3i Group network

3i Group has a network of offices, advisers and business relationships across Europe. The investment management team leverages this network to identify, access and assess opportunities to invest in businesses, on a bilateral basis where possible, and to position the Company favourably in auction processes.

Engaged asset management

We drive value from our investments through the Investment Manager's engaged asset management approach. Through this approach, the Investment Manager partners with our portfolio management teams to develop and execute a strategy to create long-term value in a sustainable way. Examples of this partnership include developing strategies that support investment in the portfolio company's asset base over the long term; continued improvements in operational performance; and establishing governance models that promote an alignment of interests between management and stakeholders.

We develop and supplement management teams, often bringing in a non-executive chair early in our ownership.

Examples of this engaged asset management approach can be found on our website, www.3i-infrastructure.com.

Strengthen portfolio company management teams

Invest in and develop companies to support a sustainable future

Growing our platform businesses through acquisitions

Our business model explained continued

What enables us to create value continued

Reputation and brand

The Investment Manager and the Company have built a strong reputation and track record as investors by investing responsibly, managing their business and portfolio sustainably and by carrying out activities according to high standards of conduct and behaviour. This has been achieved through upholding the highest standards of governance, at the Investment Manager, the Company and in investee companies. This in turn has earned the trust of shareholders, other investors and investee companies, and has enabled the Investment Manager to recruit and develop employees who share those values and ambitions for the future.

The Board seeks to maintain this strong reputation through a transparent approach to corporate reporting, including on our progress on driving sustainability through our operations and portfolio. We are committed to communicating in a clear, open and comprehensive manner and to maintaining an open dialogue with stakeholders.

High ESG standards

Sustainability and ESG standards are discussed throughout this report. Please refer to Our approach on page 7, the Sustainability report on pages 46 to 55 and the Risk report on pages 67 to 80.

"There is a strong link between companies that have high ESG standards and those that are able to achieve long-term sustainable business growth."

Anna Dellis
Partner, 3i Investments plc

Robust policies and procedures

Established investment and asset management processes are supported by the Investment Manager's comprehensive set of best practice policies, including governance, conduct, cyber security and anti-bribery.

Efficient balance sheet

The Company's flexible funding model seeks to maintain an efficient balance sheet with sufficient liquidity to make new investments. In order to capitalise on emerging opportunities, during the year we extended our borrowing facilities from £300 million to £1 billion.

Since FY15 the Company has raised equity twice and returned capital to shareholders twice following successful realisations.

Our business model explained continued

Characteristics we look for in new investments

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

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

Asset intensive business
Owning or having exclusive access under long-term contracts to assets that are essential to deliver the service

Good visibility of future cash flows
Long-term contracts or sustainable demand that allow us to forecast future performance with a reasonable degree of confidence

Asset bases that are hard to replicate
Assets that require time and significant capital or technical expertise to develop, with low risk of technological disruption

Provide essential services
Services that are an integral part of a customer's business or operating requirements, or are essential to everyday life

An acceptable element of demand or market risk
Businesses that have downside protection, but the opportunity for outperformance

Opportunities for further growth
Opportunities to grow or to develop the business into new markets, either organically or through targeted M&A

Established market position
Businesses that have a long-standing position, reputation and relationship with their customers – leading to high renewal and retention rates

Sustainability
Businesses that meet our Responsible Investing criteria, with opportunities to improve sustainability and ESG standards

How we create value

We have a rigorous approach to identify the best investment opportunities and then work in close partnership with our portfolio companies to drive sustainable growth.

Buy well
- Comprehensive due diligence
- Consistent with return/yield targets
- Fits risk appetite

Strong governance
- Make immediate improvements
- Board representation
- Appropriate Board composition
- Incentivise management

Define strategy
- Agree strategic direction
- Develop action plan
- Focus on ESG
- Right capital structure

Execute plan
- Ongoing support and advice
- Monitor performance
- Review further investment
- Facilitate M&A

Realisation
- Long-term view but will sell to maximise shareholder value

What we do is framed by our strategic priorities

Read more Page 18

Our strategy

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

Strategic priorities

Maintaining a balanced portfolio

Delivering an attractive mix of income yield and capital appreciation for shareholders.

Investing in a diversified portfolio in developed markets, with a focus on the UK and Europe.

17%

Largest single investment by value*

Read more
Pages 34 to 45

Disciplined approach to new investment

Focusing selectively on investments that are value enhancing to the Company's portfolio and with returns consistent with our objectives.

£980m

New investments or commitments

Read more
Pages 24, 25 and 34 to 45

Managing the portfolio intensively

Driving value from our portfolio through our engaged asset management approach.

Delivering growth through platform investments.

4

Follow-on investments in portfolio companies

Read more
Pages 34 to 45

5

Portfolio companies refinanced*

Maintaining an efficient balance sheet

Minimising return dilution to shareholders from holding excessive cash, while retaining a good level of liquidity for future investment.

£484m

Total liquidity less investment commitments*

Read more
Page 63

Sustainability a key driver of performance

Ensuring that our investment decisions and asset management approach consider both the risks and opportunities presented by sustainability.

898MW

Installed renewable energy capacity

Read more
Page 50

* Includes commitment to invest in GCX, net of debt financing, made on 17 November 2021.

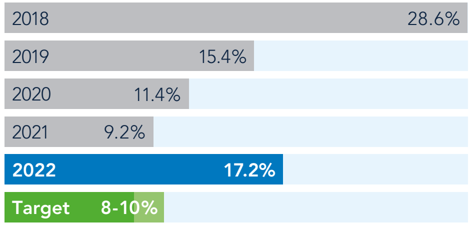
Our objectives and KPIs

Our objectives are to provide shareholders with:

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

Our KPIs

Total return % on opening NAV



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

Met or exceeded target for 2022 and every prior year shown

Rationale and definition

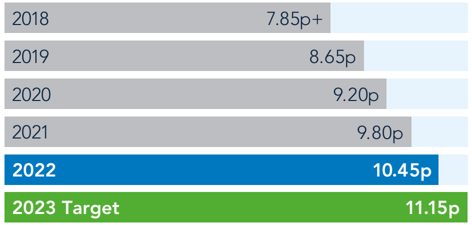
- Total return is how we measure the overall financial performance of the Company
- Total return comprises the investment return from the portfolio and income from any cash balances, net of management and performance fees and operating and finance costs. It also includes foreign exchange movement and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

Performance over the year

- Total return of £404 million in the year, or 17.2% on opening NAV
- The portfolio showed good resilience overall with strong performance in particular from Oystercatcher, TCR and ESVAGT
- The hedging programme continues to reduce the volatility in NAV from exchange rate movements
- Costs were managed in line with expectations

a progressive annual dividend per share

Annual distribution pence per share



+ Special dividend (2018: 41.40p)

Target
Progressive dividend per share policy.

FY23 full year dividend target of 11.15 pence per share.

Dividend per share increased every year since IPO

Rationale and definition

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

Performance over the year

- Proposed total dividend of 10.45 pence per share, or £93 million, is in line with the target set at the beginning of the year
- Income generated from the portfolio and cash deposits, including non-income cash distributions and other income from portfolio companies, totalled £143 million for the year
- Operating costs and finance costs used to assess dividend coverage totalled £50 million in the year
- The dividend was fully covered for the year
- Setting a total dividend target for FY23 of 11.15 pence per share, 6.7% higher than for FY22

Investment Manager's review

Joulz
Page 39

Review from the Managing Partner

We have made attractive new investments, both in new businesses and companies we already know well, and successfully realised Oystercatcher's European terminals and our European projects portfolio.

The portfolio continued to be resilient, delivering strong operational and financial performance ahead of the expectations we set a year ago. Competition for new investments remains intense, leading to high pricing of assets, and we remain disciplined to invest selectively.

This was a very busy year of investment activity. Our new investments in SRL and GCX are both in growth sectors with strong market positions. Increasing our stake in ESVAGT to 100% and our injections of additional capital into DNS:NET, Valorem and Joulz will benefit the Company from further growth in those platforms. The Company has increased its credit facilities to ensure that it continues to have ample liquidity to make further new investments.

The portfolio delivered strong performance during the year and met our income expectations. As Europe emerges from the Covid-19 pandemic, we have seen a pick-up in growth initiatives in a number of our portfolio companies and we are working closely with our portfolio company management teams to execute on these.

Our portfolio is not immune to the challenging current macro environment of higher inflation, interest rate rises, tax rises, supply side disruptions and heightened geopolitical risks from Russia's invasion of Ukraine. However, the Company has a well-diversified portfolio, each business operating in its established market position and, in the majority of cases, with predictable income and some inflation protection. Over the past six months we have also further reduced the portfolio's exposure to interest rates through extensive financing activity. We supported five portfolio companies through refinancing or additional debt raises, extending debt maturities and locking in fixed rates on attractive terms.

It was a very good year for the Company – a high level of new investment, excellent realisations, and a strong portfolio performance."

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

Review from the Managing Partner continued

Portfolio review

Most portfolio companies performed materially ahead of expectations.

The sale of Oystercatcher's 45% stakes in its four European terminals in Amsterdam, Terneuzen, Ghent and Malta drove part of the outperformance in the year. The majority of the net proceeds from the sale were used to prepay all of Oystercatcher's debt.

The balance of the net proceeds to Oystercatcher, €55 million, was distributed to the Company. Oystercatcher continues to own a 45% stake in Oiltanking Singapore Limited alongside Oiltanking GmbH.

ESVAGT, in which we invested £258 million to acquire the 50% stake owned by our co-investor, AMP, had a very good year, benefitting from higher contract rates and utilisation levels returning to pre-Covid levels. It also won a milestone contract to provide the world's first green Service Operation Vessel, powered by batteries and renewable e-methanol, to the Hornsea 2 wind farm in the UK.

Despite new travel restrictions imposed during the winter, TCR continued to demonstrate the resilience of its business model and performed ahead of our expectations for the year. The business continues to grow, increasing the number of airports in which it operates and increasing the number of clients it serves.

Infinis significantly exceeded its budget due to outperformance in its captured landfill methane business, higher UK power prices and the frequent power supply system imbalances in the UK that benefitted its power response assets. Attero also benefitted from high power prices, which, together with higher than forecast waste supply volumes and gate fees, helped it to materially outperform expectations and the prior year. In March 2022, the business closed an additional debt raise on favourable terms.

Our French-headquartered companies, Ionisos and Valorem, were strong performers in the year. To sustain the growing demand from the healthcare and pharma industries, Ionisos is looking at various expansion opportunities beyond the construction of a new site at Kleve, Germany. Valorem is progressing well with its construction activity with a total of 105MW of new wind and solar projects entering into operation during the year. It also successfully closed Viiatti, a landmark large-scale wind project in Finland.

Tampnet and Joulz performed well during the year. At Tampnet, customers continued to upgrade their bandwidth requirements. Joulz's core businesses of Infrastructure Services and Metering performed in line with expectations and we saw continued healthy growth in the order book. This was offset by some delays in completing new projects, mainly due to Covid-19 related staffing issues. The Company invested £5 million of new equity into Joulz to support further growth.

Our newest assets, DNS:NET and SRL, are performing broadly in line with our investment cases. In February 2022 we invested a further £33 million in DNS:NET to support its fibre network roll-out.

On 29 March 2022, the Company signed an agreement to sell its European projects portfolio, comprising four Dutch and two French PPP projects across transport and social infrastructure, to 3i EOPF, representing an uplift of £8 million on the value at September. Completion is expected by June 2022 and proceeds are estimated at £103 million. This results in a 20% gross IRR and a 1.7x gross money multiple for the Company.

Finally, we were pleased with the significant progress made towards realising the remaining assets in the 3i India Infrastructure Fund (the 'India Fund'), with the sale of the India Fund's stake in KMC Roads and in GVK Energy at uplifts to the carrying value.

Review from the Managing Partner continued

Investment activity

During the year, the Company invested or committed £980 million into its target markets. In November, we agreed to invest c.$512 million to acquire 100% of GCX. GCX is a leading global data communications service provider and owns one of the world's largest private subsea fibre optic networks. Completion is subject to certain regulatory approvals and is expected mid-2022. In December, we completed the £191 million acquisition of a 92% stake in SRL and invested a further £21 million into Valorem and £5 million into Joulz to fund their growth. In February, we increased our stake in ESVAGT from 50% to 100% for £258 million and invested a further £33 million into DNS:NET to fund the next step of its fibre roll-out. These new investments have added further diversification to the Company's portfolio, which is well-balanced by size of investment and has exposure to a range of countries, sectors and risk factors. This should strengthen the Company's ability to meet its return and dividend objectives over the medium term.

Throughout the year, we saw an active investment pipeline that included a broad range of potential new investment opportunities. Competition for new investments was very high, and we are focused on achieving an appropriate balance of risk and return.

Sustainability

We took a big step forward on sustainability during the year. We set several sustainability-related objectives and are pleased to have met all of these. This includes reporting Scope 1 and Scope 2 greenhouse gas emissions for our portfolio companies for the first time as well as implementing policies and entering into financial agreements that further embed sustainability throughout our investment and asset management processes.

In the year ahead, we plan to build on this progress by working with portfolio companies to consider potential opportunities to reduce their greenhouse gas emissions over time and by assessing the results of climate scenario analysis. We will also continue to develop our approach to sustainability as the regulatory and commercial frameworks in which we and our portfolio companies operate evolve.

Outlook

It was a very good year for the Company, with a high level of new investment, excellent realisations, and a strong portfolio performance. The market for new investments remains highly competitive but we remain very selective and, as we have shown consistently over many years, are prepared to sell assets where that generates exceptional returns for shareholders. The Company is in a healthy position for the future.

Phil White
Managing Partner and Head of Infrastructure,
3i Investments plc
9 May 2022

New investments

SRL is the UK's leading lessor of temporary traffic management equipment.

Investment rationale

- Temporary Traffic Equipment ('TTE') is mission-critical for the safe use of roads
- SRL fits with the Company's strategy of investing in companies with leading market positions and barriers to entry, yet with operational levers to achieve attractive returns for shareholders through active asset management
- SRL has sound market fundamentals through the increasing emphasis placed on health and safety, and a growing propensity to rent rather than own TTE
- Outsourcing ownership of TTE makes economic sense for traffic management companies, as it allows them to manage maintenance and utilisation more efficiently
- SRL has a market leading reputation and is trusted by its customers

Invested	Equity stake
£191m	92%

Characteristics

Asset intensive business that is hard to replicate
SRL rents a fleet of c.13,000 TTE under full service contracts. The fleet is deployed from 30 strategically located depots throughout the UK.

Good visibility on future cash flows
There is broad political and regulatory support for increased investment in UK infrastructure and TTE will be needed to support this.

Provides essential services
TTE is safety critical equipment needed to protect highway workers and segregate traffic, cyclists and pedestrians.

Acceptable element of demand risk
Primary competition for SRL is from customers with owned assets who often use their own fleets to serve a baseload of work and then top up with rented TTE.

Established market position
SRL is the only large rental company of TTE in the UK. It benefits from economies of scale through being able to provide access to TTE nationally and 24/7.

Opportunities for further growth
The rental model is expected to increase penetration and gain market share from the ownership model over time.

Sustainability
TTE, and in particular SRL's smarter products, allow for greater control of traffic flows, which in turn reduces congestion around roadworks and improves safety.

GLOBAL CLOUD XCHANGE

Investment rationale

- GCX owns one of the most comprehensive subsea cable networks globally, serving customers in over 180 countries
- Benefits from the rapidly expanding data market with data usage forecast to grow exponentially
- Operates in a market with high barriers to entry whilst providing an essential service
- Supported by a highly experienced management team with a strong track record in the sector
- Attractive entry valuation following a bilateral process

Expected equity commitment	Equity stake
c.£300m	100%

Characteristics

Asset intensive business that is hard to replicate
GCX's 66,000km of cables, spanning from North America to Asia, would require large upfront investments and a multi-year lead time to replicate.

Good visibility on future cash flows
GCX's core network benefits from high margins and low maintenance capex requirements, resulting in an attractive yield profile for 3i Infrastructure.

Provides essential services
GCX is a key infrastructure provider in the rapidly expanding data market, in particular in high growth markets in Asia and the Middle East.

Acceptable element of demand risk
Over 90% of GCX's revenue is recurring in nature, underpinned by a mixture of medium-term (1-3 years) and long-term (10 years+) contracts.

Established market position
GCX owns one of the few networks with significant spare capacity to serve the exponentially growing demand for data traffic on the Europe-Asia and inter-Asia routes.

Opportunities for further growth
In a relatively fragmented market, M&A is an upside opportunity to either accelerate growth or to further strengthen GCX's network footprint.

Our portfolio

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

The Company's portfolio was valued at £2,873 million at 31 March 2022 (2021: £1,804 million) and delivered a total portfolio return in the year of £509 million, including income and allocated foreign exchange hedging (2021: £232 million).

Table 1 summarises the valuations and movements in the portfolio, as well as the return for each investment, for the year. In accordance with accounting standards, 'Investments at fair value through profit or loss' as reported in the Balance sheet include, in addition to the portfolio asset valuation, the cash and other net assets held within intermediate unconsolidated holding companies. Due to the change in basis of accounting described in the Financial review on page 59, there is no longer any difference between Table 1 and the amounts reported in the Financial statements.

Read more
Pages 35–45

Our portfolio continued

Table 1: Portfolio summary (31 March 2022, £m)

Portfolio assets	Directors' valuation 31 March 2021	Investment in the year	Divestment in the year	Accrued income movement	Value movement	Foreign exchange translation	**Directors' valuation 31 March 2022**	Allocated foreign exchange hedging	Underlying portfolio income in the year	Portfolio total return in the year[1]
ESVAGT	189	294[2,3]	–	3	57	5	**548**	(5)	28	**85**
Infinis	300	–	–	2	30	–	**332**	–	17	**47**
TCR	199	14[2,4]	–	–	67	(1)	**279**	1	13	**80**
Tampnet	230	5[2]	–	–	–	6	**241**	(2)	22	**26**
Joulz	219	10[2,4]	–	–	14	(2)	**241**	2	6	**20**
Ionisos	202	5[2]	–	4	28	(2)	**237**	2	9	**37**
Oystercatcher	157	–	(56)[5]	1	121	7	**230**	(5)	5	**128**
DNS:NET	–	193[2,3]	–	2	9	(2)	**202**	2	4	**13**
SRL	–	274	(83)[5]	5	4	–	**200**	–	7	**11**
Valorem	107	21[4]	–	–	17	(1)	**144**	1	4	**21**
Attero	105	–	–	–	12	(1)	**116**	1	5	**17**
Economic infrastructure portfolio	**1,708**	**816**	**(139)**	**17**	**359**	**9**	**2,770**	**(3)**	**120**	**485**
Projects	93	–	(1)[5]	–	12	(1)	**103**	1	7	**19**
India Fund	3	–	(8)	–	4	1	–	–	–	**5**
Total portfolio reported in the Financial statements[6]	**1,804**	**816**	**(148)**	**17**	**375**	**9**	**2,873**	**(2)**	**127**	**509**

1 This comprises the aggregate of value movement, foreign exchange translation, allocated foreign exchange hedging and underlying portfolio income in the year.
2 Capitalised interest totalling £55 million.
3 New investment in ESVAGT of £258 million plus £12 million of follow-on investment and DNS:NET of £157 million plus £33 million of follow-on investment.
4 Follow-on investment in TCR of £1 million, Joulz of £5 million and Valorem of £21 million.
5 Shareholder loan repaid. The SRL divestment amount relates to the repayment of a bridge loan following the raising of a third-party acquisition debt facility.
6 Cash and other net assets held in unconsolidated subsidiaries of £2 million were distributed to the Company during the year. Due to these distributions and the change in basis of accounting described in the Financial review on page 59, there is no longer any difference between Table 1 and the amounts reported in the Financial statements.

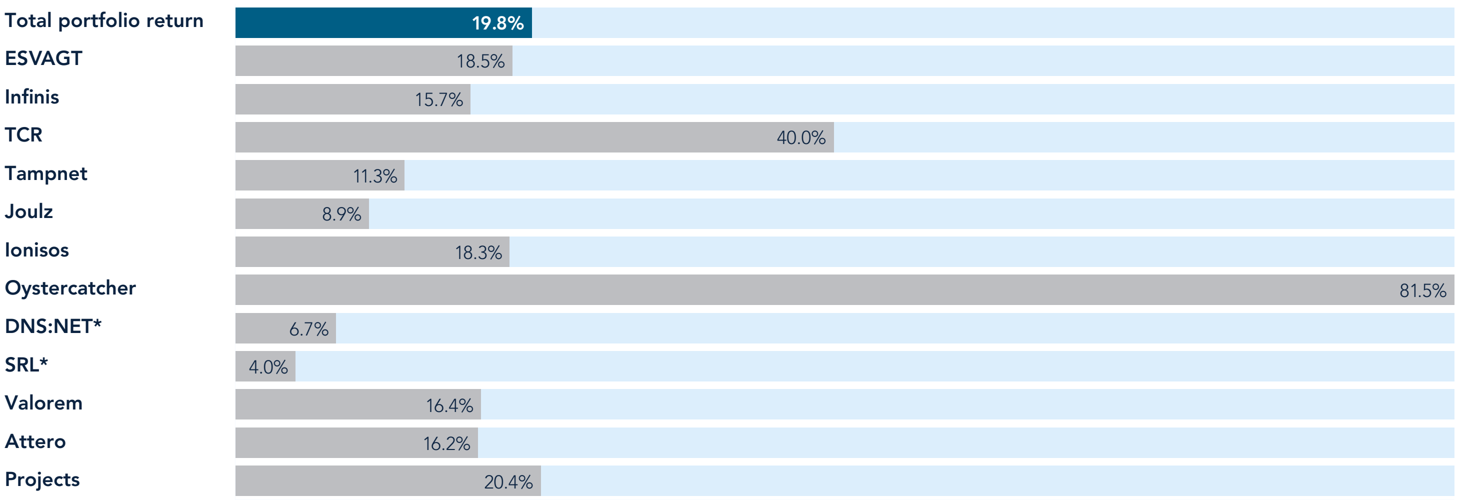
Our portfolio continued

The total portfolio return in the year of £509 million is 19.8% (2021: £232 million, 13.7%) of the aggregate of the opening value of the portfolio and investments in the year (excluding capitalised interest), which total £2,565 million.

Performance was strong across the portfolio, driven principally by the realisation of the European storage terminals held by Oystercatcher for a price above their opening valuation and by outperformance from a number of portfolio companies but particularly TCR and ESVAGT.

Chart 1 below shows the portfolio return in the year for each asset as a percentage of the aggregate of the opening value of the asset and investments in the asset in the year (excluding capitalised interest). Note that this measure does not time-weight for investments in the year.

Chart 1: Portfolio return by asset (year to 31 March 2022)



* Acquired during the year and portfolio return not annualised.

Movements in portfolio value

The movements in portfolio value were driven principally by the delivery of planned cash flows and other asset outperformance as well as new and follow-on investments made during the year. A reconciliation of the movement in portfolio value is shown in Chart 2 below. The portfolio summary shown in Table 1 details the analysis of these movements by asset. Changes to portfolio valuations arise due to several factors, as shown in Table 2.

Economic infrastructure portfolio

The economic infrastructure portfolio generated a value gain of £359 million in the year, alongside income of £120 million.

The £121 million value increase in **Oystercatcher** reflects: the uplift achieved from the sale of the European terminals; the prepayment of Oystercatcher's debt; and a reduced discount rate to reflect higher quality cash flows from Singapore and low leverage.

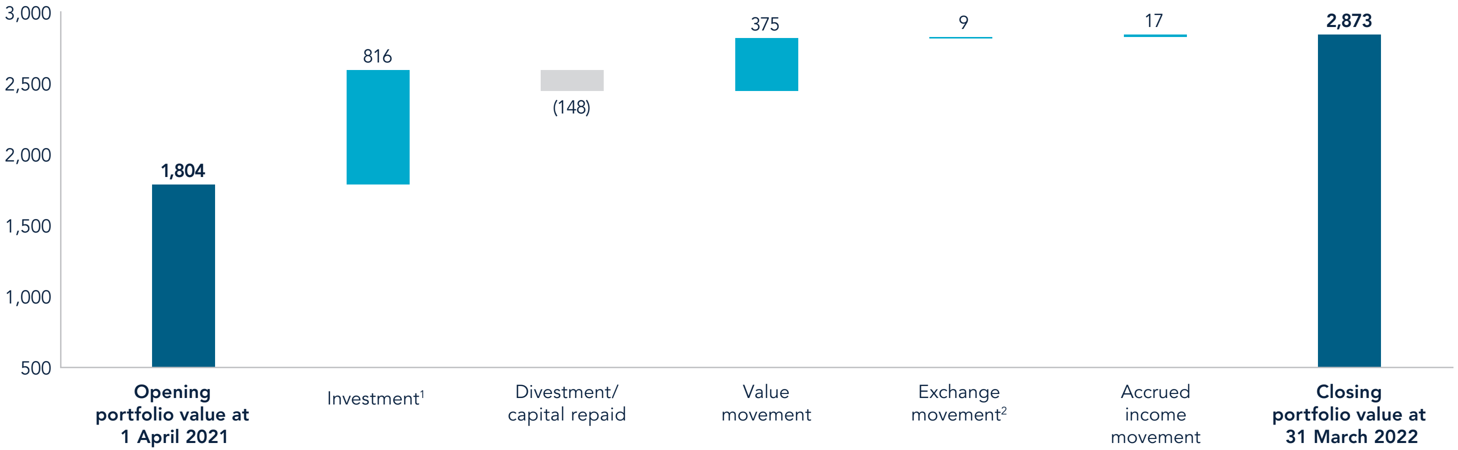
The value increase in **TCR** of £67 million reflects: the outperformance of the business during the year; cost savings delivered and expected from its cost optimisation programme; and a reduction in the discount rate to remove the Covid-19 premium previously applied. This increased valuation is further supported by increased interest in TCR's full service rental model and our confidence in the long-term value of its asset base and market opportunity.

ESVAGT increased in value by £57 million, as we revised our investment case following the completion of the acquisition of our co-investor's 50% stake in ESVAGT. We revised our growth assumptions for the business and made a small reduction in the discount rate to reflect the reduction in risk following the signing of significant new contracts and the completion of the newbuild programme for three new MHI Vestas Service Operation Vessels. In March 2022 we completed a refinancing on improved terms to support future growth.

Infinis generated a value gain of £30 million in the year and contributed £15 million of cash distributions. This was due to a combination of business outperformance, the continued progress of its solar development programme and changes in forecast future power prices.

Ionisos experienced a £28 million gain due to significant outperformance, particularly from strong demand in the medical devices and pharmaceuticals sectors.

Chart 2: Reconciliation of the movement in portfolio value (year to 31 March 2022, £m)



1 Includes capitalised interest.
2 Excludes movement in the foreign exchange hedging programme (see Chart 7 in the Financial review).

Movements in portfolio value continued

Table 2: Components of value movement (year to 31 March 2022, £m)

Value movement component	Value movement in the year	Description
Planned growth	109	Net value movement resulting from the passage of time, consistent with the discount rate and cash flow assumptions at the beginning of the year less distributions received and capitalised interest in the year.
Other asset performance	188	Net value movement arising from actual performance in the year and changes to future cash flow projections, including financing assumptions and changes to regulatory assumptions. Includes the uplift on the sale of Oystercatcher's European terminals and the Projects portfolio.
Discount rate movement	43	Value movement relating to changes in the discount rate applied to the portfolio cash flows.
Macroeconomic assumptions	35	Value movement relating to changes to macroeconomic out-turn or assumptions, eg power prices, inflation, interest rates and taxation rates. This includes changes to regulatory returns that are directly linked to macroeconomic variables.
Total value movement before exchange	**375**	
Foreign exchange retranslation	9	Movement in value due to currency translation to year end date.
Total value movement	**384**	

Projects portfolio

The value gain in the Projects portfolio of £12 million reflects the proceeds expected from the agreement to sell the holdings to 3i EOPF which is expected to complete by June 2022.

India Fund

During the year we divested KMC Roads and GVK Energy at an uplift to the carrying value.

Summary of portfolio valuation methodology

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

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

Movements in portfolio value continued

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

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

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

A prevalent theme this year has been inflationary pressures on supply chain costs and employee costs. The ability to pass cost inflation to customers varies by portfolio company so we took a granular approach to modelling the effects of inflation.

The current impact on the portfolio of the war in Ukraine is, in our assessment, not material.

The volatility in power prices has positively affected our energy generating portfolio companies, although the majority of our power price exposure was hedged in the short to medium term. Future power price projections are taken from independent forecasters and changes in these assumptions will affect the future value of these investments.

TCR operates in the aviation sector, which has been severely affected by travel restrictions. The value of TCR assumes a full recovery in air traffic to pre-Covid-19 levels in 2024, consistent with the assumptions made in the prior year.

As a 'through the cycle' investor with a strong balance sheet we consider valuations in the context of the longer-term value of the investments. This includes consideration of climate change risk and stranded asset risk. Factors considered include physical risk, litigation risk linked to climate change and transition risk (for example, assumptions on the timing and extent of decommissioning of North Sea oil fields, which affects Tampnet and ESVAGT). We take a granular approach to these risks, for example each relevant offshore oil and gas field has been assessed individually to forecast the market over the long term and a low terminal value has been assumed at the end of the forecast period.

In the case of stranded asset risk, we consider long-term threats that may impact value materially over our investment horizon, for example, technological evolution, climate change, or societal change.

For ESVAGT, which operates Emergency Rescue and Response Vessels ('ERRVs') in the North Sea servicing sectors including the oil and gas market, we do not assume any new vessels or replacement vessels in our valuation for that segment of the business.

However, a number of our portfolio companies are set to benefit from these changes. Digitalisation in the offshore oil and gas sector in order to reduce costs is benefitting Tampnet. The energy transition in the Netherlands, with a focus on electrification, is benefitting Joulz. The base case for each of our valuations takes a balanced view of potential factors that we estimate are as likely to result in underperformance as outperformance.

Movements in portfolio value continued

Discount rate

Chart 3 shows the movement in the weighted average discount rate applied to the portfolio at the end of each year since the Company's inception and the position as at March 2022. During the year, the weighted average discount rate increased modestly as the introduction of the new investments in SRL and DNS:NET to the portfolio at a higher than average discount rate was mostly offset by small reductions in discount rates for Oystercatcher, TCR, ESVAGT and Valorem.

During the year, we witnessed an increase in risk-free rates across Europe as central banks started to take action in response to higher inflation. The increase in risk-free rates was offset by reductions in equity risk premia, the implied excess return over a risk-free rate of return, in the countries in which we invest. We are not yet seeing any upward pressure on discount rates as a result of higher interest rates.

Chart 3: Portfolio weighted average discount rate (31 March, %)

Investment track record

As shown in Chart 4, since its launch in 2007, 3i Infrastructure has built a portfolio that has provided:

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

These have contributed to a 19% annualised asset Internal Rate of Return ('IRR') since the Company's inception. The European portfolio has generated strong returns, in line with, or in many cases ahead of, expectations.

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

The value created through this robust investment performance has been crystallised in a number of instances through well-managed realisations, shown as 'Realised assets' in Chart 4. While the Company is structured to hold investments over the long term, it has sold assets where compelling offers will generate additional shareholder value.

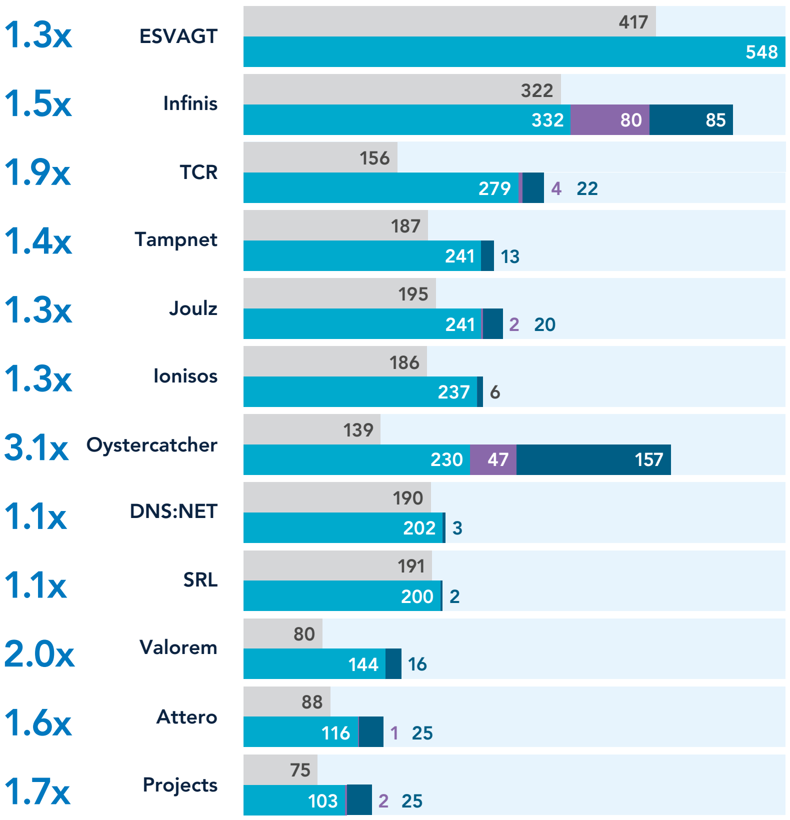
This was the case with WIG in 2019 which generated an IRR of 27%, Eversholt Rail in 2015 and XLT in 2019 which both generated IRRs in excess of 40% and Elenia and AWG in 2018, which generated IRRs of 31% and 16% respectively.

Portfolio asset returns in Chart 4 include an allocation of FX hedging where applicable.

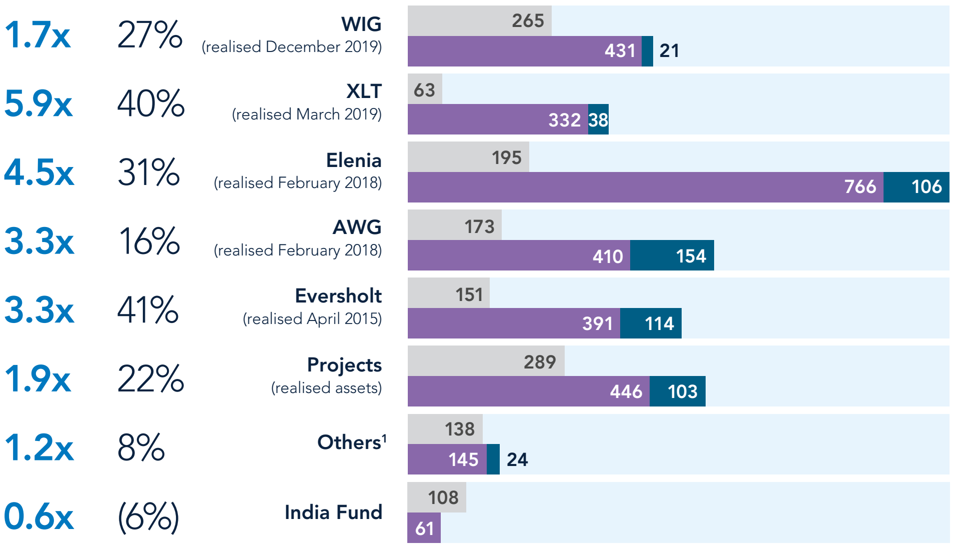
Movements in portfolio value continued

Chart 4: Portfolio asset returns throughout holding period (since inception, £m)

Existing portfolio (Total return)



Realised assets (Total return)



Asset IRR to 31 March 2022

19%

Since inception

- Total cost
- Value including accrued income
- Proceeds on disposals/capital returns
- Cash income

Portfolio asset returns include allocation of FX hedging where applicable. Dates of asset realisations refer to completion dates.

1 Others includes junior debt portfolio, T2C and Novera.

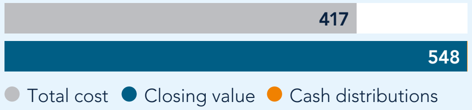
Review of investments and Sustainability

Valorem
Page 44

Review of investments

ESVAGT

Performance (£m)



Ownership
100%

Megatrend
Energy Transition

Country
Denmark, Norway, UK and USA

Management team HQ
Esbjerg, Denmark

Currency
DKK

Date invested
September 2015 and February 2022

Developments in the year

Following the acquisition of our co-investor AMP's 50% stake in ESVAGT, 3i Infrastructure now owns 100% of the business. ESVAGT has established a leading position in the offshore wind service operation vessels ('SOV') market. Despite increasing interest from competitors, the business recently signed a contract with Ørsted for the world's first green SOV which will service the Hornsea 2 wind park in the UK.

In the US, ESVAGT and its joint venture partner, Crowley, are exploring several SOV opportunities to service existing European customers.

ESVAGT's emergency rescue and response vessel segment is also generating momentum due to increasingly attractive supply/demand dynamics and a renewed focus on security of energy supply in Europe.

An important multi-vessel contract was signed with Total Energies in Denmark in the year.

We recently appointed Soren Poulsgaard Jensen, ex-CEO of Scandlines, to the ESVAGT Board. He brings significant experience in the maritime sector and knowledge of working with 3i.

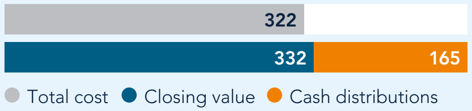
Sustainability

ESVAGT is maintaining its market position as the leading offshore wind service vessel provider. It has clear emissions reductions goals which tie back to the company's aim of becoming CO_2-neutral by 2035. ESVAGT's strategy has been further advanced by the latest SOV design, powered by batteries and dual fuel engines, capable of sailing on renewable e-methanol.

Review of investments continued

infinis

Performance (£m)



Ownership
100%

Country
UK

Currency
GBP

Megatrend
Energy Transition

Management team HQ
Northampton, UK

Date invested
December 2016

Developments in the year

Infinis performed strongly in the year, thanks to good operating performance, higher power prices and price volatility which benefitted the power response assets in particular. It has faced some challenges in its Captured Mineral Methane business due to lower engine availability and reliability. Infinis's cashflows are positively correlated with UK RPI inflation through the index-linked Renewables Obligations Certificate regime.

Infinis continues to deliver on its strategy to grow into a diversified and low-carbon renewable energy player: on the solar front Infinis now has 117MW of consented sites with 97MW expected to commence construction in FY23.

An additional 100MW is currently in the planning process with a longer-term potential for a further 200MW+. It has experienced some delays in solar project development together with higher development costs.

In parallel, Infinis is developing a complementary pipeline of potential battery sites to capitalise on expected continued power price volatility. Infinis has 36MW of projects expected to commence construction in FY23.

Sustainability

Infinis continues to make good progress on its sustainability agenda. Its targets have been aligned to its ambition to meet the growing energy demand whilst reducing industry emissions, support the transition to new renewable energy sources and grow a clean low-carbon economy whilst also taking care to safeguard biodiversity and manage natural resources responsibly.

Review of investments continued

Performance (£m)

Ownership
48%

Megatrend
Globalisation

Country
13 European countries, Malaysia, Middle East, Australasia and USA

Management team HQ
Brussels, Belgium

Currency
EUR

Date invested
July 2016

Developments in the year

TCR's good performance in the year continues to evidence the resilience of its business model. Despite further travel restrictions during the winter season, TCR performed ahead of our expectations, although equipment off lease is still above pre-Covid levels. Its footprint has continued to grow, now covering 164 airports globally. New contracts were signed in the year, including with important new customers such as Finnair and Gate Gourmet as well as more recent sale and rent back contracts in Europe and Australia.

TCR has a very active pipeline of new projects with a variety of airlines, airports and ground handlers, confirming our thesis that the Covid-induced crisis in the aviation industry should increase the attractiveness of the leasing model for GSE.

Sustainability

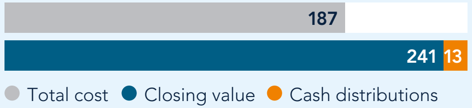
A key part of TCR's sustainability strategy is the transition to electrical or green GSE, both in terms of managing its fleet's residual value risk and as a significant market opportunity to win new business and to strengthen and extend its business model. TCR recently signed an agreement with long-term customer KLM to replace diesel equipment with electrical.

TCR has also established itself as a market leader in providing pooled GSE at airports, which can enable material reductions in the amount of equipment operated on an airfield, thereby reducing overall emissions.

Review of investments continued

tampnet

Performance (£m)



Ownership
45%

Country
Norway and USA

Currency
NOK

Megatrend
Digitalisation

Management team HQ
Stavanger, Norway

Date invested
March 2019

Developments in the year

Tampnet performed strongly in the year and materially above 2021 levels. Its core business in the North Sea performed well as customers continued to upgrade their bandwidth requirements and invest in digital initiatives. Furthermore, we are seeing increasing momentum in the basin due to the higher oil price and a renewed focus on security of energy supply from European nations. During the year, Tampnet renewed an important contract with Equinor, providing long-term visibility and de-risking future cashflows.

Beyond its historic oil and gas customers, Tampnet is developing a number of new initiatives to provide digital connectivity to other players in the region such as government services, offshore agriculture and carbon capture.

In the Gulf of Mexico, Tampnet is seeing good momentum. There were some delays in installations, due to Covid-19 and severe weather conditions, but the management team is in discussions on several new projects and data demand is continuing to increase steadily.

Sustainability

The core of Tampnet's approach to sustainability is to make a positive contribution to the underlying industry, by enabling oil and gas producers to extract more efficiently from existing resources. Tampnet is also providing connectivity and digital services in the offshore wind segment.

Review of investments continued

Joulz

Performance (£m)

Total cost · Closing value · Cash distributions

Ownership
99%

Country
Netherlands

Currency
EUR

Megatrend
Energy Transition

Management team HQ
Delft, Netherlands

Date invested
April 2019

Developments in the year

Financial performance for Joulz was broadly in line with expectations in the year. The carve-out from Stedin and implementation of a new ERP system are now complete. The Infrastructure Services business is seeing strong order intake ahead of expectations, which is partially offset by some delays to project completions and by some churn in the Metering business. A new head of Metering was appointed during the year, and performance has improved in recent months.

Following the innovative micro-grid solution developed for a customer near Schiphol Airport, Joulz continues to see strong interest in the larger integrated projects which bring together Infrastructure Services, Metering, Solar and other storage/generation products to solve customers' increasingly complex power requirements.

In December 2021, the Company invested £5 million of further equity in Joulz to fund growth projects, including the acquisition of further commercial transformers from Stedin.

Sustainability

Sustainability is a key element of Joulz's business strategy: it has expanded its customer offering into new energy transition solutions with solar and EV charging products, and is exploring opportunities in low-carbon heating solutions and energy storage.

Review of investments continued

IONISOS

Performance (£m)

Ownership
96%

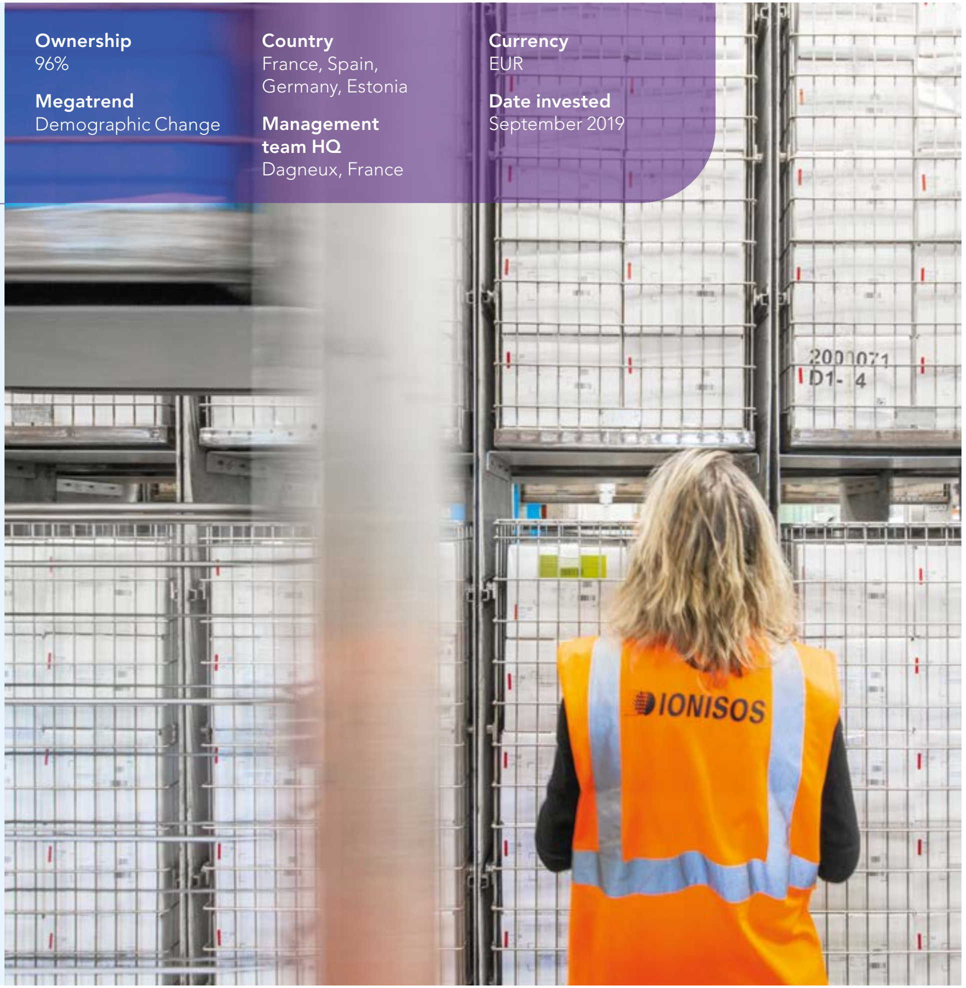
Megatrend
Demographic Change

Country
France, Spain, Germany, Estonia

Management team HQ
Dagneux, France

Currency
EUR

Date invested
September 2019



Developments in the year

Ionisos delivered strong performance in the year, exceeding expectations with market growth outperforming and with a favourable product mix. The business is working on plans to increase capacity to meet the additional demand, through a combination of expanding existing facilities, exploring further greenfield investments and monitoring potential M&A opportunities. The construction of the new sterilisation site in Kleve, Germany, is progressing in line with budget and is expected to start operating in Summer 2022.

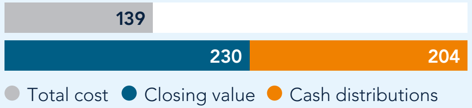
In January 2022, we appointed Michel Darnaud as Independent Chair of the board of Ionisos. Michel is the former President of Europe for Baxter and Boston Scientific, and Chair of MedTech Europe. Ionisos will benefit from his expertise and network to continue its European development.

Sustainability

As part of its sustainability strategy, Ionisos aims to reduce its GHG footprint over the next five years through green initiatives. The other key priorities to its sustainability strategy include providing a great place to work for its employees: the board is focused on promoting a good culture and awareness of health and safety across the business. Ionisos is also striving to build valuable partnerships with its stakeholders, through an active engagement programme with customers, key suppliers, regulators and local authorities.

Oystercatcher

Performance (£m)



Ownership
45%

Country
Singapore

Currency
SGD

Megatrend
Globalisation

Management team HQ
Singapore

Date invested
August 2007 and June 2015

Developments in the year

The Company and Oiltanking (our co-shareholder and operating partner) completed the sale of their stakes in four European terminals at an attractive price during the year. The transaction generated a strong return for the Company, increasing Oystercatcher's unrealised money multiple to 3.1x and unrealised IRR to 13.9% over the Company's 14 year ownership period. Our investment now consists of a 45% stake in Oiltanking Singapore.

Market conditions for oil storage were mixed in the past year: high oil prices have resulted in a backwarded market. On the other hand a resumption in demand has meant increased levels of customer activity at storage terminals. In the year Oiltanking Singapore renewed contracts, maintaining its high utilisation levels and increasing storage rates secured, but accepting shorter contract tenors in some instances.

Financial performance for the year was in line with expectations and, looking ahead, we remain confident that, as demand for oil products in the Asia Pacific region grows post Covid, the supply/demand balance for oil storage will tighten and storage rates will step up.

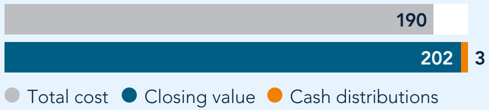
Sustainability

Oiltanking has long placed significant focus on sustainability, including high standards of environmental management and a strong focus on health and safety. During the year it has announced the results of a strategic review which will see the company rebranded and focusing on supporting its customers in the energy industry to achieve their sustainability ambitions, for example by supporting them to grow their renewable fuels businesses.

Review of investments continued

DNSNET
Anschluss Zukunft.

Performance (£m)



Ownership
64%

Country
Germany

Currency
EUR

Megatrend
Digitalisation

Management team HQ
Berlin, Germany

Date invested
June 2021

Developments in the year

Following our initial investment, 3i Infrastructure injected £33 million of further equity in DNS:NET to fund the next phase of its fibre network build-out. The Company's stake in the business increased to 64% as a result, the remainder being owned by Alexander Lucke, founder and CEO of the business.

Since our investment, DNS:NET has performed in line with our expectations. Although the roll-out began slower than anticipated initially, the management team has since accelerated the build programme, signing agreements with two contractors to increase capacity. Customer take up remains high and build costs are in line with our expectations. More broadly, German market fundamentals continue to be favourable, with a 30% growth in fibre-to-the-home connections in the year.

In line with our best practice for newer investments, we have strengthened the board with the appointment of a non-executive Chair, Charles Frankl, who brings a background in sales and technology management functions for larger corporates and of scaling growth businesses.

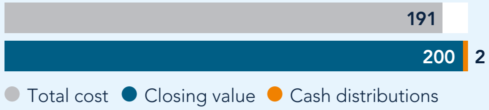
Sustainability

DNS:NET's business has a very low GHG footprint once the network is deployed. Fibre is a greener alternative to copper, requiring significantly less energy to transport data and less repair work to maintain. Additionally, enhanced connectivity can lead to a reduction in GHG emissions related to business travel and commuting as well as enable smart building energy management systems, which will further drive energy efficiency and GHG reduction.

Review of investments continued

SRL traffic systems

Performance (£m)



Ownership
92%

Country
UK

Currency
GBP

Megatrend
Renewing Social Infrastructure

Management team HQ
Cheshire, UK

Date invested
December 2021

Developments in the year

SRL has performed in line with our investment case to date, both financially and operationally. The fundamentals of addressing the road network maintenance backlog and strategic initiatives such as the UK fibre roll-out plan continue to provide a strong underpinning rationale for further expansion of the equipment as a service model.

On acquisition, the Company provided an £83 million bridge loan. This was repaid in February 2022, when we secured a third-party acquisition debt facility.

Sustainability

Sustainability and safety form a cornerstone of our value creation plan. TTE allows for greater segregation and control of traffic flows, which in turn reduces congestion around roadworks. Greater rigour is being placed on health and safety through the use of more sophisticated methods of traffic management to protect highway workers and segregate traffic, cyclists and pedestrians.

Review of investments continued

Performance (£m)

Developments in the year

Valorem's asset base has continued to increase, with 663MW of fully owned capacity having reached financial close, compared to 179MW at acquisition. Despite lower than anticipated revenue from electricity generation due to low wind conditions in the year, the core business in France continues to perform in line with expectations. The successful closing of the Viiatti wind project in Finland represents a key milestone for the company. It is over four times the size of Valorem's previous project in Finland and almost 10 times its largest project in France. Approximately half of this project was sold in the year.

In December 2021, the Company completed a follow-on investment of £21 million in Valorem and increased its equity stake in the company to 33.1% in order to continue funding the pipeline across Valorem's fast growing markets.

In France, both the solar and wind pipelines are progressing well, with an increased focus on larger projects, and Valorem is trialling projects in the hydrogen sector, with two projects in Rouen and Saint-Brieux. In Finland, Valorem will focus on the construction of the Viiatti project and progress planning for the Megatuuli wind project (313MW), expected to be financed by 2024. A first wind project in Greece is expected to close this year.

Sustainability

As a producer of renewable energy, the business is net carbon negative. Beyond its core mission as a contributor to the energy transition and GHG emissions reduction, Valorem strives to promote protecting biodiversity, sustainable procurement and employee wellbeing. This was demonstrated by Valorem becoming an Entreprise à Mission in December 2021.

Ownership
33%

Country
France, Finland

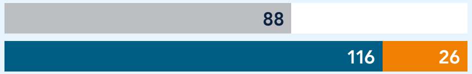
Currency
EUR

Megatrend
Energy Transition

Management team HQ
Bègles, France

Date invested
September 2016

Performance (£m)



Developments in the year

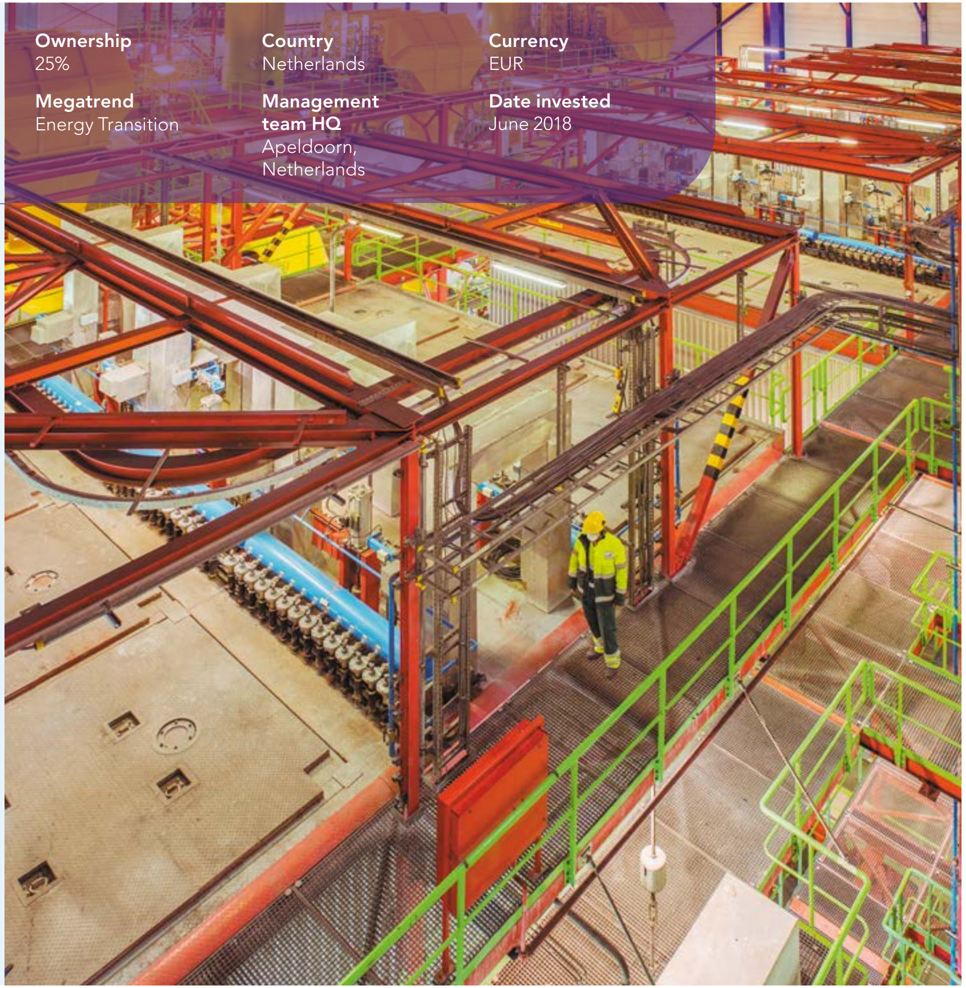
Attero outperformed expectations in the year, on the back of higher waste volumes, gate fees and power prices. The core Energy from Waste business unit benefitted from these favourable market conditions and was able to renew and extend a number of key commercial and industrial waste supply contracts, and lock-in current high electricity prices for the coming year. Organics and Plastics also outperformed expectations, while Minerals slightly underperformed due to lower construction activity due to Covid-19 in the second half of 2021.

The company is currently looking at a number of investment opportunities, including a new post-separation recycling line, a new anaerobic digestion (biogas) facility and solar installations at its closed landfill sites.

On the back of several years of strong growth and highly resilient performance, despite Covid-19, Attero raised additional long-term debt on attractive terms and refinanced existing facilities.

Sustainability

Attero's activities primarily relate to recycling and recovery of energy from waste produced by society, and as such it plays a key role in helping to deliver on the Netherlands' and European environmental and sustainability objectives. Since 2019, Attero has fully offset its CO_2 emissions by the volume of emissions avoided. It is committed to increase its avoided emissions to one million tonnes CO_2 by 2025 by increasing the production of renewable energy and recycled materials. Attero is also exploring CO_2 capture at its main facilities.



Sustainability report

The Company has made significant progress on ESG topics during the year.

The Board of Directors is responsible for sustainability with day-to-day accountability resting with the Investment Manager. We are rigorous in assessing and managing sustainability-related risks in our portfolio and identifying opportunities to improve the sustainability of the businesses we invest in. Equally, we are keen to invest in, and actively seek, opportunities arising from the development of solutions to global sustainability challenges. These long-term trends are aligned with our strategy and investment mandate.

We continue to see a strong link between companies with high ESG standards and those that are able to achieve long-term sustainable business growth. As owners of a portfolio of infrastructure assets, we recognise our ability to influence our portfolio companies, their management teams, employees, customers and suppliers.

We have a responsibility to our shareholders to deliver long-term sustainable returns, and to the communities and environment in which we operate to manage essential infrastructure in a responsible manner. We operate with the highest level of stewardship standards and use our position as a shareholder in the businesses we own to influence and support management to operate responsibly.

Through our engaged asset management approach and representation on the boards of our investee companies we integrate stewardship and investment, including the consideration of material ESG and climate change issues, to make decisions that balance the requirements of all stakeholders. We require our businesses to review regularly their approach to, and ambition for, sustainability.

This matters to us as individuals, to the people managing and working within our portfolio companies and to their customers, suppliers and local communities. As investors, we depend on all of these stakeholders for our investments to be successful.

We act as a conduit for institutional and retail savings into these assets, helping our shareholders to achieve their own return objectives in a sustainable way with low levels of volatility and little correlation to wider equity markets.

Investing responsibly

We believe that a responsible approach to investment will add value to our portfolio. Responsibility starts when we first consider investing in a company. It is vital that we seek to identify all material ESG risks and opportunities at the point we invest, and that we put in place appropriate and robust plans to mitigate risks or capitalise on the opportunities. The Investment Manager is a signatory to the UN Principles for Responsible Investment and has embedded a Responsible Investment policy into its investment and asset management processes. This sets out the types of business in which the Company will not invest, as well as minimum standards in relation to ESG matters which we expect new portfolio companies to meet, or to commit to meeting over a reasonable time period.

The policy applies to all of our investments, irrespective of their country or sector.

For more information on the Investment Manager's sustainability policies, please refer to the 3i Group website: www.3i.com/sustainability. The Board has reviewed these policies and is satisfied that the adoption of these policies by the Investment Manager meets the Company's objectives in this area.

The Company has a long track record of investing in sustainable businesses and of working with portfolio company management teams to improve governance and operating standards and to develop growth strategies that align with long-term trends. Long-term trends such as the energy transition or climate change are considered both a risk and an opportunity for the portfolio, and are an increasingly important part of decision making for the Company.

Our influence and approach to ESG management

Individual portfolio company ESG-related performance is monitored on a regular basis and progress towards a broad set of objectives is reviewed in detail each year using the Investment Manager's proprietary ESG assessment tool, as shown on page 48. The Investment Manager completes this assessment for all economic infrastructure investments in the portfolio and prepares and prioritises, alongside management, an action plan for the business based on the recommendations from this assessment. ESG value creation opportunities are also reviewed and prioritised with the portfolio company management teams. Management incentives are aligned with achievement of these plans, where appropriate.

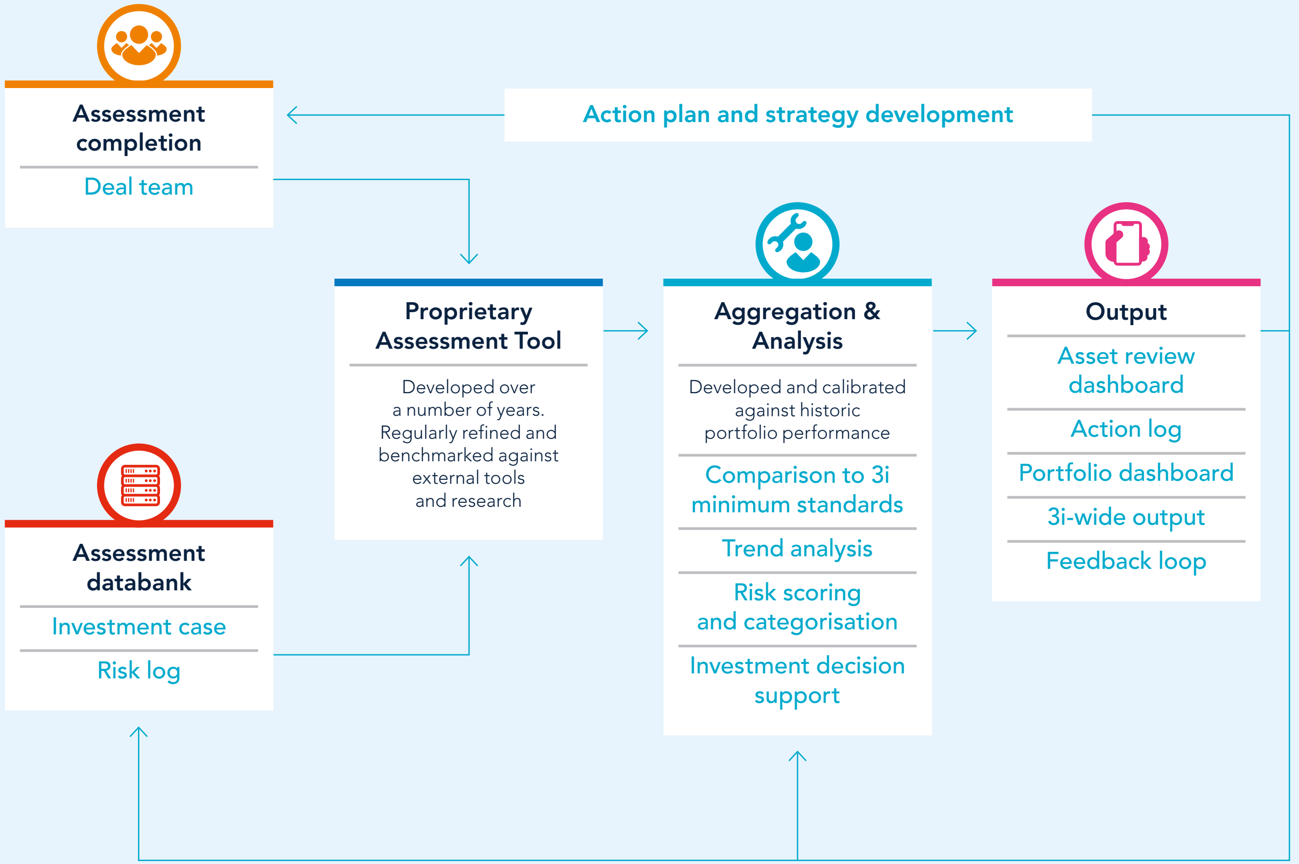
At the start of this financial year the Board of Directors and the Investment Manager set several specific sustainability objectives, with the desire to take a big step forward in this area. We are pleased to have met all of these objectives, as set out in the table opposite.

For further information
www.3i-infrastructure.com/sustainability

Category	Outcome
Greenhouse gas emissions	We supported portfolio companies with implementing GHG emissions reporting and worked with a third-party specialist firm to review and refine the data and calculations, ensuring the methodologies and results are robust, consistent across the portfolio and reflect best practice for GHG accounting. Scope 1 and Scope 2 GHG emissions for each portfolio company are presented in our TCFD disclosures on page 55. We are now working with portfolio companies to consider potential opportunities to reduce their GHG emissions over time.
Investment process	The Investment Manager introduced an ESG assessment earlier in its investment process in order to assess the potential ESG risk of early-stage investment opportunities and identify where specialist due diligence may be required.
Climate scenario analysis	The Investment Manager developed its approach to climate scenario analysis, in line with the TCFD's recommendations, to help it assess the impacts on our portfolio companies from different climate-related scenarios. This analysis is discussed in more detail in our TCFD disclosures on pages 51 to 55.
Governance and reporting	We continued to assess ESG and climate-related reporting frameworks and evolved the Company's risk governance to incorporate different climate-related risks.
Suppliers	We set a policy outlining the minimum sustainability standards the Company will expect from its suppliers and assessed our current key suppliers against these criteria.
Financial agreements	In November 2021 we refinanced the Company's revolving credit facility ('RCF') as a sustainability-linked RCF. The new facility follows the Loan Market Association's Sustainability Linked Loan Principles and includes stretching targets across Environmental, Social and Governance themes aligned with our purpose. During the year, the Company also entered into sustainability-linked FX hedging agreements with some of its hedge counterparties. The Company can receive 'sustainability rebates' dependent on meeting the same sustainability targets as set for the Company's RCF. We are also considering the appropriateness of sustainability-linked credit facilities across the portfolio. ESVAGT has recently signed a facility with ESG targets across several themes aligned with its sustainability strategy.

Sustainability report continued

ESG assessment framework



We aim to act lawfully and with integrity, including complying with all regulatory and statutory obligations and disclosure requirements. We maintain open and constructive relationships with regulators, including the UK Financial Conduct Authority ('FCA') and the Jersey Financial Services Commission. We require that our portfolio companies comply with their legal and regulatory obligations.

Details of the Company's policies relating to the UK Bribery Act, Modern Slavery Act, Procurement, Prompt Payment, Whistleblowing and Equal Opportunities and Diversity can be found on our website www.3i-infrastructure.com.

UN Sustainable Development Goals

In order to assess the impact of our portfolio companies on the environment and the communities in which they operate, the Board and the Investment Manager reference a number of frameworks, including the UN's Sustainable Development Goals ('SDGs').

The Board and the Investment Manager consider each of the portfolio companies against the SDGs periodically and soon after we acquire a new company. This process, alongside the conversations between the portfolio companies and the Investment Manager around sustainability, helps us to understand the impact that each of the investments makes, to identify improvements and to help develop their sustainability objectives.

Many of our portfolio companies have embraced this framework, conducting their own assessment against the SDGs and incorporating that assessment in their sustainability strategies. Where relevant we have incorporated those assessments in the table opposite.

We believe that each of our portfolio companies is able to make a positive contribution to one or more of the SDGs. In particular our approach to governance, and to labour and health and safety, makes a positive contribution to the employees, customers, suppliers and the local communities in which they operate.

Additionally, through their operations, several of our businesses also make positive contributions to the provision of renewable energy, to the development of infrastructure to support economic growth, to managing and minimising the waste of precious resources and to providing high quality and safe healthcare.

Our assessment of where we are having the biggest impact through the portfolio is also shown in the table opposite. We believe the work we do to ensure that comprehensive and high quality policies are implemented by our portfolio companies is a step towards the objectives of SDG 16 Peace, Justice and Strong Institutions. We also believe our focus on health and safety governance and employee engagement at our portfolio companies is aligned with the objectives of SDG 3 Good Health and Well-being.

Oystercatcher	8 Decent work and economic growth; 9 Industry, innovation and infrastructure
Joulz	7 Affordable and clean energy; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production
tampnet	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production
ESVAGT	7 Affordable and clean energy; 8 Decent work and economic growth; 13 Climate action; 14 Life below water
infinis	7 Affordable and clean energy; 8 Decent work and economic growth; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action
IONISOS	3 Good health and well-being; 8 Decent work and economic growth; 12 Responsible consumption and production
attero	7 Affordable and clean energy; 8 Decent work and economic growth; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action
TCR	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production
VALOREM	7 Affordable and clean energy; 8 Decent work and economic growth; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action
DNSNET	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production
SRL	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production
Global Cloud Xchange	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production

Where we are having the biggest impact

- 3 Good health and well-being
- 7 Affordable and clean energy
- 8 Decent work and economic growth
- 9 Industry, innovation and infrastructure
- 11 Sustainable cities and communities
- 12 Responsible consumption and production
- 13 Climate action
- 16 Peace, justice and strong institutions

Climate change and the transition to a low-carbon economy

Through its investment portfolio the Company supports the transition towards a low-carbon economy. Since 2016, the Company has invested in three businesses (Infinis, Attero and Valorem) that generate electricity from renewable resources. The installed capacity across these businesses is now almost 900MW, enough to power more than 60% of the households in London.

We have a strong pipeline of new potential generating capacity for future development. The chart shows the growth in renewable energy generating capacity over the last six financial years, since we first invested in Valorem and Infinis.

Infinis is the UK's leading generator of low-carbon power from captured methane and has begun installing solar panels across its sites to further expand its renewable energy generation capabilities. By capturing methane from landfill sites, Infinis is not only able to generate renewable electricity, but it also prevents methane from escaping into the atmosphere, a greenhouse gas which is 25 times more potent than CO_2.

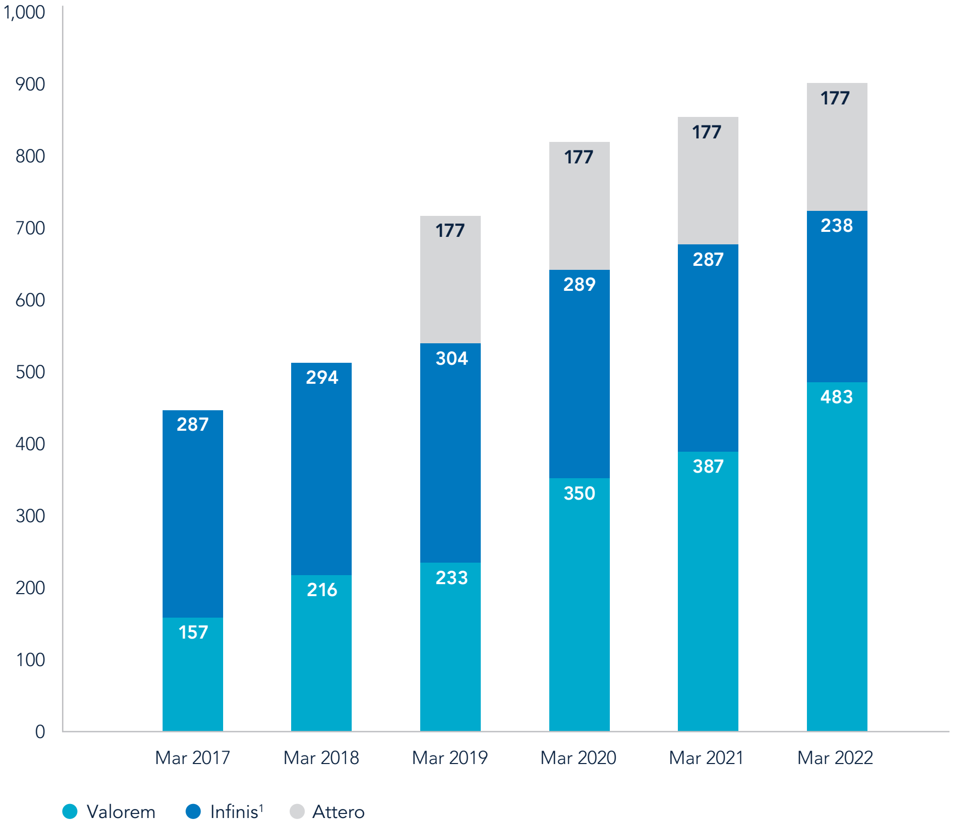
In GHG footprint terms, it prevents emissions equivalent to 7.1 million tonnes of CO_2 annually, which is comparable to that of over 750,000 UK households. Infinis generates nearly 1,300 GWh of electricity a year and is developing battery projects to store energy for usage during periods of low supply.

Valorem, our renewable energy development company, has grown its renewable assets base from 179MW to 663MW (of which 483MW is in operation) since our acquisition in September 2016.

Under our ownership, Valorem has moved from solely owning wind farms in France to now developing wind, solar and hydro assets in France, Finland and Greece.

Attero, one of the largest waste treatment companies in Europe, produces renewable electricity for 350,000 households by recovering energy from waste. Attero's recycling activities also help avoid GHG emissions by reducing the need for extraction or mining of virgin materials.

Renewable energy installed capacity
(at 31 March, MW)



1 Excludes Infinis Power Response business which is not deemed to be renewable for these purposes.

TCFD disclosures

This section of the Strategic report sets out how we incorporate climate-related risks and opportunities into our governance, strategy, risk management and targets, and is guided by the recommendations of the TCFD.

The Company is making good progress in its voluntary climate-related financial disclosures as recommended by the TCFD. As a listed investment company, these are not required by the UK Listing Rules. We expect that the Company's reporting of TCFD disclosures will evolve over time, consistent with the forthcoming requirement for the Investment Manager to publish a TCFD product report in respect of the Company.

The following should be read in conjunction with the rest of the Annual report and accounts.

We have cross-referenced the relevant sections under each of the headings below. As an investment company, the majority of the disclosures relate to the Company's portfolio of investments rather than to the Company itself.

Governance

The Board's oversight of climate-related risks and opportunities

The Board is responsible for the Company's overall approach to sustainability, ESG and related policies. The Board has adopted the Responsible Investment policy of the Investment Manager.

The Board discharges its responsibilities for the assessment and monitoring of sustainability and climate-related risks and opportunities through the Company's Audit and Risk Committee. The Audit and Risk Committee, amongst other areas, is responsible for internal controls and risk management, including the assessment and management of ESG risks and opportunities in the portfolio, considering physical and transition climate change risks including on terminal value assumptions, and for ensuring compliance with applicable ESG legislation and regulation. The Audit and Risk Committee is also responsible for reviewing and approving the Company's voluntary disclosures under the TCFD framework.

Day-to-day accountability for sustainability, including climate change-related issues, rests with the Investment Manager. Further detail on risk governance can be found in the Risk report on page 67.

The Investment Manager's role in assessing and managing climate-related risks and opportunities

The Investment Manager is responsible for the implementation of the Responsible Investment policy, as well as being responsible for making decisions concerning the acquisition, management, ongoing monitoring and sale of investments, and for making decisions concerning major investments made by our portfolio companies. In evaluating new and existing investments, the Investment Manager takes account of climate-related risks, including the impact of climate change on the markets each company serves and demand for its products; the climate change resilience of each company's assets and supply chain; and, in the case of emissions-intensive industries, the feasibility and potential cost of greenhouse gas emissions abatement. The 3i Group Risk Committee oversees the Investment Manager's risk management framework.

TCFD disclosures continued

Strategy

Climate-related risks and opportunities identified over the short, medium, and long term and the impact on businesses, strategy, and financial planning

Climate-related risk and climate regulation risk have been identified as key risks as well as investment themes for the Company. This is further discussed in our Risk report on page 71. There are physical risks that arise directly from changing climate conditions and transition risks that occur as a result of the necessary transition to a lower-carbon economy. These risks exist for the Company and its portfolio.

The Board and the Investment Manager are increasingly considering the impact of climate-related risks and opportunities on our portfolio companies, investment strategy and financial planning.

Our investment strategy is to make a limited number of new investments each year, selected within our target sectors and geographies on the basis of their compatibility with our return targets and fit with the existing portfolio.

Whilst the Company does not operate a sustainability-driven investment strategy, it does seek to identify investments that benefit from long-term trends, many of which link to sustainability themes including the energy transition. As set out earlier in this section the Company, through its Investment Manager, carries out its investment activities under 3i Group's Responsible Investment policy, which is embedded in the Investment Manager's investment and portfolio management processes and is considered rigorous by industry standards. We will not invest in businesses that have unsustainable environmental practices or an unsustainable impact on the society in which they operate.

Once invested, we use our influence at portfolio companies to encourage the monitoring of environmental impacts, development of more environmentally sustainable behaviours and investments to mitigate portfolio companies' environmental impacts. We are continuously evolving our approach as a responsible investor by undertaking initiatives to improve our assessment of sustainability risks and opportunities within our investment and portfolio management processes.

Each of the portfolio companies we owned at the start of the year has set a formal sustainability strategy and identified a responsible individual to drive the strategy and to set and measure objectives for the company. Having a sustainability strategy in place provides a framework for setting specific objectives, and driving performance to achieve them.

During the year, the Investment Manager worked with portfolio companies to implement GHG emissions reporting and worked with a third-party specialist firm to review and refine the data and calculation methodologies.

We are now working with portfolio companies to consider potential opportunities to reduce their GHG emissions over time.

Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

As a company that invests over the medium to long term we recognise the importance of investing in the low-carbon energy transition and that this will ultimately impact all sectors in which we invest. The Investment Manager has recently completed its first climate scenario analysis to help it assess the impact on portfolio companies from different climate scenarios.

TCFD disclosures continued

The approach was developed with the support of a third-party climate modelling specialist firm and considers three climate pathways: i) Orderly net zero by 2050, ii) Disorderly net zero by 2050 and iii) Failed transition. The pathways differ in terms of policy and technological changes, physical risks and pricing-in mechanisms. The inputs, assumptions and macroeconomic modelling utilised draw from established academic and industry sources.

The assessment of the results from climate scenario analysis will be a focus for the Investment Manager in the coming year. This includes understanding how different climate scenarios will impact each portfolio company's strategy and help prioritise our areas of focus and engagement.

3i Infrastructure itself has no employees and a very limited direct impact on the environment and is not a significant producer of greenhouse gas emissions. We continue to monitor this position and will consider reporting if the emissions footprint increases materially.

Risk management

Processes for identifying and assessing climate-related risks

The Investment Manager monitors all relevant portfolio risks, including climate-related risks and changing consumer preferences in response to environmental issues, through its rigorous investment assessment and portfolio monitoring processes and using its proprietary ESG assessment tool. This is critical to protecting and enhancing the value of our assets and is at the core of our investment management process.

The Investment Manager always undertakes ESG due diligence, including environmental due diligence, before making new investments, and monitors ESG risks throughout the life of our investments. If appropriate this includes the engagement of specialist external firms to provide advice on specific sectors or topics.

During the year, the Investment Manager introduced an ESG assessment earlier in its investment process in order to assess the potential ESG risk of early-stage investment opportunities and identify where specialist due diligence may be required.

We continue to develop our governance and risk management framework to ensure that sustainability-related risks in our portfolio are treated as a priority by our portfolio company management teams.

We also assess the potential financial impact of climate change on the Company through our annual viability assessment (see page 79). Our analysis shows that the Company remains viable over the medium term from a climate change stress scenario on our portfolio.

As the regulatory environment is constantly evolving, the Investment Manager actively considers and monitors existing and emerging regulatory requirements related to climate change (eg limits on emissions and carbon taxes) as these requirements may pertain both to the Company and to our portfolio companies.

Processes for managing climate-related risks and integration into overall risk management

The processes for managing climate-related risks are determined by the Audit and Risk Committee.

The main focus area for the Committee and the Investment Manager is the development and integration of the data, tools and capabilities needed to support disclosure, risk identification and monitoring for ESG-related risks, including climate-related risks across the whole portfolio.

3i Infrastructure itself is not exposed to material environmental risks. The Company has no employees. The business of the Company is conducted through the Investment Manager and Jersey administrator who do not have any office locations dedicated to the Company.

TCFD disclosures continued

The Company has a comprehensive risk governance framework and compliance processes and procedures to ensure that all risks, including ESG risks, are monitored and managed with due care and diligence and that the Company is fully compliant with all applicable environmental legislation. This is further described in the Risk report on pages 67 to 69.

Metrics and targets

Metrics used to assess climate-related risks and opportunities

We manage the environmental sustainability of each portfolio company as we would any other critical business activity in an integrated and consistent manner. Due to the changing nature of our portfolio, the Company does not carry out portfolio level scenario analyses, and we do not publish aggregated resource intensity or GHG intensity data.

As the portfolio is subject to continuous change as a result of investment and divestment activity, such portfolio level scenario analyses and data aggregation would not be meaningful or comparable year-on-year. The Investment Manager monitors the environmental performance of our portfolio companies, and uses its influence as an investor to promote a commitment in our portfolio companies to minimise their environmental footprint, invest in the mitigation of their environmental impact and implement energy efficiency measures. This is an important part not only of our portfolio risk management procedures, but also of the value creation plan for each of our investments.

During the year, the Investment Manager worked with all of our portfolio company management teams to identify and report their GHG footprint. There is a legal requirement for UK listed companies and UK large unquoted companies to provide certain climate-related disclosures, including in relation to GHG emissions. This applies to Infinis, which provides this reporting as part of its own annual report and accounts, which can be found on www.infinis.com.

Our portfolio companies include in their sustainability strategies long-term objectives for reducing GHG intensity. The objectives for each portfolio company will differ depending on the sector in which they operate.

Emissions reporting

As noted above, 3i Infrastructure itself has a very limited direct impact on the environment and is not a significant producer of greenhouse gas emissions. The Company consumed less than 40,000 kilowatt hours of energy in the financial year and is therefore exempt from the UK Streamlined Energy and Carbon Reporting disclosure requirements.

We are pleased to report Scope 1 and Scope 2 GHG emissions for our portfolio companies below for the first time. These are being disclosed voluntarily in order to provide a useful view on emissions across our portfolio.

We supported portfolio companies with implementing GHG emissions reporting and worked with a third-party specialist firm during the year to review and refine the data and calculations, ensuring that the methodologies and results are robust, consistent across the portfolio and reflect best practice for GHG accounting.

Sustainability report continued

TCFD disclosures continued

We expect to continue to work with portfolio company management teams to refine their data collection and calculation methodologies over time, including the calculation of Scope 3 emissions. We are also working with portfolio companies to consider potential opportunities to reduce their GHG emissions over time. The work performed to collect Scope 1 and Scope 2 emissions helped identify several potential areas for reduction across the portfolio.

Emissions data are not currently available for our two most recent investments: SRL Traffic Systems, which was signed and completed in December 2021, and Global Cloud Xchange, which was signed in November 2021 and has not yet completed.

We will work with their management teams to implement processes for emissions data collection in order to report their emissions in the next Annual Report.

Tonnes of CO_2 equivalent	Scope 1	Scope 2
Oystercatcher[1]	14	1,717[2]
ESVAGT	99,248	331[3]
TCR	1,656	2,031[2]
Infinis	66,591	2,822[2]
Valorem	13	106[3]
Attero	792,245	37,729[2]
Tampnet	31	103[2]
Joulz	533	98[2]
Ionisos	3,502	1,952[2]
DNS:NET	418	1,880[2]

1 Represents GHG emissions from Oystercatcher's terminal in Singapore. Excludes GHG emissions from Oystercatcher's European terminals, which were divested during the year.

2 Location-based, using grid-average emissions factors.

3 Market-based, using contract-specific emissions factors.

The most significant sources of Scopes 1 and 2 emissions across the portfolio relate to specific operations that support the essential nature of the businesses in our portfolio.

Attero is the largest direct emitter in the portfolio. Its emissions are primarily a result of Attero's waste processing activities and from the landfills that Attero owns and operates. However, Attero's recycling operations help to avoid waste being sent to landfills and emitting more greenhouse gases than Attero emits through its own processing activities, thereby reducing net GHG emissions in the Netherlands.

Attero's operations help further to avoid emissions through its production of renewable energy from the waste it processes and from the sale of secondary materials. During calendar year 2021, the emissions that these two activities helped offset its Scope 1 and Scope 2 emissions.

ESVAGT's Scope 1 emissions relate to the fuels used in its vessels. ESVAGT aims to transition its vessels to renewable sources of fuel and electrical power, and has set itself an environmental goal to become carbon neutral by 2035 and to have zero carbon emissions by 2050.

ESVAGT has several innovations in progress, including a recent agreement with Ørsted for a new SOV powered by dual-fuel engines capable of sailing on renewable e-methanol as well as batteries.

Infinis's Scope 1 emissions primarily relate to the natural gas used in its Power Response business, which provides highly responsive power during times of peak demand. This is a critical activity to help overcome the current gaps in supply from renewable power sources. Infinis has begun developing battery projects that will allow renewable energy to be stored in order to meet peaks in demand. This will lessen the reliance on natural gas to fill gaps in supply. In addition, Infinis's Captured Landfill Methane ('CLM') and Captured Mineral Methane ('CMM') operations contributed to the capture of 258,000 tonnes of methane in FY22, equivalent to preventing the emission of 6,400,000 tonnes of CO_2.

Financial review and Risk report

ESVAGT
Page 35

Financial review

The Company delivered another year of outperformance.

Key financial measures[1] (year to 31 March)	**2022**	2021
Total return[2]	**£404m**	£206m
NAV	**£2,704m**	£2,390m
NAV per share	**303.3p**	268.1p
Total income	**£133m**	£110m
Total income and non-income cash	**£143m**	£117m
Portfolio asset value	**£2,873m**	£1,802m
Cash balances	**£17m**	£463m
Total liquidity[3]	**£786m**	£763m

1 Prior year figures contain non-material adjustments to the Financial statements as reported in the prior year Annual report and accounts. These adjustments are no longer required as explained on page 59.

2 IFRS Total comprehensive income for the year.

3 Includes cash balances of £17 million (2021: £463 million) and £769 million (2021: £300 million) undrawn balances available under the Company's revolving credit facility including additional committed facilities which total £1 billion.

The Company delivered another year of outperformance which was underpinned by strong income and capital returns from the portfolio. A total of £980 million of new investments and commitments were made and the Company actively managed its liquidity position through its RCF and an additional £600 million of committed facilities.

The portfolio has the income-generating capacity to support the progressive dividend policy, and the dividend was covered by net income this year despite some drag from uninvested cash earlier in the year. The target dividend for FY23 of 11.15 pence per share is an increase of 6.7% over FY22.

Returns

Total return

The Company generated a total return for the year of £404 million, representing a 17.2% return on opening NAV net of the prior year final dividend (2021: £206 million, 9.2%). This performance is significantly ahead of the target return of 8% to 10% per annum to be achieved over the medium term.

This outperformance was driven by the strong return from the sale of Oystercatcher's four European terminals and good performance across the economic infrastructure portfolio, particularly from TCR and ESVAGT. Changes in the valuation of the Company's portfolio assets are described in the Movements in portfolio value section of the Investment Manager's review.

The Company has continued to grow income and NAV per share alongside managing liquidity to fund new investments."

James Dawes
CFO, Infrastructure

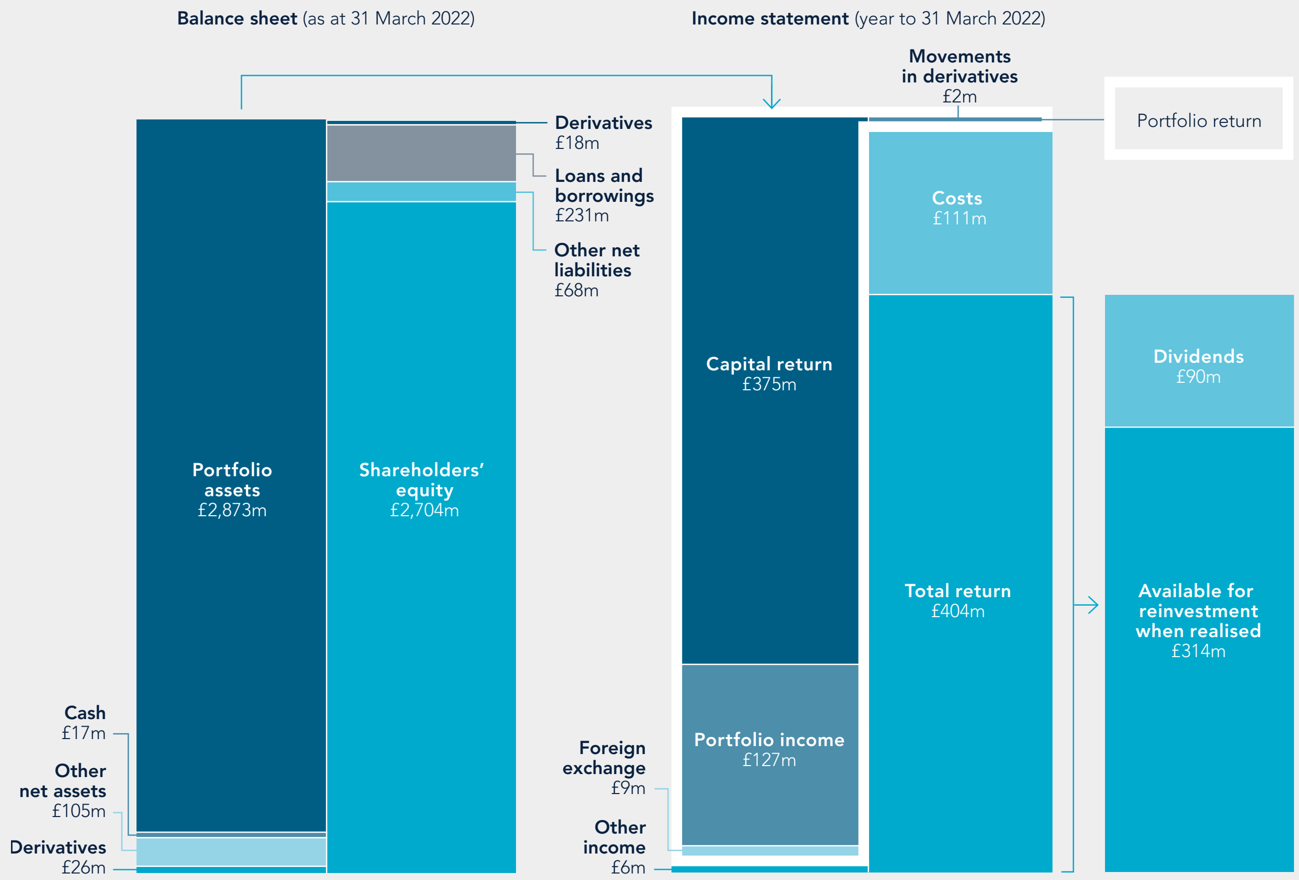
Financial review continued

Total income and non-income cash of £143 million in the year was higher than last year, due to income from new investments and some portfolio companies resuming distributions after preserving liquidity in the previous year due to Covid-19 risks (2021: £117 million).

Non-income cash receipts reflect distributions from underlying portfolio companies, which would usually be income to the Company, but which are distributed as a repayment of investment for a variety of reasons. Whilst non-income cash does not form part of the total return shown in Table 3, it is included when considering dividend coverage.

An analysis of the elements of the total return for the year is shown in Table 3.

Composition of balance sheet and income statement (year to 31 March 2022)

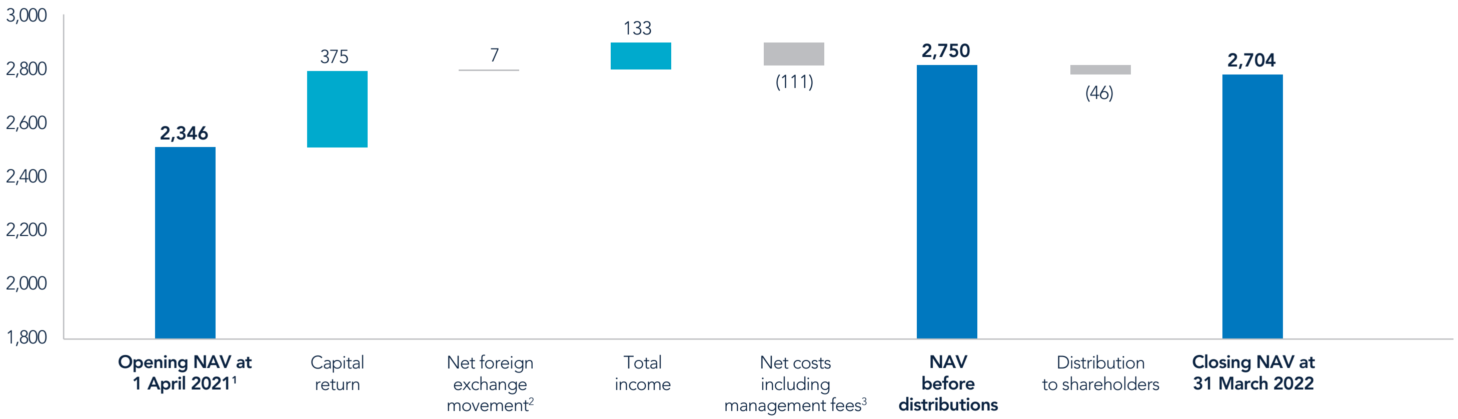


Financial review continued

Table 3: Summary total return (year to 31 March, £m)

	2022	2021
Capital return (excluding exchange)	**375**	135
Foreign exchange movement in portfolio	**9**	(24)
Capital return (including exchange)	**384**	111
Movement in fair value of derivatives	**(2)**	22
Net capital return	**382**	133
Total income	**133**	110
Costs	**(111)**	(37)
Total return	**404**	206

Chart 5: Reconciliation of the movement in NAV (year to 31 March 2022, £m)



1 Opening NAV of £2,390 million net of final dividend of £44 million for the prior year.
2 Foreign exchange movements are described in Chart 7.
3 Includes non-portfolio related exchange movements of £3 million.

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

Following the partial divestment of the Oystercatcher investment and a restructure of some investments previously held through Luxembourg-based subsidiaries but now held directly by the Company, we have aligned the basis of reporting in this section to the Financial statements and will no longer report on an adjusted basis.

Capital return

The capital return is the largest element of the total return. The portfolio generated a value gain of £375 million in the year to 31 March 2022 (2021: £135 million), as shown in Chart 5. There was a positive contribution across the majority of the portfolio and the largest contributor was Oystercatcher which generated £121 million. These value movements are described in the Movements in portfolio value section of the Investment Manager's review.

Financial review continued

Income

The portfolio generated income of £127 million in the year (2021: £99 million). Of this amount, £24 million was through dividends (2021: £20 million) and £103 million through interest on shareholder loans (2021: £79 million). An additional £6 million of interest was accrued on the vendor loan notes issued in lieu of WIG proceeds (2021: £10 million) together with a further £0.1 million of interest receivable on deposits (2021: £0.4 million). Total income and non-income cash is shown in Table 4.

A strong income contribution from Tampnet and higher non-income cash receipts offset the reduction in income from Oystercatcher following divestment of the European terminals. A breakdown of portfolio income is provided in Chart 8, together with an explanation of the change from prior year.

Interest income from the portfolio was significantly higher than prior year due to the new investments in SRL, DNS:NET and ESVAGT.

Dividend and non-income cash distributions increased this year as liquidity preserved for risks associated with the Covid-19 pandemic in the prior year was released.

Foreign exchange impact

The portfolio is diversified by currency as shown in Chart 6. We aim to deliver steady NAV growth for shareholders, and the foreign exchange hedging programme helps us to do this by reducing our exposure to fluctuations in the foreign exchange markets.

Portfolio foreign exchange movements, after accounting for the hedging programme, increased the net capital return by £7 million (2021: reduced by £2 million).

As shown in Chart 7, the reported foreign exchange gain on investments of £9 million (2021: loss of £24 million) included a gain of £1 million from the Company's exposure to the Indian rupee, which is not hedged. This was partially offset by a £2 million loss on the hedging programme (2021: gain of £22 million).

Table 4: Total income and non-income cash
(year to 31 March, £m)

	2022	2021
Total income	**133**	110
Non-income cash	**10**	7
Total	**143**	117

Chart 6: Portfolio value by currency
(at 31 March 2022)

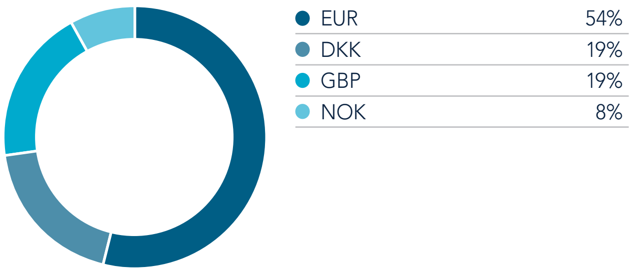


Chart 7: Impact of foreign exchange ('FX') movements on portfolio value (year to 31 March 2022, £m)

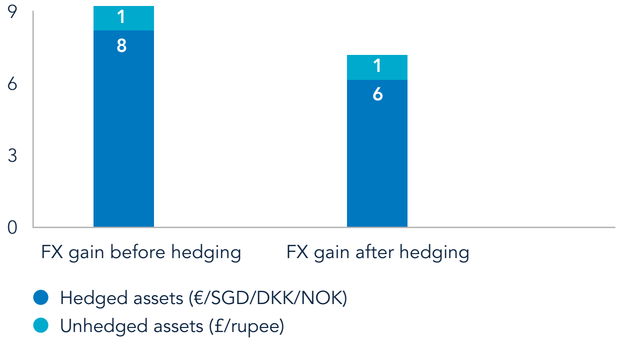
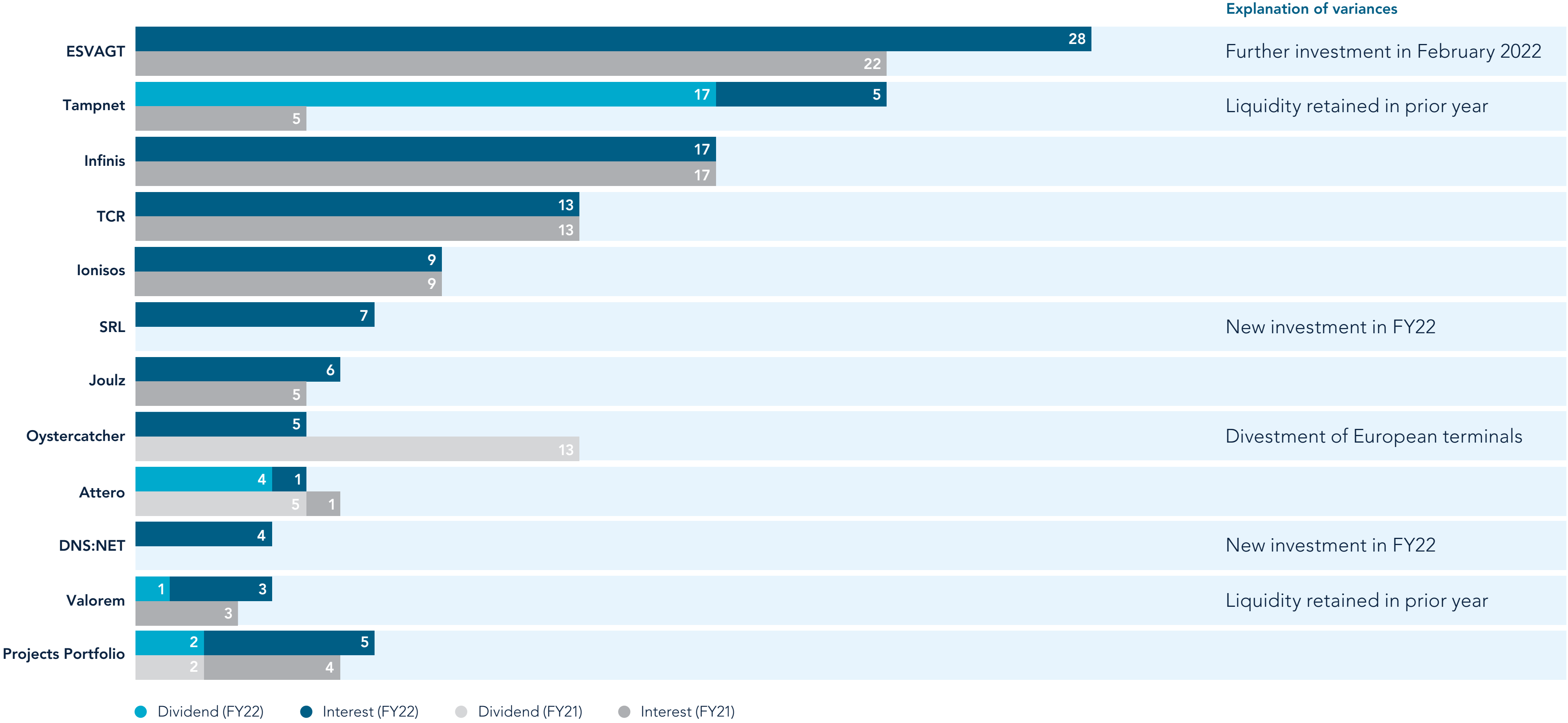


Chart 8: Breakdown of portfolio income (year to 31 March, £m)



Financial review continued

Costs

Management and performance fees

During the year to 31 March 2022, the Company incurred management fees, including transaction fees of £10 million, of £43 million (2021: £24 million). The fees, payable to 3i plc, consist of a tiered management fee, and a one-off transaction fee of 1.2% payable in respect of new investments. The management fee tiers range from 1.4%, reducing to 1.2% for any proportion of gross investment value above £2.25 billion.

An annual performance fee is also payable by the Company, amounting to 20% of returns above a hurdle of 8% of the total return. This performance fee is payable in three equal annual instalments, with the second and third instalments only payable if certain future performance conditions are met. This hurdle was exceeded for the year ended 31 March 2022 resulting in a performance fee payable to 3i plc in respect of the year ended 31 March 2022 of £54 million (2021: £7 million).

The first instalment, of £18 million, will be paid in May 2022 along with the second instalment of £2 million relating to the previous year's performance fee and the third instalment of £6 million relating to the FY20 performance fee.

For a more detailed explanation of how management and performance fees are calculated, please refer to Note 18 to the accounts.

Fees payable

Fees payable on investment activities include costs for transactions that did not reach, or have yet to reach, completion and the reversal of costs for transactions that have successfully reached completion and were subsequently borne by the portfolio company. For the year to 31 March 2022, fees payable totalled £3 million (2021: less than £1 million).

Other operating and finance costs

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £3 million in the year (2021: £3 million).

Finance costs of £5 million (2021: £2 million) in the year comprised arrangement and commitment fees for the Company's RCF. Finance costs were higher than in FY21 as the size of the RCF was increased and drawn in the year.

Ongoing charges ratio

The ongoing charges ratio measures annual operating costs, as disclosed in Table 5 below, against the average NAV over the reporting period.

The Company's ongoing charges ratio is calculated in accordance with the Association of Investment Companies ('AIC') recommended methodology and was 1.41% for the year to 31 March 2022 (2021: 1.16%). The ongoing charges ratio is higher in periods where new investment levels are high and new equity is raised or capital is returned to shareholders.

Realisation of assets reduces the ongoing charges ratio. The cost items that contributed to the ongoing charges ratio are shown below.

The AIC methodology does not include transaction fees, performance fees or finance costs. However, the AIC recommends that the impact of performance fees on the ongoing charges ratio is noted, where performance fees are payable. The ratio including the performance fee was 3.52% (2021: 1.45%). The total return of 17.2% for the year is after deducting this performance fee and ongoing charges.

Table 5: Ongoing charges (year to 31 March, £m)

	2022	2021
Investment Manager's fee	**32.6**	23.7
Auditor's fee	**0.6**	0.5
Directors' fees and expenses	**0.5**	0.5
Other ongoing costs	**2.4**	2.2
Total ongoing charges	**36.1**	26.9
Ongoing charges ratio	**1.41%**	1.16%

Balance sheet

The NAV at 31 March 2022 was £2,704 million (2021: £2,390 million). The principal components of the NAV are the portfolio assets, cash holdings and borrowings under the RCF, the vendor loan notes from the sale of WIG, the fair value of derivative financial instruments and other net assets and liabilities. A summary balance sheet is shown in Table 6.

At 31 March 2022, the Company's net assets after the deduction of the final dividend were £2,657 million (2021: £2,346 million).

Cash and other assets

Cash balances at 31 March 2022 totalled £17 million (2021: £463 million).

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

The decrease in Other net assets is due to an increase in the performance fee payable.

Table 6: Summary balance sheet (year to 31 March, £m)

	2022	2021
Portfolio assets	**2,873**	1,802
Cash balances	**17**	463
Derivative financial instruments	**8**	37
Borrowings	**(231)**	–
Other net assets (including vendor loan notes)	**37**	88
NAV	**2,704**	2,390

Borrowings

The Company has a £400 million RCF in order to maintain a good level of liquidity for further investment whilst minimising returns dilution from holding excessive cash balances. This is a three-year facility, with a maturity date of November 2024. In December 2021, the Company increased its existing facility by £200 million to £600 million and in January 2022 an additional one-year credit facility of £400 million was agreed. Aggregate credit facilities totalled £1 billion at 31 March 2022. At 31 March 2022 the total amount drawn was £231 million.

NAV per share

The total NAV per share at 31 March 2022 was 303.3 pence (2021: 268.1 pence). This reduces to 298.1 pence (2021: 263.2 pence) after the payment of the final dividend of 5.225 pence (2021: 4.9 pence). There are no dilutive securities in issue.

Dividend and dividend cover

The Board has proposed a dividend for the year of 10.45 pence per share, or £93 million in aggregate (2021: 9.8 pence; £87 million). This is in line with the Company's target announced in May last year.

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

Financial review continued

Table 7 shows the calculation of dividend coverage and dividend reserves. The dividend was fully covered for the year with no surplus (2021: no surplus).

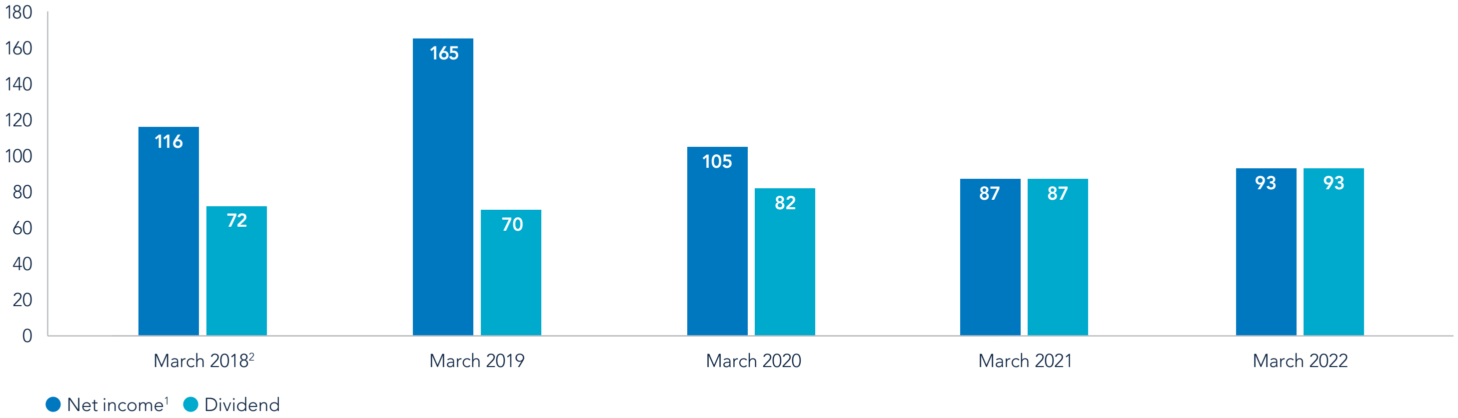
The retained amount available for distribution, following the payment of the final dividend, the realised loss over cost relating to the India Fund that was previously unrealised and the performance fee will be £794 million (2021: £868 million). This is a substantial surplus, which is available to support the Company's progressive dividend policy, particularly should dividends not be fully covered by income in a future year. A shortfall could arise, for example, due to holding substantial uninvested cash or through lower distributions being received from portfolio companies in order to preserve liquidity.

Chart 9 shows that the Company has consistently covered the dividend over the last five years.

Table 7: Dividend cover (year to 31 March, £m)

	2022	2021
Total income, other income and non-income cash	**143**	117
Operating costs including management fees	**(50)**	(30)
Dividends paid and proposed	**(93)**	(87)
Dividend surplus for the year	**–**	–
Dividend reserves brought forward from prior year	**868**	876
Realised loss over cost on disposed assets	**(20)**	(1)
Performance fees	**(54)**	(7)
Dividend reserves carried forward	**794**	868

Chart 9: Dividend cover (five years to 31 March 2022, £m)



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

Sensitivities

The sensitivity of the portfolio to key inputs to our valuations is shown in Chart 10 and described in more detail in Note 7 to the accounts. The portfolio valuations are positively correlated to inflation. The longer-term inflation assumptions beyond two years remain consistent with central bank targets, eg UK CPI at 2%.

The sensitivities shown in Chart 10 are indicative and are considered in isolation holding all other assumptions constant. Timing and quantum of price increases will vary across the portfolio and the sensitivity may differ from that modelled. Changing the inflation rate assumption may necessitate consequential changes to other assumptions used in the valuation of each asset.

Alternative Performance Measures ('APMs')

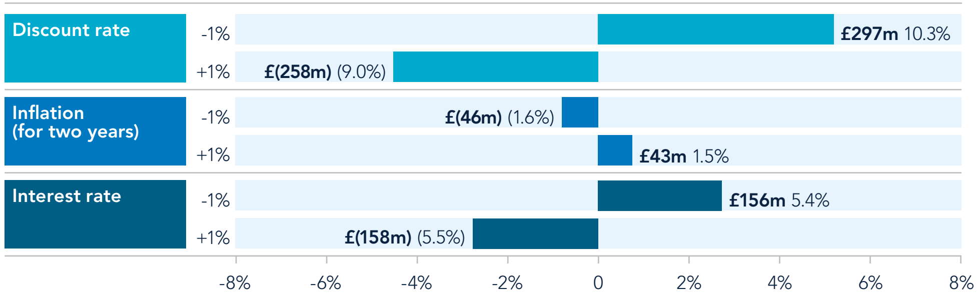
We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies. These APMs provide additional information of how the Company has performed over the year and are all financial measures of historical performance.

The APMs are consistent with those disclosed in prior years.

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

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

Chart 10: Portfolio sensitivities (year to 31 March 2022)



Financial review continued

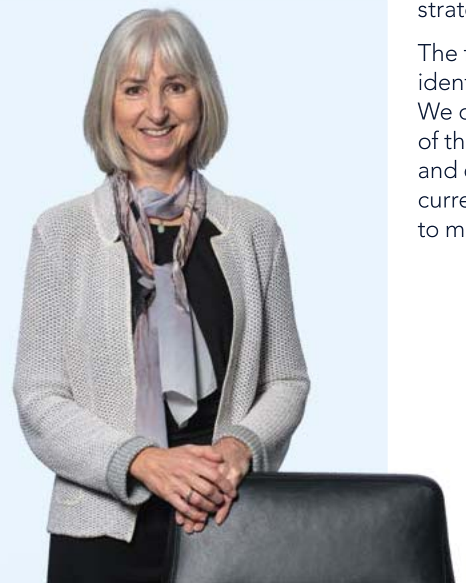
The table below defines our APMs.

APM	Purpose	Calculation	Reconciliation to IFRS
Total return on opening NAV	A measure of the overall financial performance of the Company. For further information see the KPI section.	It is calculated as the total return of £404 million, as shown in the Statement of comprehensive income, as a percentage of the opening NAV of £2,390 million net of the final dividend for the previous year of £44 million.	The calculation uses IFRS measures.
NAV per share	A measure of the NAV per share in the Company.	It is calculated as the NAV divided by the total number of shares in issue at the balance sheet date.	The calculation uses IFRS measures and is set out in Note 14 to the accounts.
Total income and non-income cash	A measure of the income and other cash receipts by the Company which support the payment of expenses and dividends.	It is calculated as the total income from the underlying portfolio and other assets plus non-income cash being the repayment of shareholder loans not resulting from the disposal of an underlying portfolio asset.	Total income uses the IFRS measures Investment income and Interest receivable. The non-income cash, being the proceeds from partial realisations of investments are shown in the Cash flow statement. The realisation proceeds which result from a partial sale of an underlying portfolio asset are not included within non-income cash.
Investment value including commitments	A measure of the size of the investment portfolio including the value of further contracted future investments committed by the Company.	It is calculated as the portfolio asset value plus the amount of the contracted commitment.	The portfolio asset value uses IFRS measures. The value of future commitments is set out in Note 16 to the accounts.
Total portfolio return percentage	A measure of the financial performance of the portfolio.	It is calculated as the total portfolio return in the year of £509 million, as shown in Table 1, as a percentage of the sum of the opening value of the portfolio and investments in the year (excluding capitalised interest) of £2,565 million.	The calculation uses capital return (including exchange), movement in fair value of derivatives, underlying portfolio income, opening portfolio value and investment in the year. The reconciliation of all these items to IFRS is shown in Table 1 including in the footnotes.

Risk report

Effective risk management is at the heart of everything we do as a Board."

Wendy Dorman
Chair, Audit and Risk Committee



Introduction

At the start of the year, the Audit and Risk Committee (the 'Committee'), alongside the Investment Manager, began a new three-year cycle of risk reviews to identify and consider the impact and likelihood of the key, principal and emerging risks facing the Company today. A number of risks were reassessed to reflect developments in the year, and the list of emerging risks was refreshed. The Committee updated the risk register and risk matrix as a result of the analysis conducted during the year, and considered the alignment of the principal risks identified to the Company's strategic objectives.

The following sections explain how we identify and manage risks to the Company. We outline the key risks, our assessment of their potential impact on the Company and our portfolio in the context of the current environment and how we seek to mitigate them.

Approach to risk governance

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

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

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

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

Risk framework

Risk related reporting

Internal
- Monthly management accounts
- Internal and external audit reports
- Service provider control reports
- Risk logs
- Compliance reports
- Risk related reporting

External – Annual report
- Risk appetite
- Viability statement
- Internal controls
- Going concern
- Statutory/accounting disclosures

Risk report continued

Risk appetite

During the year, the Committee discussed the Company's risk appetite and concluded that it remained broadly stable. As an investment company, the Company seeks to take investment risk. The appetite for investment risk is described previously in the Our approach section, and in the Investment policy towards the end of this document. Investments are made subject to the Investment Manager's Responsible Investment policy, which addresses an important element of our appetite for investment risk. Given the strong competition for new investments, investment discipline remains a key consideration. The target risk-adjusted objective of delivering 8% to 10% return per annum over the medium term remains consistent with our current portfolio investment cases, including our recent new investments. It is expected that as the portfolio expands, the range of expected returns in individual investment cases may also expand to include higher risk/return 'value add' cases and lower risk/return 'core' investments. We recognise that this has the potential to result in greater volatility in returns on an individual asset basis.

The benefits of diversification across sectors, countries and types of underlying economic risk will mitigate this volatility, and the Company has sought to build a diverse portfolio while considering carefully the underlying risks to which our portfolio companies are exposed. The Committee concluded that the risk appetite of the Company for economic infrastructure investments has not changed, and remains appropriate for our investment mandate and target returns. The Covid-19 pandemic provided a severe test of the appropriateness of the Company's risk appetite, and its attractiveness to investors. The portfolio overall has been resilient, and benefitted from diversification across infrastructure subsectors and types of underlying risks.

The key tools used by the Committee to define the Company's risk appetite and to determine the appetite for key risks are the risk register and the risk matrix. The process of creating and reviewing the risk register and risk matrix is described below, together with a discussion of the Company's appetite for each of the key risks. Beyond the appetite for investment risk discussed above, the Company seeks to limit or manage exposure to other risks to acceptable levels.

Risk review process

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

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

Risk register review process

October 2021

Directors identify and score the principal, key and emerging risks facing 3iN

December 2021

Analysis and interpretation of responses

April 2022

Risk register and risk matrix updated

January 2022

Impact and likelihood of the identified risks considered

Risk report continued

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

The Committee evaluates the probability of each identified risk materialising and the impact it may have, with reference to the Company's strategy and business model.

The review process was updated this year to assess the likelihood and impact of each risk over two timeframes, within three years and beyond three years. The evaluation of these key risks is then presented on a risk matrix. Mitigating controls have been developed for each risk and the adequacy of the mitigation is then assessed and, if necessary, additional controls are implemented and reviewed by the Committee at a subsequent meeting.

The Committee considers the identified principal risks in greater detail in the assessment of the Company's viability.

A number of scenarios have been developed to reflect plausible outcomes should the principal risks be experienced, as well as consideration of stressed scenarios that could result in the Company ceasing to be viable.

As the Company is an investment company, the stressed scenarios reflect reduced cash flows from the Company's investment portfolio, such that debt covenants are breached and liabilities not met. Following the invasion of Ukraine, a scenario was developed this year for a new emerging risk of an escalation of this conflict in Europe.

The Investment Manager models the impact of these scenarios on the Company and reports the results to the Committee. The resulting assessment of viability is included in this Risk report.

Review during the year

Early in the financial year, the Committee engaged EY to benchmark the Company's risk review process and to facilitate a workshop with the Committee to consider improvements to the process. Presentation of the results of the benchmarking exercise and the workshop took place in September 2021. The risk review process was subsequently updated to consider the likelihood and impact of the key risks over two timeframes. The 'blank sheet of paper' element of the risk review process, conducted at the start of each three-year cycle of reviews, was considered to be best practice against the benchmarking undertaken.

Risk categorisation

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

Emerging risks → **Key risks** → **Principal risks**

An **emerging risk** is one that may in future be likely to have a material impact on the performance of the Company and the achievement of our long-term objectives, but that is not yet considered to be a key risk.

A **key risk** is considered currently to pose the risk of a material impact on the Company. Risks may be identified as emerging risks and subsequently become key risks. Identified key risks may cease to be considered key over time.

The Committee maintains a risk matrix, onto which the key risks are mapped by impact and likelihood. The **principal risks** are identified on the risk matrix as those with the highest combination of impact and likelihood scores.

Risk report continued

In October 2021, the Committee instigated a process designed to identify and score the key risks and update the list of emerging risks currently facing the Company. This started with the 'blank sheet of paper' exercise where each Director, and several members of the Investment Manager's team, identified the top risks facing the Company. In December 2021, the Committee analysed the data collected and identified the principal risks facing the Company, scoring each for impact and likelihood (within a three-year period and beyond a three-year period). In January 2022, the results of the principal risk scoring were considered and assessed and additional changes made.

In March and April 2022, the Committee reviewed the updated risk register and risk matrix and the Company's appetite for each of the key risks.

We have a relatively diverse spread of assets in the portfolio and it is important that risk diversity is maintained as we evolve the portfolio through new investments and realisations.

Future realisations may continue the evolution of risk in the portfolio in line with our strategy and allow the Company to manage its exposure to more sensitive assets, or to take account of where the risk profile of an asset has changed over time.

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

Emerging risks

The Company is a long-term investor and therefore needs to consider the impact of both identified key risks, as detailed below, and risks that are considered emerging or longer-term. Risk categorisation, including the definition of emerging risk, is shown on page 69.

The Board and the Investment Manager consider these factors when reviewing the performance of the portfolio and when evaluating new investments, seeking to identify which factors present a potential risk and can either be mitigated or converted into opportunities.

As part of the ongoing risk identification and management of the Company, the Committee considers whether these emerging risks should be added to the Company's risk register. The risk register is a 'live' document that is reviewed and updated regularly by the Committee as new risks emerge and existing risks change. Examples of emerging risks that were considered during the year include the impact of changes in technology on our portfolio companies, a future pandemic, divergence between the UK and the EU regulation increasing friction over trade in goods and services, and escalating regulatory reporting requirements. The risk of an escalation of the war in Ukraine was added to the list of emerging risks this year.

Key risks

Key risks are mapped by impact and likelihood on a risk matrix. During the year, the Committee considered the development of all the key risks in detail. Within the category of key risks, the principal risks identified by the Committee in the financial year are set out in the Principal risks and mitigation table on pages 72 to 74, alongside how the Company seeks to mitigate these risks.

Market and economic risk was considered the top risk facing the Company. This includes the consequences of sanctions on Russia and Russian companies, the recovery from the Covid-19 pandemic, increased commodity and energy prices, rising inflation and interest rates, supply chain constraints and a heightened risk of recession.

Risk report continued

The risk review showed a high level of consistency with the prior year, with a small number of changes in the key risks identified. The assessment of likelihood and impact of the key risks resulted in some changes to the principal risks facing the Company.

The risk of having an unbalanced portfolio is considered to have decreased following the new investments made in the year which have increased the diversity of the portfolio. Following that high level of new investment, the management of liquidity risk is considered to have increased and become a principal risk.

The risk of poor investment performance is considered to have increased such that it is now a principal risk, reflecting the risk at individual portfolio company level of increased market and economic risk alongside the evolution of underlying risks in our portfolio consistent with our investment strategy to focus on economic infrastructure assets. The risk of an inappropriate rate of investment is considered to have decreased this year, with a good flow of new investment opportunities through the pipeline which converted into a good number of new and follow-on investments.

Exposure to competition risk is considered to have increased further reflecting the level of fund raising by other asset managers including several new listed funds.

These changes are reflected in the Principal risks and mitigations table on pages 72 to 74.

Covid-19

The Covid-19 pandemic was a major test of the business models of all companies. The resilient response of our portfolio companies was consistent with our strategy and with the characteristics that we look for in infrastructure investments. We are encouraged by the strength of the performance of our portfolio this year as Europe recovers from the pandemic and restrictions are eased in the countries in which we invest. More detail can be found in the Investment Manager's review and elsewhere in this Risk report.

Climate risk

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

Climate regulation risk has been added to the risk register, to address the regulatory risk to the Company and the portfolio associated with the transition to a low-carbon economy. The existing climate risk was amended to address the physical and transition risks from climate change on the portfolio.

We have increased our disclosures and reporting on climate risk and our Investment Manager has evolved its proprietary ESG tool to allow us to assess this and other risks in more detail across the portfolio. This year, the Investment Manager added consideration of ESG risks, including climate risks, earlier in the investment process.

Our progress in TCFD reporting is described on pages 51 to 55, and this now includes GHG emissions reporting for scopes 1 and 2 for our portfolio companies.

All of the companies in our portfolio recognise the importance of considering climate change and of evolving a sustainable business model. As discussed in the Sustainability report, the physical and transition climate-related risks are also seen as opportunities for all companies in our portfolio.

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

We consider that the mitigating controls at the Company and the Investment Manager over climate regulation risk prevent this from being a principal risk at the moment.

Risk report continued
Principal risks and mitigations

Our Strategic priorities

- Invest responsibly
- Disciplined approach
- Manage portfolio intensively
- Efficient balance sheet
- Sustainability key driver

External

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

Risk report continued
Principal risks and mitigations continued

Our Strategic priorities

Invest responsibly | Disciplined approach | Manage portfolio intensively | Efficient balance sheet | Sustainability key driver

Operational

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

Strategic

Principal risk	Risk description	Risk mitigation
Management of liquidity **Risk exposure movement in the year** Increased **Link to Strategic priorities** Disciplined approach	• Failure to manage the Company's liquidity, including cash and available credit facilities • Insufficient liquidity to pay dividends and operating expenses or to make new investments • Hold excessive cash balances, introducing cash drag on the Company's returns	• Regular reporting of current and projected liquidity • Investment and planning processes consider sources of liquidity • Flexible funding model, where liquidity can be sought from available cash balances including reinvestment of proceeds from realisations, committed credit facilities which can be increased with approval from our lenders, and the issue of new share capital
Deliverability of return target **Risk exposure movement in the year** No significant change **Link to Strategic priorities** Invest responsibly, Sustainability key driver	• Failure to ensure the investment strategy can deliver the return target and dividend policy of the Company • Failure to adapt the strategy of the Company to changing market conditions	• Market returns are reviewed regularly • The Investment Manager and other advisers to the Company report on market positioning • Investment process addresses expected return on new investments and the impact on the portfolio • Consideration of risks, including ESG and climate risks, in the investment process

Risk report continued
Principal risks and mitigations continued

Our Strategic priorities

Invest responsibly | Disciplined approach | Manage portfolio intensively | Efficient balance sheet | Sustainability key driver

Investment

Principal risk	Risk description	Risk mitigation
Security of assets **Risk exposure movement in the year** No significant change **Link to Strategic priorities** Invest responsibly Sustainability key driver	• An incident, such as a cyber or terrorist attack • Unauthorised access of information and operating systems • Regulatory and legal risks from failure to comply with cyber related laws and regulations, including data protection	• Regular review of the Company and key service providers • Regular review and update of cyber due diligence for potential investments • Review of portfolio companies for cyber risk management and incident readiness
Poor investment performance **Risk exposure movement in the year** Increased **Link to Strategic priorities** Invest responsibly Sustainability key driver	• Misjudgement of the risk and return attributes of a new investment • Material issues at a portfolio company • Poor judgement in the realisation of an asset	• Robust investment process with thorough challenge of the investment case supported by detailed due diligence • Investment Manager's active asset management approach including proactive management of issues arising at portfolio company level • Experience of the Investment Manager's team in preparing for and executing realisations of investments

Development of significant key risks in the year

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

External risks – market and competition

The markets in which the Company seeks to invest, and in particular the European economic infrastructure market, are more competitive than ever, with strong demand for new investments. Competition continued to increase as the infrastructure sector has demonstrated its resilience during the pandemic.

In this environment, the Investment Manager continues to leverage its network and skills to look for investments that can deliver attractive and sustainable risk-adjusted returns to the Company's shareholders.

The Company achieved a high level of new investment in the year, while avoiding the most heavily competed processes in the market.

Inflation in the UK and Europe has risen sharply in the year, driven by rising energy costs, supply chain bottlenecks, labour and raw material shortages and the reopening of economies from pandemic-related lockdowns. Higher inflation is generally positive for the Company, particularly for assets which have revenues at least partially linked to inflation, although higher inflation may also result in increased costs.

Central bank base rates increased during the year, and these increases are likely to continue in the coming year. This would increase debt financing costs for our portfolio companies and could also lead to increases in required rates of return on equity, both of which would decrease portfolio company valuations. Long-term fixed rate debt is in place across the majority of our portfolio which mitigates the risk from interest rate changes in the shorter term. The increase in competition noted above has led to required rates of return on equity remaining at historic low levels.

The Company is exposed to movements in sterling exchange rates against a number of currencies, most significantly the euro. The Company operates a hedging programme which substantially offsets volatility in returns from exchange rate movements. The Board monitors the effectiveness of the Company's hedging policy on a regular basis.

There are actual and potential indirect effects on portfolio companies of the Russian invasion of Ukraine and the imposition of sanctions on Russia and Russian businesses, including increasing cost and wage inflation, availability of resources and disruptions to normal market activities. However, the impact to date on portfolio companies has been limited.

The valuation of our portfolio companies that generate electricity, Infinis, Valorem and Attero, is affected by the evolution of long-term power price forecasts and by fluctuations in the spot power price. Volatility in prices is expected to continue as thermal and nuclear plants are retired, there is growth in intermittent renewables and increasing demand due to the electrification of transport and heating, and due to the the war in Ukraine. Infinis's electricity offtake arrangements include contracts with Gazprom Marketing & Trading Ltd, a large supplier in the UK non-domestic energy market. Whilst these contracts are not currently affected by sanctions, Infinis is actively replacing contracts where permitted and others will run off over time.

Risk report continued

We do not expect Infinis to be adversely affected by any extension of sanctions or an insolvency process for Gazprom Marketing & Trading Ltd.

Sanctions on Russia and Russian companies, together with the recovery from the Covid-19 pandemic, has led to an increase in oil prices. For Oystercatcher, the increase in oil prices has led to a backwardation market structure which, together with recent market volatility, may maintain some short-term downward pressure on pricing of contract renewals.

Ionisos is a provider of cold sterilisation and ionising radiation treatment services to the medical, pharmaceutical, plastics and cosmetics industries. Gamma radiation, one of the three methods of cold sterilisation used, relies on the radioactive decay of Cobalt-60, a scarce resource. Ionisos's Estonian business has in the past sourced Cobalt-60 from a Russian-owned company, JSC. Whilst JSC is not currently subject to sanctions, Ionisos will not source new Cobalt-60 from JSC for the foreseeable future and is seeking alternative sources of supply. The capacity of the Estonian business would reduce over time until new Cobalt-60 is sourced.

Air traffic movements and passenger numbers remain substantially below the levels seen before the Covid-19 pandemic, although they are now showing signs of recovery. The timing and extent of future recovery remains uncertain. This affects TCR more than other companies in our portfolio, although we are pleased with the performance of TCR over the duration of the pandemic and the strong performance this year as the industry starts to recover. We have maintained our assumption of a longer-term return to pre-pandemic levels of air travel by 2024.

External risks – regulatory and tax

The Company's investment in Infinis is exposed to electricity market regulation risk around the future of network access and charging arrangements. It is possible that this could affect the valuation of Infinis, and we are closely monitoring the position. The direction of network access charging reform is for more location-based charging which in principle should benefit generators such as Infinis with sites predominantly in demand-dominated areas.

Ofgem is progressing a series of reviews and consultations following its recent Significant Code Review, resulting in a degree of regulatory uncertainty for the foreseeable future.

The unprecedented fiscal stimulus that we have seen during the Covid-19 pandemic has increased sovereign debt levels and a consequence of this is likely to be higher taxes to balance the deficit. The increase in the UK corporation tax rate from April 2023 is reflected in the valuations of Infinis, SRL and Tampnet and the increase in the Dutch corporation tax rate from April 2022 is reflected in the valuations of Joulz and Attero.

Strategic risks

The Company manages its balance sheet and liquidity position actively, seeking to maintain adequate liquidity to pursue new investment opportunities, while not diluting shareholder returns by holding surplus cash balances. At 31 March 2022 there was £17 million available in cash, with drawings of £231 million under the RCF. The Company increased the size of the committed credit facilities during the year, with aggregate facilities of £1 billion at the date of this report.

The portfolio is diversified across sector and geography with no investment above 17% of portfolio value.

Investment risks

Portfolio companies continue to experience fraud attempts, some of which are successful, but none of which has had a material impact on any of our companies. In the year the Investment Manager commissioned a review of cyber controls by an independent IT security provider, building upon a previous review by the same company. No significant weaknesses in cyber security were identified and the majority of more minor issues noted in the review have been addressed. We remain vigilant and continue to focus on effective operations of controls against possible cyber-attack, particularly as this risk continues to increase following the outbreak of war in Ukraine.

Further to the announcement in March 2021 that the facilities of Steril Milano, a subsidiary of Ionisos, had been closed, Steril Milano was placed into voluntary liquidation during the period. This was fully provided for in the March 2021 valuation of Ionisos. Steril Milano represented c.3% of Ionisos's 2020 EBITDA.

Operational risks

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

Resilience statement

Our resilience comes from the effective implementation of our business model, described on pages 14 to 17. Key elements of our business model relating to resilience include the Investment Manager's disciplined approach to new investment and engaged asset management, the defensive characteristics of our portfolio of investments, high ESG standards, our flexible funding model and efficient balance sheet, and the capability of the Investment Manager's team.

This is underpinned by the strong institutional culture and values of our Investment Manager, high standards of corporate governance, and effective risk management.

Over the life of the Company, the Investment Manager has built a resilient and diversified portfolio with good growth potential and downside protection that delivers an attractive mix of income yield and capital appreciation for shareholders. This has been achieved through consistent delivery of our strategic priorities, described on page 18.

Short-term resilience

The Directors assess the Company's short-term resilience through monitoring portfolio, pipeline and finance reports. These are prepared monthly, and discussed at quarterly scheduled Board meetings and Board update calls held between scheduled meetings. Six-monthly detailed investment reviews are prepared by the Investment Manager and discussed with the Board, as part of the half-yearly and annual valuation and reporting processes. These reviews describe sources of risk at portfolio company level, and mitigating actions being taken or considered.

The resilience of key suppliers, including the Investment Manager, is considered annually or more frequently if appropriate. The Audit and Risk Committee is provided with relevant extracts of reports from the Investment Manager's internal audit team, which includes an annual report on the European infrastructure investment team. Further detail is included in the Governance section on page 115.

The Directors manage the Company's liquidity actively, reviewing reports on current and forecast liquidity from the Investment Manager, alongside recommendations for seeking additional liquidity when appropriate. Further discussion on the RCF can be found in the Financial review section on page 63.

The identification of material uncertainties that could cast significant doubt over the ability of the Company to continue as a going concern forms the basis of the Going concern statement below.

Risk report continued

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and in the Financial statements and related Notes to our Annual report and accounts to 31 March 2022. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial statements and related Notes to the accounts. In addition, Note 9 to the accounts includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Directors have made an assessment of going concern, taking into account the Company's cash and liquidity position, current performance and outlook, which considered the impact of the Covid-19 pandemic and the war in Ukraine, using the information available up to the date of issue of these Financial statements.

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

At 31 March 2022, liquidity remained strong at £786 million (2021: £763 million). Liquidity comprised cash and deposits of £17 million (2021: £463 million) and undrawn facilities of £769 million (2021: £300 million). The £200 million accordion and £400 million additional facility both mature within 12 months of the date of this report. In addition, the Company is able to call the second tranche of the deferred consideration from the realisation of WIG, £98 million with six weeks' notice and, in June 2022, is expecting to receive £103 million from the sale of its Projects portfolio.

The Company had an expected investment commitment of c.£300 million at 31 March 2022, relating to the equity cost for the acquisition of GCX expected to close in the summer. The Company expects to receive the WIG deferred consideration and the proceeds from the sale of the Projects portfolio prior to the completion of this investment.

The Company had ongoing charges of £36 million in the year to 31 March 2022, detailed in Table 5 in the Financial review, which are indicative of the ongoing run rate in the short term. In addition, the FY22 performance fee of £54 million (2021: £7 million) is due in three equal instalments with the first instalment payable in the next 12 months along with the second instalment of FY21's performance fee and the third instalment of FY20's performance fee, and a proposed final dividend for FY22 of £47 million which is expected to be paid in July.

Although not a commitment, the Company has announced a dividend target for FY23 of 11.15 pence per share. Income and non-income cash is expected to be received from the portfolio investments during the coming year, some of which will be required to support the payment of this dividend target and the Company's other financial commitments.

The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2022. After making the assessment on going concern, the Directors considered it appropriate to prepare the Financial statements of the Company on a going concern basis.

The Company has sufficient financial resources and liquidity and is well-positioned to manage business risks in the current economic environment and can continue operations for a period of at least 12 months from the date of this report. This is supported by the scenario analysis and stress testing described in the medium-term resilience section and the viability statement on page 79. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual report and accounts.

Medium-term resilience

The assessment of medium-term resilience, which includes modelling of stressed scenarios and reverse stress tests, considers the viability and performance of the Company in the event of specific stressed scenarios which are assumed to occur over a three-year horizon. This stress testing forms the basis of the Viability statement below.

The Directors consider that a three-year period to March 2025 is an appropriate period to review for assessing the Company's viability. This reflects greater predictability of the Company's cash flows over that time period and increased uncertainty surrounding economic, political and regulatory changes over the longer term.

The stress testing focuses on the principal risks, but also reflects those new and emerging risks that are considered to be of sufficient importance to require active monitoring by the Audit and Risk Committee. The scenarios used are described in the Viability statement below. The medium-term resilience of the Company is assessed through analysing the impact of these scenarios on key metrics such as total return, income yield, net asset value, covenants on the RCF and available liquidity.

Viability statement

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

The Directors have assessed the viability of the Company over a three-year period to March 2025. The Directors have taken account of the current position of the Company, including its strong liquidity position with £17 million of cash and £769 million of undrawn credit facilities, its commitment of c.£300 million to the new investment in GCX described in the Going concern section above, and the principal risks it faces which are documented in this Risk report.

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

The assessment was conducted over several months, during which the proposed scenarios were evaluated by the Board, the assumptions set, and the analysis produced and reviewed. Analysis included the impact of an escalation of the war in Ukraine on our portfolio companies and the impact of a resulting economic downturn. Other considerations included the possible impact of climate-related events and transition risks, widespread economic turmoil, a reduction in cash distributions from portfolio companies to the Company, a tightening of debt markets and the failure of a large investment.

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

The results of this stress testing showed that the Company would be able to withstand the impact of these scenarios occurring over the three-year period. The Directors also considered scenarios that would represent a serious threat to its liquidity and viability in that time period. These scenarios were considered to be remote, such as a fall in equity value of the portfolio of materially more than 50% whilst being fully drawn on the RCF including the accordion, or an equivalent fall in income.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to March 2025.

Risk report continued

Long-term resilience

As described above, the long-term resilience of the Company, beyond the Viability statement period, comes from the effective implementation of our business model and consistent delivery of our strategic objectives.

Our approach to origination and portfolio construction, focus on price discipline and engaged asset management approach enable us to adapt in response to new and emerging risks and challenges including climate change and developments in megatrends.

The characteristics that we look for in infrastructure investments, described on page 17, support the long-term resilience of the Company. The performance of the portfolio through the Covid-19 pandemic provided good evidence of this. The underlying megatrends supporting the longer-term resilience of each portfolio company are identified in the Our approach section on page 8.

We have a long-term investment time horizon made possible by our permanent capital base that is unconstrained by the fixed investment period and fundraising cycle seen in private limited partnership funds.

Although the scenarios and stress testing to support the viability statement are modelled over a three-year time horizon, the resilience shown by the Company, and its ability to recover from these stressed situations, supports the assessment of our resilience over a longer term than three years.

Directors' duties
Section 172 statement

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

The Directors fulfil their duties through the Company's governance framework and through their delegation of discretionary investment management authority to the Investment Manager.

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

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

The likely consequences of any decision in the long term

Our purpose and strategy combined with the responsible investment approach of the Investment Manager focuses on sustainable returns and outcomes.

Read more
Pages 4 to 6 and 67 to 80

The interests of the Company's employees

Whilst we do not have any employees, our purpose includes the intention to have a positive impact on our portfolio companies and their stakeholders, which includes the employees of those portfolio companies.

Read more
Pages 35 to 45

The need to foster the Company's business relationships with suppliers, customers and others

We engage with all our stakeholders either directly or through the Investment Manager.

Read more
Pages 97 to 100

The impact of the Company's operations on the community and the environment

We use our influence to promote a commitment in our portfolio companies to mitigate any adverse environmental and social impacts, and to enhance positive effects on their communities and the environment.

Read more
Pages 46 to 55

The desirability of maintaining a reputation for high standards of business conduct

Our success relies on maintaining a strong reputation and our values and ethics are aligned to our purpose, our strategy and our ways of working.

Read more
Pages 15 and 17

The need to act fairly towards all members of the Company

The Board actively engages with its shareholders and balances their interests when implementing our strategy.

Read more
Pages 97 to 100

Directors’ duties continued
Section 172 statement continued

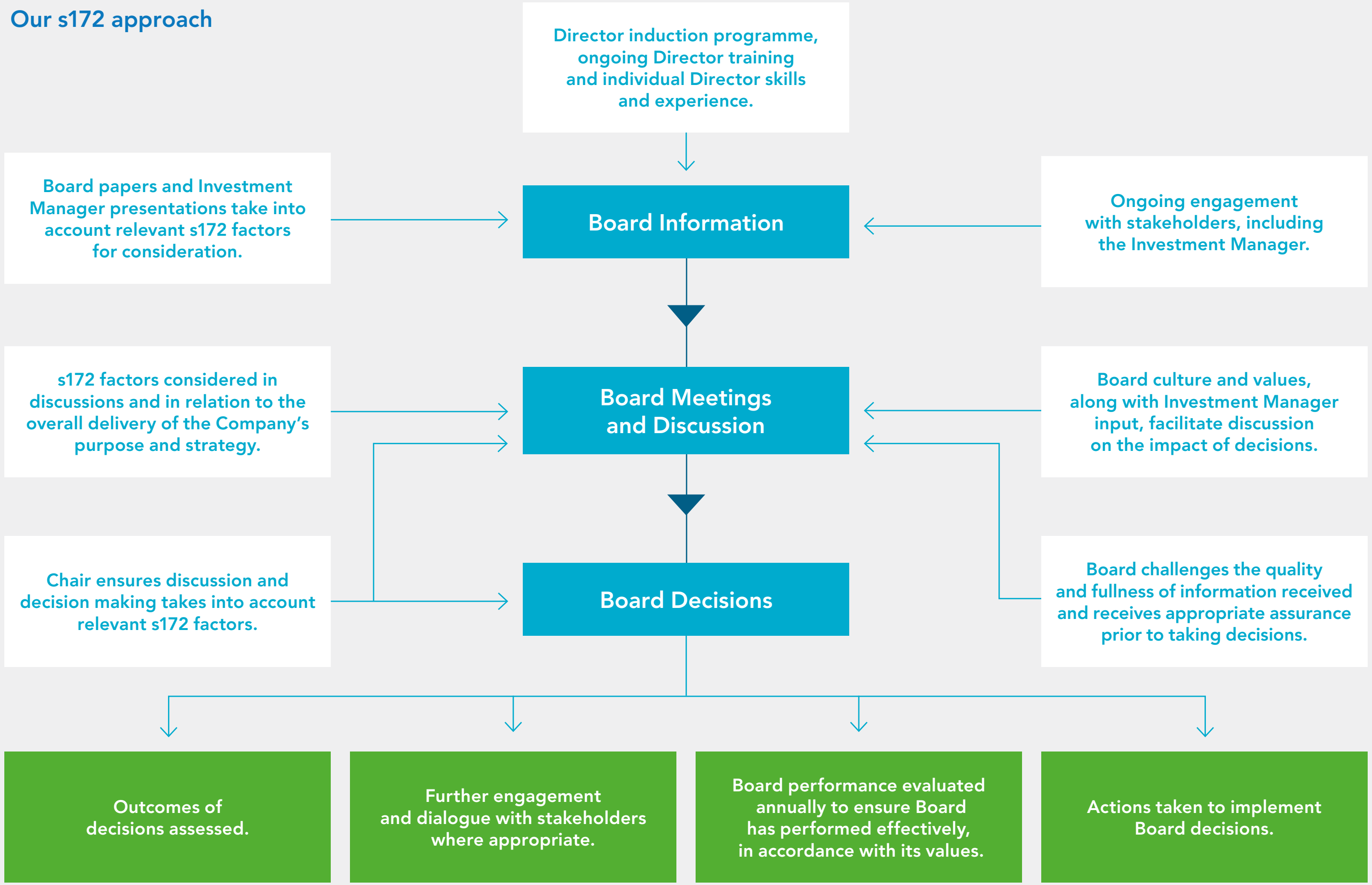
Board decisions are guided by the Company’s purpose. The Board acknowledges that not every decision made will necessarily result in a positive outcome for every stakeholder group. Board decisions often involve complex interactions of factors and require Directors to understand and have regard to a range of stakeholder interests and concerns. By considering the Company’s purpose together with its strategic priorities and having a clear process in place for decision making, we can ensure that Board discussion has regard to the potential impact of our decisions on each stakeholder group in accordance with s172.

Governance structure
Pages 84 to 124

This Strategic report, on pages 1 to 82, is approved by order of the Board.

Authorised signatory
3i plc
Company Secretary
9 May 2022

Our s172 approach



Governance

DNS NET
Page 42

Introduction to Governance

The Board has continued its focus on strong and effective corporate governance. A key part of this is our stakeholder engagement which remains fundamental to the Company's purpose of investing responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive impact on our portfolio companies and their stakeholders.

Our corporate governance framework underpins the Company's purpose and the delivery of our strategy. This section of our Annual report provides details of our corporate governance framework and the approach the Board has taken over the last 12 months to promote the standards of good corporate governance that are rightly expected by all our stakeholders. This year we have continued to face a number of pandemic-related challenges, but the return to the office and in-person meetings in the summer of 2021 was welcomed.

The Board and its Committees have been able to meet in person since July 2021 and prior to that met through video conferencing for all of our meetings. This has worked well but nothing can quite replace in-person meetings and we hope that as the pandemic subsides, we can continue to do so whilst using video conferencing for ad hoc meetings.

How we have engaged with our stakeholders
Pages 97 to 100

"With economic, geopolitical and societal challenges ahead, the Board is mindful of its responsibilities to a wide group of stakeholders and seeks to manage those responsibilities and support the long-term success of the Company through strong corporate governance."

Richard Laing
Chair, 3i Infrastructure plc

Introduction to Governance continued

Principal governance activities during the year

Meetings

During the year, there were six scheduled meetings of the Board of Directors and two additional ad hoc Board meetings arranged at short notice. Further details can be found on page 96. In addition, the Board held two standalone Strategy sessions (in addition to the strategy issues which are considered at every Board meeting) where the Board worked with the Investment Manager to consider matters of a strategic or wide-ranging nature. The Board has regular telephone or video calls with the Investment Manager which provides updates on activities between Board meetings.

Decisions and s172

When making decisions, the Directors consider the requirements of s172 and further details of this are set out in our Section 172 Statement on pages 81 and 82. The Directors are also reminded of their s172 duties in the papers for each scheduled Board meeting.

The Board reviewed its key decisions during the year to ensure that lessons are learnt from such decisions and this acts as a way of ensuring continuous improvement. The Board monitors and assesses the manner in which it reached such decisions and provides feedback to the Investment Manager on how it engaged with the Board and kept them informed throughout the process that led to a decision.

Investment Manager

3i Investments plc acts as the Investment Manager of the Company and has discretionary investment management authority other than in respect of certain transactions which must be referred to the Board. The Management Engagement Committee oversees the relationship with the Investment Manager and monitors its performance. Further details on the Investment Management Agreement ('IMA'), the leadership of the Investment Manager and the oversight by the Management Engagement Committee can be found on pages 91, 92, 98, 117 and 118.

Compliance with the AIC Code

The Board confirms that the Company has continued to meet all of its obligations under the AIC Code and in respect of the associated disclosures under the applicable provisions of paragraph 9.8.6 of the Listing Rules. Details of how the Company has complied with the relevant principles and provisions of the AIC Code are set out below.

Board leadership and purpose

The Board is responsible for leading the business in a way which supports its purpose of investing responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive impact on our portfolio companies and their stakeholders.

Read more
Pages 87 to 100

Division of responsibilities

We ensure we have the right combination of Chair and non-executive Directors to lead the Company effectively, supported by both strong governance arrangements and the work of the Investment Manager.

Read more
Pages 101 to 104

Composition, succession and evaluation

We aim to have a balanced Board with the appropriate skills and experience to govern the business. We have an effective board evaluation process and a succession plan monitored by the Nomination Committee.

Read more
Pages 105 to 109

Audit, Risk and Internal Control

The Audit and Risk Committee, supported by the Investment Manager and other key stakeholders, identifies potential risks and how best to mitigate them. The Audit and Risk Committee is appointed to oversee this process on behalf of the Board.

Read more
Pages 110 to 116

Remuneration

The Remuneration Committee ensures a fair reward structure for the non-executive Directors.

Read more
Page 119

Introduction to Governance continued

Board values

The Board's values of **Integrity**, **Objectivity**, **Accountability** and **Legacy** underpin its open and collaborative culture and are supplemented by the skills and experience that each individual Director brings to the Company. For further information see the Nomination Committee report on pages 108 and 109. The values support the delivery of the Company's purpose and reflect the commitment of the Board to the success of the Company for the benefit of its members as a whole, whilst taking into account the views of stakeholders. The Investment Manager applies the 3i Group plc values as the basis of how it does business (see www.3i.com).

The values of the Board and the Investment Manager are complementary and consistent.

Integrity

The Board acts with honesty, dedication and consistency, with the courage to do the right thing in every situation. The Board manages its relationships based on trust and respect.

Objectivity

The Board applies a fair, transparent and balanced approach to decision making. The Board values diversity of opinion and encourages different perspectives to bring constructive challenge as it discharges its responsibilities.

Accountability

The Board acts in the interest of all stakeholders of the Company, ensuring that obligations to shareholders are understood and met. It is mindful of its responsibility to act as a good steward of its portfolio and of the influence and impact that the Company can have on society, the communities in which it operates and the environment.

Legacy

The Board seeks to develop a company and portfolio that delivers long-term, sustainable value for our shareholders and society.

Stakeholders

The Board recognises the importance of engaging with stakeholders and details of that engagement programme are set out on pages 98 and 99. As an investment trust, shareholders are one of our key stakeholders and it is the Chair's responsibility to ensure that there is the opportunity for shareholders to engage with the Board on strategy, corporate governance and any other matters they wish to raise. The Chair welcomes the opportunity to meet with shareholders as required. Day-to-day engagement with shareholders is managed by the Investment Manager through a comprehensive annual engagement programme. This year, the Board commissioned an Investor Perception Study and further details on this can be found on page 98. The Board is grateful to all shareholders for their continued support and to those who have given feedback. Where shareholders have expressed concern over particular issues, the Board seeks to understand those concerns and address them where appropriate.

Leadership and purpose
Board of Directors

In 2021, due to uncertainty on the next steps of the UK government's easing of lockdown restrictions, the Company held an online interactive shareholder engagement event two weeks before holding a purely functional AGM (where shareholders were encouraged not to attend and to vote by proxy) which conducted the business of the meeting and where there were no presentations. The Board recognises that this limited the ability of some shareholders, in particular retail shareholders, to engage with the Directors and the Company but we did not feel it appropriate to encourage travel to and attendance at an indoor meeting at that stage of the pandemic. This year, we anticipate returning to the more usual form of AGM where shareholders will be able to attend in person and ask questions directly of the Board and the Investment Manager.

Committees

The Board, working with the Audit and Risk Committee, is responsible for ensuring that its Annual report and accounts are fair, balanced and understandable, and for establishing, maintaining and exercising oversight over the risk management and internal control frameworks. Further details on the work of the Audit and Risk Committee can be found on pages 110 to 116.

The role of the Remuneration Committee is to determine and maintain a fair reward structure for Directors to attract and retain the right talent to deliver the Company's strategic objectives. Further details on the work of the Remuneration Committee can be found on page 119.

The Nomination Committee has continued to develop the Board succession plan. The Board will ensure that in making appointments it, and any search firm that assists it, will consider a wide range of candidates from different backgrounds while making appointments on merit and which meet the objectives of its policy on diversity, including gender, social and ethnic background, cognitive and personal strengths. Further details on the work of the Nomination Committee can be found on pages 108 and 109.

Having the right balance of skills and experience amongst the Directors ensures that the Board can be responsible to shareholders for the overall management and oversight of the Company, for agreeing its strategy, monitoring its financial performance, setting and monitoring its risk appetite and maintaining an effective system of internal controls.

This year, Robert Jennings stepped down from the Board and we thank him for his contribution.

Board evaluation

During the year, a Board performance evaluation was conducted by Satori, an external Board evaluator and the findings provided a further opportunity to continue to enhance the Board's contribution to the long-term success of the Company. Further details of the evaluation can be found on page 105.

I hope that this Governance section provides you with an insight into our work as a Board on your behalf. The Board welcomes feedback on all our activities, governance being a key one of those.

Richard Laing
Chair, 3i Infrastructure
9 May 2022

Leadership and purpose continued
Board of Directors continued

From left to right:

Wendy Dorman
Paul Masterton
Richard Laing
Samantha Hoe-Richardson
Doug Bannister
Ian Lobley

Leadership and purpose continued
Board of Directors continued

Chair

Richard Laing

Appointed January 2016. Chair of Nomination, Disclosure and Management Engagement Committees, and member of Remuneration Committee. UK resident.

Skills and experience contributing to the Board

- As an experienced non-executive Director and senior executive, has broad strategic insights
- Long-standing experience of investing in international infrastructure
- Deep knowledge of investment companies
- As a previous CFO, understands complex financial and funding matters
- Fellow of the Institute of Chartered Accountants in England and Wales.

Current roles

- Non-executive Director of Tritax Big Box REIT plc
- Non-executive Director of JP Morgan Emerging Markets Investment Trust plc
- Trustee and Deputy Chair of Leeds Castle Foundation.

Past roles

- Non-executive Director and Chair of Perpetual Income and Growth Investment Trust plc
- Non-executive Director of Murray Income Trust plc
- Non-executive Director and Chair of Miro Forestry Company Limited
- Non-executive Director of London Metal Exchange
- 11 years at CDC Group plc with the last seven years as Chief Executive
- 15 years at De La Rue latterly as Group Finance Director
- Commercial roles in agribusiness and Marks & Spencer
- Chartered accountant at PricewaterhouseCoopers ('PwC').

Independent non-executive Directors

Paul Masterton

Senior Independent Director

Appointed April 2013. Chair of the Remuneration Committee and member of Audit and Risk, Management Engagement, Nomination and Disclosure Committees. Jersey resident.

Skills and experience contributing to the Board

- Extensive experience in leading and developing large companies, and of mergers and acquisitions
- Particularly experienced from an international business perspective
- Knowledge of digital technology
- Deep experience as a non-executive director, including board governance and remuneration
- Leadership and team development, including coaching and mentoring
- Focus on corporate social responsibility.

Current roles

- Chair of Insurance Corporation CI
- Chair of States of Jersey Development Company
- Senior Independent Director of Jersey Competition & Regulatory Authority
- Trustee of Digital Jersey
- Chair of Governors for Jersey College of Higher Education and University of Jersey.

Past roles

- Over 25 years at RR Donnelley including as president of company's businesses in Europe, Russia and India
- Chief Executive of Durrell Wildlife Conservation Trust.

Wendy Dorman

Appointed March 2015. Chair of the Audit and Risk Committee and member of Management Engagement, Nomination, Remuneration and Disclosure Committees. Jersey resident.

Skills and experience contributing to the Board

- Over 27 years' experience as a chartered accountant and tax adviser
- Particular expertise in the taxation of UK and offshore investment funds, including the tax aspects of fund structuring
- Extensive knowledge of risk mitigation, compliance and corporate governance.

Current roles

- Non-executive Director and Chair of Audit & Risk Committee of Jersey Electricity plc
- Non-executive Director and Chair of Audit & Risk Committee of CQS New City High Yield Fund Limited.

Past roles

- Head of PwC Channel Islands tax practice for seven years
- Non-executive Director of Jersey Finance Limited
- President of Jersey Society of Chartered and Certified Accountants
- Chair of Jersey Institute of Directors.

Leadership and purpose continued
Board of Directors continued

Independent non-executive Directors

Doug Bannister

Appointed January 2015. Member of Audit and Risk, Management Engagement, Remuneration and Disclosure Committees. UK resident.

Skills and experience contributing to the Board
- Over 30 years' experience in the international transportation and distribution sectors
- In-depth knowledge of leading asset intense operational businesses
- Experienced senior executive with broad international experience
- Knowledge in turnaround, mergers and acquisition integration, restructuring and transformation of capital intensive businesses.

Current roles
- Chief Executive of Dover Harbour Board
- Council Member of British Ports Association.

Past roles
- Group CEO of Ports of Jersey (Airports & Harbours)
- Commercial roles at P&O Nedlloyd and Maersk Line.

Samantha Hoe-Richardson

Appointed February 2020. Member of Audit and Risk, Management Engagement, Remuneration and Disclosure Committees. UK resident.

Skills and experience contributing to the Board
- Senior executive with 18 years' experience in global mining and infrastructure
- In-depth understanding of environmental and sustainability issues
- Broad based non-executive Director experience
- Chartered accountant.

Current roles
- Non-executive Director of Assured Guaranty UK Ltd
- Independent Group Adviser on Climate Change & Sustainability to Laing O'Rourke.

Past roles
- Non-executive Director and Chair of the Audit Committees at Lancashire Holdings Limited and Lancashire Insurance UK Limited
- Non-executive Director and Chair of Audit Committee of Unum Limited
- Head of Environment and Sustainable Development of Network Rail
- Head of Environment at Anglo American plc
- Trustee of the Royal School of Needlework.

Non-executive Director

Ian Lobley

Appointed May 2014 as the 3i Group plc nominated Director. UK resident.

Skills and experience contributing to the Board
- Valuable experience and insight into the assessment of new investments and management of the portfolio
- Extensive knowledge on ESG matters
- Experienced non-executive Director across sectors, continents and ownership models
- Significant experience, as an investor and engineer, of disruptive technologies across multiple end markets.

Current roles
- 3i Group plc Managing Partner – Asset Management
- Non-executive Director of AES Engineering Ltd
- Non-executive Director of Cirtec Medical Holdco LLC
- Non-executive Director BSI Group
- Non-executive Director of Tato Holdings Ltd
- Non-executive Director of Boketto Holdco Limited (Audley Travel).

Past roles
- Long-term member of 3i Group plc Investment Committee
- Active investor and experienced board member in a variety of companies across Europe, Asia and the USA
- Leadership of technology investing and portfolio management activities
- Engineer at BOC Speciality Gases.

Leadership and purpose continued
Investment Management team

From left to right:

Phil White
Matt Barker
James Dawes
John Cavill
Tim Short
Anna Dellis
Aaron Church
Stéphane Grandguillaume
Bernardo Sottomayor
Thomas Fodor
Scott Moseley

Leadership and purpose continued
Investment Management team continued

Managing Partners

Phil White
Joined 3i Group plc in 2007. Managing Partner and Head of 3i's Infrastructure business. Phil will step down as Head of Infrastructure from 1 July 2022 and become Vice Chair of 3i's Infrastructure business.

Current roles
- Member of 3i Group's Executive Committee, Investment Committee and Group Risk Committee
- Non-executive Director of Ionisos.

Past roles
- Division Director of Macquarie's Infrastructure Funds business managing investments in the transport sector
- Over 25 years of experience of infrastructure investment, advisory and finance from roles at Barclays and WestLB.

Bernardo Sottomayor
Joined 3i Group in 2015 and is a currently a partner and Co-Head of Economic Infrastructure, Europe. He will become Managing Partner and Co-Head of European Infrastructure from 1 July 2022.

Current roles
- With Scott leads the team's origination and execution platform
- Led or co-led investments by the Company in Joulz, TCR, Infinis, Attero, Alkane Energy, Ionisos and SRL Traffic Systems
- Non-executive Director of TCR and 3i board observer at Attero and Joulz.

Past roles
- Over 20 years' experience of investing and advising in infrastructure
- Partner at Antin Infrastructure, which managed funds investing in infrastructure opportunities across Europe
- Managing Director, Head of Acquisitions for Deutsche Bank's European infrastructure fund
- Head of M&A at Energias de Portugal public utilities company
- M&A advisory with UBS and Citigroup.

Scott Moseley
Joined 3i Group in 2007 and is a currently a partner and Co-Head of Economic Infrastructure, Europe. He will become Managing Partner and Co-Head of European Infrastructure from 1 July 2022.

Current roles
- With Bernardo leads the team's origination and execution platform
- Extensive experience in European infrastructure, spanning utilities, transportation and social infrastructure
- Investments include Global Cloud Xchange, Tampnet, ESVAGT, Elenia, CrossLondon Trains and Eversholt Rail Group
- Led the successful divestments of Elenia and XLT as well as previously being responsible for junior debt investments in Arqiva, Associated British Ports, Télédiffusion de France, Thames Water and Viridian
- Non-executive Director of Tampnet and ESVAGT.

CFO

James Dawes
Joined 3i Group in 2016. CFO of 3i's Infrastructure business.

Current roles
- Performs CFO duties for 3i Infrastructure
- Manages the operational, financial and reporting requirements for 3i Group's infrastructure business.

Past roles
- Finance Director of LGV Capital from 2007-2015
- Senior finance roles with Legal & General Investment Management.

Leadership and purpose continued
Investment Management team continued

Partners

Matt Barker

Joined 3i Group in 2010 and is a partner in the London infrastructure business.

Current roles

- Focuses on new investments and the asset management of a number of 3i Infrastructure's portfolio assets
- Senior team member on 3i Infrastructure's current investments in SRL Traffic Systems, DNS:NET, TCR and Tampnet
- Led the successful divestments of WIG, AWG and Eversholt
- Non-executive Director of SRL Traffic Systems, TCR and Tampnet.

Past roles

- Team member at Macquarie's Infrastructure Funds business and part of the team responsible for the management of the Australian Stock Exchange listed fund, Macquarie Airports.

John Cavill

Joined 3i Group in 2013 and is a partner in the London infrastructure business.

Current roles

- Non-executive Director of SRL Traffic Systems.
- Leads the assets management activity for the Projects portfolio
- Responsible for setting the strategy oversight of asset management activities
- Overseas the implementation of value protection and enhancement activities, and performance reporting.

Past roles

- Non-executive Director of WIG and XLT
- Director at Barclays Infrastructure, St Modwen Properties plc, Land Securities Trillium and Vinci Investments.

Aaron Church

Joined 3i Group in 2013 and is a partner in the London infrastructure business.

Current roles

- Focuses on origination, execution and asset management of economic infrastructure investments
- Extensive infrastructure investing experience across the transport, utilities, energy and waste sectors
- Senior deal team member on the acquisitions of Joulz, Attero, Tampnet, Infinis and ESVAGT, and the sale of the Oystercatcher European terminals
- Non-executive Director of Joulz, Attero and Oiltanking Singapore.

Past roles

- Infrastructure investor at HRL Morrison & Co in Europe and Australasia
- Started career at Boston Consulting Group.

Stéphane Grandguillaume

Joined 3i Group in 2013 and is a partner in the Paris infrastructure business.

Current roles

- Leads 3i's Infrastructure business in France
- Responsible for origination, execution and fundraising in relation to project opportunities across Europe
- Non-executive Director of Valorem and Ionisos.

Past roles

- Headed Barclays Infrastructure in Paris
- Headed Egis Investment Partners.

Anna Dellis

Joined 3i Group in 2006 and is a partner in the London infrastructure business.

Current roles

- Leads asset management for the portfolio of economic infrastructure investments
- Led the successful exit of Oystercatcher's investments in Oiltanking terminals in Amsterdam, Terneuzen, Ghent and Malta
- Non-executive Director of Oiltanking Singapore
- Focused on new deals over the period 2006–2017, prior to assuming current portfolio focus.

Past roles

- Advised on infrastructure transactions and financing at PwC in London
- Fellow of the Institute of Chartered Accountants of England and Wales.

Thomas Fodor

Joined 3i Group in 2016 and is a partner in the London infrastructure business.

Current roles

- Leads investor relation and fundraising efforts across the 3i European infrastructure business
- First point of contact for shareholders in 3i Infrastructure plc
- Oversees co-investment activities in the 3i infrastructure portfolio.

Past roles

- Private Capital Advisory at HSBC
- Started career at Lehman Brothers.

Tim Short

Joined 3i Group in 2007 and is a partner in the London infrastructure business.

Current roles

- Focuses on the origination, execution and debt financing of infrastructure investments
- Transaction experience includes the acquisitions and financing of Attero, Elenia, ESVAGT, Global Cloud Xchange, Infinis, Ionisos, Joulz, Oystercatcher, Tampnet, TCR and WIG
- Non-executive Director of Infinis.

Past roles

- Financial restructuring at Houlihan Lokey.

Leadership and purpose continued
Role of the Board

Overview

The Board is ultimately accountable to our shareholders and the Directors ensure that both their decisions and the actions of the Investment Manager are aligned with the Company's and wider stakeholders' interests.

The Board's role is to lead the Company in achieving its purpose of investing responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive impact on our portfolio companies and their stakeholders. The Board is also responsible for overseeing the implementation of 3iN's strategy of maintaining a balanced portfolio of infrastructure investments delivering an attractive mix of income yield and capital appreciation to shareholders.

The Company has no employees and its investment and portfolio monitoring activities have been delegated by the Board to 3i Investments plc in its role as Investment Manager.

The Board ensures that the Investment Manager has the resources and capabilities to support the delivery of the Company's purpose and strategy. The Board's core values of Integrity, Accountability, Objectivity and Legacy underpin its open and collaborative culture and are supplemented by the skills that each individual Director brings to the Company, for further information see pages 89 and 90.

The Chair is responsible for the leadership of the Board and ensuring its effectiveness. In addition to the Chair, there are currently four independent non-executive Directors and one 3i Group plc nominated Director, who is not considered independent.

As detailed below, under the terms of the IMA investment and divestment decisions which exceed certain thresholds are reserved for decision to the Board. The IMA also includes a schedule of matters reserved for decision of the Board which are considered significant to the Company due to their strategic, financial or reputational implications and consequences. Details of key Board decisions and how the interests of stakeholders were considered by the Board when making these decisions are set out on pages 97 to 100 and 104.

As explained in the Introduction to Governance, during the pandemic the Board has adapted its ways of working in order to continue to operate effectively and to ensure effective corporate governance. As the world has emerged from the pandemic the Board and the Investment Manager will continue to focus on ways of working which align with the corporate governance framework and ensure that it operates effectively.

The Board has direct access to the Company's external advisers, including the Company's external auditor (Deloitte LLP), corporate brokers (JP Morgan Cazenove and RBC Capital Markets), financial adviser (Rothschild & Co), financial corporate communications adviser (Headland Consultancy), UK tax adviser (PricewaterhouseCoopers LLP) and legal advisers (Hogan Lovells International LLP and other law firms as appropriate). The Board receives advice on a range of subjects, but particularly on the infrastructure market, taxation, ESG issues, UK and Jersey legal and compliance matters and equity market issues.

Board committees

The Board is assisted in its activities by a number of standing committees of the Board and, in undertaking its duties, it delegates certain authorities and decisions to these committees. The Board reviews the membership of these committees on a regular basis. The Board committee structure, together with a summary of the roles and composition of the committees, is outlined in the table on page 95. All committees have terms of reference, which are available on www.3i-infrastructure.com. The Board, on the advice of the Company Secretary, annually reviews the committees' terms of reference and the Schedule of Matters Reserved to the Board to ensure they remain appropriate and compliant with the legal and regulatory environment.

Further details on the areas of focus of the Board Committees, as well as details of attendance at scheduled full Board meetings, are set out on pages 95, 101 to 103 and 108 to 119.

Changes to the Board of Directors

In July 2021 Robert Jennings stepped down from the Board.

Leadership and purpose continued
Role of the Board continued

The Board's responsibilities and processes

The Board is responsible to shareholders for the overall strategy and management of the Company. It determines the investment policy, the appointment of the Investment Manager, financial strategy and planning, approval of the results and dividends, and oversees the maintenance of internal controls and the risk management framework, membership of the Board, Director remuneration and adherence to the corporate governance framework.

The Investment Manager has sole discretion to make decisions on investments and divestments, other than those decisions which relate to transactions which reach certain financial thresholds, in particular in relation to investments or divestments which represent 15% or more of the gross assets of the Company, which require Board approval. The Investment Manager prepares reports and papers that are circulated to the Directors electronically in advance of Board and Board Committee meetings. These papers are supplemented by information specifically requested by the Directors and additional papers the Investment Manager provides to the Board.

3i Infrastructure plc

Board Committees

Audit and Risk Committee	Remuneration Committee	Nomination Committee	Management Engagement Committee	Disclosure Committee
Financial reporting, risk and internal controls	Director remuneration	Board appointments and size and composition of the Board	Monitoring of the performance of the Investment Manager	Monitoring compliance with disclosure requirements
Wendy Dorman (Chair) Doug Bannister Samantha Hoe-Richardson Paul Masterton	**Paul Masterton** (Chair) Doug Bannister Wendy Dorman Samantha Hoe-Richardson Richard Laing	**Richard Laing** (Chair) Wendy Dorman Paul Masterton	**Richard Laing** (Chair) Doug Bannister Wendy Dorman Samantha Hoe-Richardson Paul Masterton	**Richard Laing** (Chair) Doug Bannister Wendy Dorman Samantha Hoe-Richardson Paul Masterton

All committee members listed above served throughout the year, other than Robert Jennings who stood down from the relevant Committees when he left the Board in July 2021.

Leadership and purpose continued
Role of the Board continued

Meetings of the Board

The table below sets out the attendance of the Directors at the scheduled Board meetings (excluding ad hoc Board meetings) and the attendance of Committee members at the relevant Committee meetings held during the financial year. In addition, two ad hoc Board meetings were held at short notice.

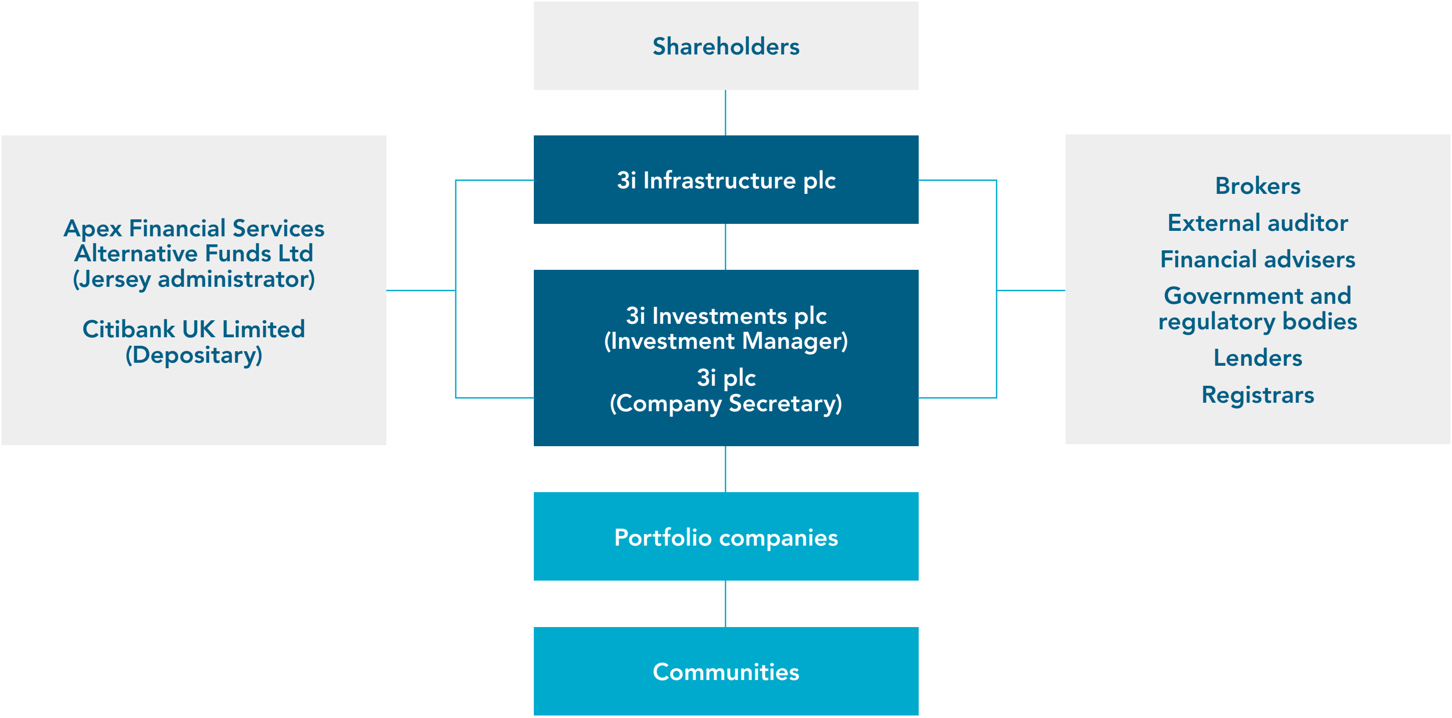
	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Management Engagement Committee
Richard Laing	6 (6)	–	1 (1)	3 (3)	2 (2)
Doug Bannister	6 (6)	3 (3)	1 (1)	–	2 (2)
Wendy Dorman	6 (6)	3 (3)	1 (1)	3 (3)	2 (2)
Samantha Hoe-Richardson	6 (6)	3 (3)	1 (1)	–	2 (2)
Robert Jennings*	3 (3)	1 (1)	–	–	1 (1)
Ian Lobley	6 (6)	–	–	–	–
Paul Masterton	6 (6)	3 (3)	1 (1)	3 (3)	2 (2)

The table above indicates the number of meetings attended and in brackets, the number of meetings the Director was eligible to attend. Non-executive Directors also attended a number of the other meetings, strategy sessions and telephone calls to increase their understanding of the principal risks in, and activities of, the business and the Investment Manager. Richard Laing and Ian Lobley are invited to attend the Audit and Risk Committee. No Disclosure Committee meetings were convened during the year as relevant matters were considered in Board Meetings.

* Robert Jennings left the Board in July 2021.

Leadership and purpose continued
Engaging with stakeholders

As explained in the Introduction to Governance, the Board recognises the importance of engaging with its stakeholders and has identified its key stakeholders, as shown in the diagram below:



Shareholders

Shareholders are key stakeholders in the Company. The Board recognises the importance of maintaining a purposeful relationship with shareholders through a comprehensive Investor Relations programme led by the Investment Manager. This programme provides existing and potential investors with relevant information to enable them to understand the Company's activities, strategy and financial performance. The Investment Manager briefs the Board on a regular basis on the implementation of the Investor Relations programme and on feedback received from analysts and investors. Major shareholders are invited to meet with the Chair and the Senior Independent Director in order to share their views on governance and the Company's performance against its purpose and strategy. Any significant concern raised by shareholders in relation to the Company is communicated to the Board. Directors are invited to attend the Company's presentations to analysts and in normal circumstances have the opportunity to meet shareholders at the AGM.

Leadership and purpose continued
Engaging with stakeholders continued

Annual General Meeting – the Company uses its AGM as an opportunity to communicate with its shareholders. At the meeting, business presentations are made by the Chair and the Investment Manager. The Senior Independent Director and chair of the Audit and Risk Committee are also generally available to answer shareholders' questions.

The Board recognised that holding the 2021 AGM as a functional meeting only for conducting the formal business of the meeting limited communication opportunities between shareholders and Directors and so held an interactive online shareholder presentation two weeks before the AGM. This gave shareholders the opportunity to submit questions in advance or during the presentation, which Directors were then able to answer. Further information regarding the proposed arrangements for the 2022 AGM (which will return to a full AGM with shareholders able to attend) can be found in the Chair's statement on page 6 and in the Notice of Annual General Meeting 2022.

Annual and half-yearly results presentations – the Chair and Investment Manager present the annual and half-yearly results to a broad group of analysts and in the past year these have been presented both in person and virtually as circumstances have allowed.

Individual investors – individual investors are encouraged to engage with the Company and provide feedback through the Investor Relations team, who can be contacted at thomas.fodor@3i.com or by telephone on +44 (0)20 7975 3469.

Institutional investors – in May following the release of the Company's annual results and in November following the release of the half-year results, the Investment Manager meets with existing and potential investors in the UK and internationally to communicate the performance and strategy of the Company. These meetings continue throughout the year as required.

The Board seeks to hold more detailed engagement with its institutional shareholders on a periodic basis and these views inform the Board on the development of its strategy and performance.

This year Rothschild & Co (Investor Advisory) ("Rothschild") organised an investor perception study where they held in depth discussions with 15 investors representing 23.4% of the Company's share capital and including seven of the top 10 shareholders.

The feedback received was extremely positive with investors supportive of the Company's strategy, its unique differentiated approach and delivery of attractive returns. Investors noted the Company's good stewardship by the Investment Manager in overseeing the evolution of the portfolio to include assets that aligned with increased investor focus on ESG and sustainability.

In October 2021, the Investment Manager organised a Capital Markets Event for institutional shareholders where they received presentations on the Company's approach to sustainability and investing in the current market, along with presentations from the senior management of two portfolio companies – Oystercatcher and DNS:NET.

The Company's website provides details of forthcoming events for shareholders and analysts. In addition, videos of results presentations and presentations from the Capital Markets Event are on the Company's website which all shareholders can access and view.

Outcomes – this extensive engagement means that investors are able to make informed decisions about their investment in the Company.

Investment Manager

The key service provider to the Company is the Investment Manager. Senior members of the Investment Manager's team present to the Board and Board Committees on regular agenda items and the Board also receives presentations from a wider group of the Investment Manager's team. Through this engagement the Board is able to evaluate the Investment Manager's performance against the Company's strategy and to understand any risks and opportunities this may present to the Company. The relationship with, and the performance of, the Investment Manager is monitored by the Management Engagement Committee, for further details see pages 117 and 118.

Outcomes – this engagement ensures that the Company and its portfolio of investments is well-managed, adheres to its strategy and that the Board receives appropriate and timely management and support services from the Investment Manager.

Portfolio companies

The companies in which we invest are the source of returns to shareholders. We drive value though our engaged asset management approach as detailed in our Business model on page 14.

Leadership and purpose continued
Engaging with stakeholders continued

The Company is committed to achieving its investment objectives in a sustainable way and our success as an investor relies on us maintaining a strong reputation for managing our portfolio sustainably. Further details are contained in the Sustainability report on pages 46 to 55. The principal engagement with the portfolio companies is through the Investment Manager's team. One or more of its investment professionals sits on the board of each portfolio company (or acts as a board observer) and engagement with a portfolio company takes place both formally at board level and informally by the Investment Manager's team on an ongoing basis.

Outcomes – this engagement enhances the value of the portfolio companies for the benefit of their, and our, stakeholders.

Communities

The Company is committed to contributing positively to the communities in which it operates and details of this are contained in the Sustainability report on pages 46 to 55.

Outcomes – by investing in, developing and actively managing essential infrastructure which responds to public needs, we foster sustainable growth and improve the lives of the communities in which our portfolio companies operate.

Third-party service providers

The Company contracts with third parties for other services including the external auditor, the depositary, legal advisers, the financial adviser, the financial PR adviser, the Registrar, the Jersey administrator and with 3i plc for company secretarial, treasury, accounting and internal audit services. Provision of these services is necessary to ensure the Company's compliance with its legal and regulatory obligations. The key third-party service providers work closely day-to-day with the Investment Manager. This interaction provides an environment where issues can be dealt with efficiently. The Board reviews annually both the arrangements that are in place with all key third-party service providers and monitors their performance. In addition, the Audit and Risk Committee reviews the performance and services provided by the external auditor and the Jersey administrator. Key service providers attend Board and Committee meetings as appropriate to advise the Board on specific matters.

Outcomes – the work of the key third-party service providers ensures compliance by the Company with its legal and regulatory obligations in addition to the maintenance of the Company's reputation and high standards of business conduct.

Brokers

The Board and the Investment Manager work with the brokers to provide access to markets and liquidity in the Company's shares. The brokers meet the Board at least annually to advise on all aspects of their remit and reports from the brokers, particularly in relation to feedback from shareholders and potential investors, are presented to the Board. The Investment Manager meets regularly with the brokers who keep them up to date on both Company and wider market-related matters. This year the brokers have provided advice to the Board and the Investment Manager on the Company's access to liquidity as it moved from having significant cash available for investment to having made a number of acquisitions and utilising its revolving credit facility.

Outcomes – the brokers promote the Company as an attractive investment trust and work to ensure liquidity in the Company's shares.

Lenders

The Investment Manager's treasury team manages the engagement with the lenders in the Company's revolving credit facility. This year, with the support of its lenders, the Company was able to renew its existing revolving credit facility on favourable terms and put in place an additional committed facility to support the acquisition pipeline. For further details see page 122.

Outcomes – access to bank borrowing provides important flexibility and resilience to the Company's financial structure and helps the Company to maintain an efficient balance sheet.

Government and regulatory bodies

The Company works in a regulated environment and through the Jersey administrator the Company engages with the Jersey regulators to ensure compliance. In addition, the Company adheres to the AIC Code and so engages with the AIC on matters related to corporate governance.

Outcomes – the Company continues to operate in compliance with relevant law and regulation and ensures the highest standards of corporate governance.

Leadership and purpose continued
Engaging with stakeholders continued

How stakeholder interests have influenced decision making and areas of focus in the year

The Board carefully considers the interests of all of its stakeholders as well as the other factors referred to in section 172 Companies Act 2006 in deciding what actions would be likely to promote the success of the Company for the benefit of its members as a whole. Set out below are examples of the Board's key decisions and areas of focus over the last year with details of how the interests of stakeholders were taken into account.

Decision/Area of focus: Liquidity Management	
Context	Over the course of the year the Company was able to invest in a number of new portfolio companies. These investments utilised the Company's existing funds available to invest and required a drawdown under the revolving credit facility ('RCF') and accordion feature. It was therefore appropriate to approach the lending banks to refinance and extend the RCF. In addition, as further investment opportunities become available, it was considered appropriate to put in place an additional one-year tranche embedded into the new RCF.
Stakeholder considerations	The Board considered the Company's overall balance sheet strategy along with the terms of the RCF and the additional facility. Having appropriate levels of liquidity available supports the Company in delivering on its purpose for the benefit of all stakeholders.
Impact on the success of the Company	The Company was able to complete the acquisitions of DNS:NET and SRL, agree to invest in GCX, buy out our co-investors stake in ESVAGT and make further investments in DNS:NET, Valorem, ESVAGT and Joulz.
Outcome	Access to bank borrowing provides important flexibility and resilience to the Company's financial structure and helps the Company to maintain an efficient balance sheet.

Decision/Area of focus: Stakeholder Engagement through the Investor Perception Study	
Context	The Company wished to engage with its largest shareholders in order to understand their views more fully.
Stakeholder considerations	This study was focused on the Company's key stakeholders, its shareholders and it was appropriate that those investors who were asked to participate in the study were those representing the largest holdings. The Board and the Investment Manager worked with Rothschild to create an appropriate set of questions in order to seek the fullest answers from investors.
Impact on the success of the Company	Understanding the views of investors enables the Company to take account of such views when developing future strategy. It is vital for the success of the Company to have the support of its shareholders and this engagement enables those shareholders who participated in the study to express their views on a range of topics, including the Company's differentiated approach to investment, its return target, the strength of the Investment Management team, its portfolio of investments, the approach to sustainability and the Company's balance sheet strategy.
Outcome	The feedback received was extremely positive with investors supportive of the Company's strategy, its unique differentiated approach and delivery of attractive returns. Investors noted the Company's good stewardship by the Investment Manager in overseeing the evolution of the portfolio to include assets that aligned with increased investor focus on ESG and sustainability.

Decision/Area of focus: Sustainability	
Context	The Board is responsible for sustainability, with day-to-day accountability resting with the Investment Manager. At the beginning of the year, the Board of Directors and the Investment Manager set several specific sustainability objectives, with the desire to take a big step forward in this area.
Stakeholder considerations	As owners of infrastructure assets, the Board recognises the Company's ability to influence our portfolio companies, their management teams, employees, customers and suppliers. The Board has a responsibility to shareholders to deliver long-term sustainable returns, and to communities and the environment in which we operate to manage essential infrastructure in a responsible manner.
Impact on the success of the Company	The Company is now reporting Scope 1 and Scope 2 greenhouse gas emissions for its portfolio companies and has implemented policies and entered into financial agreements that embed sustainability throughout our investments and asset management processes.
Outcome	Having high sustainability standards helps us achieve long-term sustainable business growth for the benefit of all our stakeholders.

Division of responsibilities

The Chair of the Board

The Chair, Richard Laing, leads the Board in the determination and implementation of its purpose and strategy, and ensures that the views of all stakeholders are understood and considered appropriately in Board discussions and decision making. The Chair is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. He facilitates the effective contribution of all the Directors and constructive relations between the Company's advisers, the Investment Manager, and the Directors. The Chair maintains direct links with the Company's advisers and ensures that regular reports from them are circulated to the Directors to enable the Directors to consider their views. The Chair and the Senior Independent Director are available to meet with shareholders throughout the course of the year.

The Chair also acted as the Company's appointed member to the Advisory Board for the India Fund. He received no additional remuneration for this role.

Senior Independent Director

Paul Masterton is the Senior Independent Director who supports the Chair in the delivery of his objectives. The Senior Independent Director leads the appraisal of the Chair's performance with the non-executive Directors.

Any shareholder concerns can be conveyed to the Senior Independent Director and his contact details are available on the Company's website.

Directors

The Board comprises the Chair and five non-executive Directors. All Directors, other than Robert Jennings, served throughout the year under review and were re-elected at the Company's AGM in 2021. Robert Jennings stepped down from the Board in July 2021.

The Directors monitor the delivery of the Company's strategy set by the Board and constructively challenge and assist in the development of that strategy. They bring independent judgement to the consideration of issues of strategy, performance, investment appraisal, communication matters and standards of conduct.

They are also expected to ensure high standards of financial probity on the part of the Company. As well as papers for Board, Board Committees and strategy meetings, the Directors receive monthly management accounts, reports and information which enable them to scrutinise the Company's performance against agreed objectives.

Each of the Directors has an appointment letter and these were updated in July 2019, with the subsequent appointment letter for Samantha Hoe-Richardson on the same terms as those agreed in 2019. No Director has a contract of employment with the Company, nor are any such contracts proposed. Copies of the appointment letters are available from the Company Secretary upon request.

Following the formal appraisal process of Directors, and in accordance with Provision 7.2, paragraph 23 of the AIC Code, the re-election of all current Directors will be proposed at the forthcoming 2022 AGM.

The Directors' appointments can be terminated, without compensation for loss of office, in accordance with the Company's Articles of Association (the 'Articles'). Under the Articles, their appointments can be terminated by an ordinary resolution of the Company, on notice signed by all the other Directors, or on ceasing to be a Director if they fail to be re-elected at any AGM. The office of director is vacated if (i) the Director resigns, becomes bankrupt or is prohibited by law from being a Director; or (ii) where the Board so resolves following the Director suffering from ill health or being absent from Board meetings for six months without the Board's permission.

Directors' independence

All the Directors, with the exception of the Chair and Ian Lobley, who is the 3i Group nominated Director, are considered by the Board to be independent for the purposes of the AIC Code. The Board assesses and reviews the independence of each of the Directors at least annually, having regard to the potential relevance and materiality of a Director's interests and relationships.

Division of responsibilities continued

The Chair was considered independent on appointment and has no relationships which might create a conflict of interest between his interests and those of the shareholders. No Director, other than Ian Lobley, was materially interested in any contract or arrangement subsisting during or at the end of the financial year in relation to the business of the Company. Ian Lobley, as 3i Group's nominated Director has a pre-approved conflict in relation to the IMA.

The Board has noted that Paul Masterton, who is a Jersey resident Director, will, at the time of the 2022 AGM, have served a term beyond nine years from the date of his appointment. The Board and the Nominations Committee have carefully reviewed provision 13 of the AIC Code and considered factors which are likely to impair or could appear to impair a non-executive Director's independence.

As the Company is considering transferring its domicile from Jersey to the UK and the UK Government has recently published a consultation on corporate redomiciliation (which the Investment Manager has responded to), retaining Paul on the Board provides continuity whilst the Board considers these changes, which, if taken forward, would mean that the Company no longer required two Jersey resident directors. This would allow any future director to be selected from a much wider pool of candidates. The Board agreed that staying beyond nine years from the date of his appointment does not impair Paul's independence and that retaining Paul on the Board for an additional period is in the best interests of the Company. For further details see the Nomination Committee report on page 109. The Board is recommending to shareholders at the 2022 AGM that Paul be re-elected for a further year.

Ian Lobley is a non-independent Director who is not a member of the Management Engagement Committee, and so did not participate in the Board's evaluation of the performance of the Investment Manager.

The Company Secretary

3i plc serves as the Company Secretary under the terms of the Investment Management Agreement. 3i plc's Group Secretariat has a fully qualified company secretarial team with sufficient resources to support the Company. All Directors have access to the advice and services of the Company Secretary, who advises the Board, through the Chair, on governance and related matters. The Company's Articles and the schedule of matters reserved to the Board provide that the appointment and removal of the Company Secretary would be a matter for Board approval.

Disclosure Committee report

The Disclosure Committee's role is to consider matters within its remit, in particular in relation to the treatment of price sensitive information during the half-year and year end accounts process. This year it was convenient for the Board itself to consider matters relating to the treatment of price sensitive information during certain Board meetings, rather than convening a separate Disclosure Committee meeting.

Internal control

The Board has overall responsibility for the Company's risk management and internal control framework, including the determination of the nature and extent of the principal risks it is willing to take to achieve its strategic objectives. The Company's overall risk management and internal control process is regularly reviewed by the Audit and Risk Committee and complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. The process has been in place for the year under review and up to the date of approval of this Annual report and accounts 2022. For further details see the Audit and Risk Committee report on pages 115 and 116.

The Board has contractually delegated investment management and support services to its key service providers and their contractual obligations encompass the implementation of systems of internal control, including financial, operational and compliance controls and risk management.

Division of responsibilities continued

The Audit and Risk Committee receives presentations and reports on the control systems and their operation from its main service providers, including from the Investment Manager and the Heads of Internal Audit and Compliance of the Investment Manager.

The risk log contains a description of events that have occurred and relevant actions/ mitigants taken. The Committee tracks open internal audit actions and receives reports on their progress to closure.

The Company's Compliance Officer, Money Laundering Reporting Officer and Money Laundering Compliance Officer is an employee of Apex Financial Services (Alternative Funds) Limited (the Jersey administrator) ('Apex'). He presents a report at every Audit and Risk Committee meeting and the Committee is responsible for the assessment and evaluation of these reports in the context of the delegated investment management and support services and for monitoring the effectiveness of those internal controls.

Apex maintains an annual Compliance Monitoring Plan and reports to the Committee on the results of its tests on the Company, the Directors, the Investment Manager and the Company's suppliers, amongst others. Apex has not identified any areas of concern during the course of the year. On the recommendation of the Compliance Officer and the Money Laundering Compliance Officer, the Board approved further updates to its Conduct of Business Manual, Anti-Money Laundering Manual, Business Risk Assessment and customer due diligence processes during the year.

In addition, as part of the internal control framework, the Company Secretary reports to the Board on updates to those policies which do not form part of the Conduct of Business Manual and Anti-Money Laundering Manual, namely the Non-audit Services Policy, the Whistleblowing Policy and 3i Group's Equal Opportunities and Diversity Policy (in so far as this particular policy applies to the Directors of the Company).

The Chair of the Audit and Risk Committee meets with the Compliance Officer, and the Investment Manager's Head of Internal Audit and Head of Compliance periodically to receive updates on the internal audit and compliance processes and procedures of the Investment Manager.

The Company does not have a separate internal audit function, as it is not considered appropriate given the structure of the Company. This is reviewed annually by the Audit and Risk Committee and was approved by the Board for FY22.

As a result of these reviews, the Audit and Risk Committee was able to confirm to the Board that the internal controls were working effectively and no weaknesses or inefficiencies had been identified.

Division of responsibilities continued

Key Board activities and decisions during the year

In addition to all matters reserved to the Board for decision, the key matters considered by the Board were:

Approval of the FY21 final dividend of 4.9 pence per share, meeting our target for the year of 9.8 pence per share, and of a target dividend for FY22 of 10.45 pence per share.

10.45p

FY22 Target dividend per share

Focus on stakeholder engagement with an Investor Perception Study including analysis of the key sustainability positions of the Company's largest shareholders.

Consideration of the external evaluations of the Board, the Chair and the Audit and Risk Committee.

Approval of the renewal of the £400 million revolving credit facility with a £200 million accordion feature.

Approval of the entry into a £400 million additional credit facility.

Approval of the FY22 interim dividend of 5.225 pence per share.

5.225p

FY22 interim dividend

Regular reviews of the Company's strategy, investment opportunities and organic growth initiatives.

Ongoing consideration of the impact of the Covid-19 pandemic on the Company and its portfolio assets.

Setting and reviewing progress against sustainability objectives.

Approval of the Annual report and accounts 2021.

Review of the portfolio asset valuation process and methodology.

Detailed risk review and focus on risk management framework.

Review of the Company's corporate structure and domicile.

Composition, succession and evaluation
Evaluation and Director Training

Board and Committees

This year an external review of the performance of the Board, the Audit and Risk Committee and the Chair was conducted by a third party, Satori. Satori has no other connection to the Company. The review provided an opportunity for the Board to consider the structure, function and composition of the Board and its sub-committees, balanced against the strategic direction of the Company. The Satori team were able to bring their broader perspectives in relation to best practices in other boards and areas of specific interest were highlighted in the discovery process. An externally facilitated evaluation was last conducted in 2019 and evaluations in 2020 and 2021 had been undertaken by the Company Secretary.

The evaluation involved the completion of a questionnaire by all Directors, Clare Calderwood (representing the Company Secretary), and the Investment Manager's Managing Partner, Phil White, and CFO, James Dawes followed by individual interviews with the Satori team. The anonymity of all respondents to the questionnaire was maintained in the report on the survey data in order to promote the open and frank exchange of views.

Reports were subsequently prepared by Satori and presented to the Board for consideration and extensive discussion.

The Board was rated highly on a number of aspects which included the following:

- Board structure and operations;
- Collaborative and constructive dynamics;
- Chairing of both the Board and its Committees;
- The relationship with the Investment Manager;
- The Board's impact on specific topics such as ESG matters; and
- That Directors actively enjoyed being members of this Board and cited it as an exemplar.

The Board considered that the evaluation had been both challenging and provocative in a positive way. The key themes highlighted on the 2022 evaluation were focused on Board purpose. Following the development of the Company's purpose last year, now was an appropriate time to more fully articulate the Board's purpose in order to deliver maximum value, inform Board function, form, composition and its agenda. Satori recommended a range of further themes related to Talent, Operations and Performance. The Board has agreed that it would consider how to take these forward following completion of the work on Board purpose.

The evaluation concluded that overall the Board was considered very effective.

Composition, succession and evaluation continued
Evaluation and Director Training continued

It was noted that good progress had been seen against the recommendations made in the 2021 Board evaluation, as follows:

Evaluation Actions 2021	Progress
Strategy: Work with the Investment Manager to develop the Company's approach to sustainability and to consider how it influences long-term strategy	The Board considered a range of issues related to sustainability including decarbonisation: the role of hydrogen, the portfolio companies' approach to engaging with their stakeholders, and understanding investors views on sustainability as part of the investor perception study. The Board also receives regular ESG updates from the Investment Manager on the portfolio companies and on topical issues. In addition the Board received an update from Anthesis, external advisers engaged by the Company to work with portfolio companies on the collation and reporting of GHG emissions and compliance with TCFD. All of these feed into the Board's approach to sustainability as part of its long-term strategy.
Investors and Stakeholders: further consideration of directors' duties and how to fulfil these in relation to wider stakeholder engagement	An in-depth investor perception study was carried out and provided an opportunity to seek investor views on a wide range of topics, including ESG as mentioned above. This engagement demonstrates the Board's commitment to engaging in a meaningful way with its key stakeholders.
Oversight of risk management	The Directors received an externally facilitated risk management workshop which demonstrated that the risk review process followed by the Company aligned with best practice and provided some helpful suggestions to further improve the process.
Board succession planning and widening Board diversity	The Board continues to work on its succession plan and currently the composition of the Board satisfies the target set by the Hampton-Alexander review. The Directors continue to be mindful, when looking at the longer-term succession plan, of the recommendations for both gender and ethnic diversity, while also considering diversity of social background, and cognitive and personal strengths.

Composition, succession and evaluation continued

Evaluation and Director Training continued

Director training and development

The Company has developed a framework within which training for Directors is planned, with the objective of ensuring that the Directors understand the duties and responsibilities of being a director of a listed company and the business environment of the Company. All Directors are required continually to update their skills and maintain their familiarity with the Company and its business. In accordance with Jersey regulations the Directors are expected to undertake sufficient, relevant and appropriate training and development each year. Presentations on different aspects of the Company's business are made regularly to the Board, usually by the Investment Manager, but on occasion by other advisers, including the Company's corporate brokers, external auditor, tax adviser, financial adviser, depositary, Jersey administrator and legal advisers.

The Directors have the opportunity to request additional training and development where they feel that would be appropriate.

During the year, the Directors received presentations on the following:

- aspects of the infrastructure market, sector reviews and infrastructure assets;
- briefings in relation to changes to laws and regulations in Jersey and the UK;
- changes and updates to corporate governance;
- maintenance of the investment trust status and UK corporation tax compliance;
- the Investment Manager's valuations process;
- directors and officers' liability insurance market update;
- Decarbonisation: the role of hydrogen;
- Risk management – an externally facilitate workshop provided by EY which included a review of the existing processes, a focus on risk management processes and reporting for investment trusts; and
- ESG risk and litigation.

On appointment, all Directors have discussions with the Chair and Company Secretary, following which they receive briefings on the responsibilities of Directors, the Company's business and the Company's procedures. Briefings on the infrastructure market and each of the portfolio companies are arranged with the Investment Manager and other experts. The Company provides opportunities for Directors to obtain a thorough understanding of the Company's business and the industry it operates in by meeting regularly with senior members of the Investment Manager's team and by meeting the executive management teams of portfolio companies.

The Company has procedures for Directors to take independent legal or other professional advice about the performance of their duties.

Composition, succession and evaluation continued
Nomination Committee report

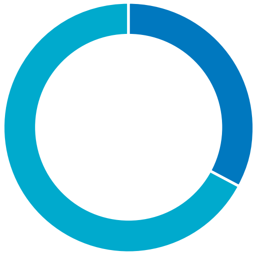
> **"The Committee has continued its focus on succession planning and the steps the Board intends to take to promote both gender and ethnic diversity amongst its Directors."**

Richard Laing
Chair, Nomination Committee

The Committee plays a key role supporting the Board in reviewing the composition of the Board and its Committees. The Committee has a formal and rigorous appointments process led by the Committee and involving all Board members. When requested by the Board, the Committee is responsible for recommending any new Director appointment based on merit whilst ensuring that the recruitment process considers diversity in its widest sense, as well as seeking an appropriate balance of expertise and experience and having regard to the Company's strategic objectives.

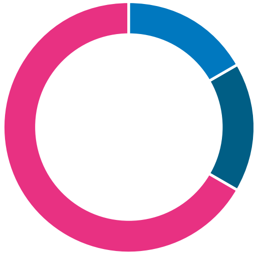
The 2022 Board evaluation continued previous years' focus on succession planning and widening Board diversity. The composition of the Board now satisfies the target set by the Hampton-Alexander Review with 33% female Directors. The Directors continue to be mindful, when looking at the longer term, of the recommendations for both gender and ethnic diversity, while also considering diversity of social background, and cognitive and personal strengths.

Board members by gender



Female (33%)	2
Male (67%)	4

Non-executive Directors' tenure



0-3 years	1
4-6 years	1
7+ years	4

Matters reviewed in the year

During the year the Committee reviewed its compliance with the AIC Code and its Terms of Reference and confirmed that it remained compliant with all of its corporate governance responsibilities.

Succession planning

The Committee has undertaken succession planning so that when Directors retire at the end of their term, recruitment processes are in place to ensure that both gender and ethnic diversity are considered alongside the candidates' skills and experience. The Committee reviewed an updated Board skills and experience matrix and the Chair discussed with each Director their future intentions as part of the succession planning programme.

Details of each of the Director's skills and experience which contribute to the effective functioning of the Board and the success of the Company can be found in their biographies on pages 89 and 90 and in the Skills Matrix on page 109.

Composition, succession and evaluation continued
Nomination Committee report continued

The Board has previously stated that it had agreed a maximum term for any Director of nine years, subject to any exceptional circumstances that might arise at the relevant time. The Board is considering redomiciling the Company to the UK and this is an exceptional circumstance which impacts succession planning. As a Jersey registered Company it is required to have at least two Jersey resident directors, one of whom is Paul Masterton.

The Board has asked Paul to serve as a Director of the Company for an additional period whilst it awaits the outcome of the UK Government's consultation on Corporate Redomiciliation. In these circumstances, the Board believes that it is in the best interests of the Company for Paul to serve beyond the usual term of nine years, as detailed on page 102. Should the Company transfer its domicile it will no longer require two Jersey resident directors which will allow any future director to be sought from a much wider candidate pool. Paul is standing for re-election at the AGM in 2022.

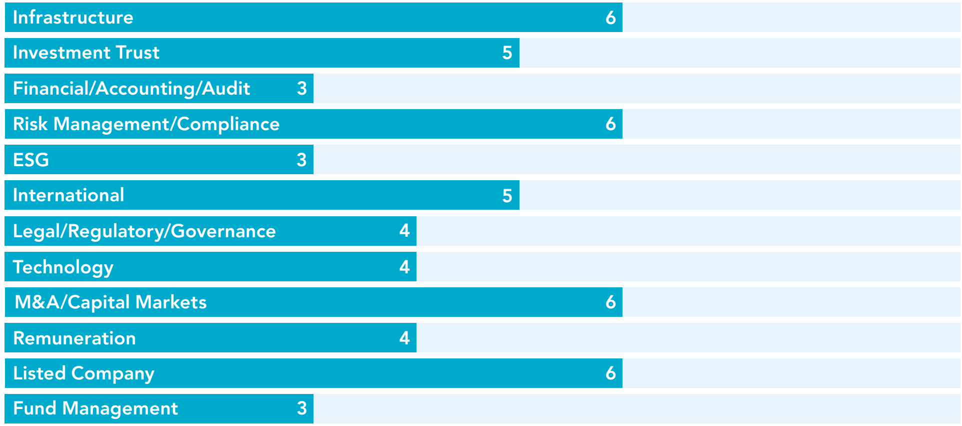
Diversity

The Board has adopted 3i Group plc's Equal Opportunities and Diversity Policy in so far as it is relevant to the Company with non-executive Directors and no employees. This can be found at www.3i.com.

The Board supports the principles of the Hampton-Alexander Review (now replaced by the FTSE Women Leaders Review) and Parker Review on gender and ethnic diversity. The Committee notes the new recommendation of the FTSE Women Leaders Review of achieving 40% female representation on the Board by the end of 2025. The Committee continues to develop its succession plan in line with these targets and the wider diversity requirements of the AIC Code and other relevant requirements.

Richard Laing
Chair, Nomination Committee
9 May 2022

Directors' Skills Matrix



Audit, Risk and Internal Control
Audit and Risk Committee report

"This year the Audit and Risk Committee has continued its focus on financial reporting which included an additional focus on the risk management framework."

Wendy Dorman
Chair, Audit and Risk Committee

All the members of the Audit and Risk Committee are independent non-executive Directors who have the necessary range of financial, risk, internal control and commercial experience required to provide effective challenge.

The Audit and Risk Committee Chair, Wendy Dorman, is a Chartered Accountant, and the Board is satisfied that she has recent and relevant financial experience. The Chair of the Board is not a member of the Committee but attends meetings by invitation. The Committee Chair meets regularly with the external auditor.

The Company, through the Investment Manager, has in place internal control and risk management arrangements to support the financial and narrative reporting process and to provide assurance that the Financial statements are prepared in accordance with applicable standards.

The role of the Audit and Risk Committee is to assist the Board by establishing, reviewing and monitoring policies and procedures to ensure the integrity of financial and narrative reporting, the independence and effectiveness of the external auditor, the effectiveness of the system of internal controls and of the risk management framework.

The Committee also manages the relationship with the external auditor. The Committee and its members act in a way that they consider to be likely to promote the best interests of the Company, ensuring that the interests of shareholders and the wider stakeholder group are properly considered and reflected in their decision making processes, see page 100 for further details.

The annual evaluation of the performance of the Committee was conducted by Satori, for further details see page 105. Overall the Committee continued to perform well and was effective in discharging its responsibilities.

Financial and narrative reporting

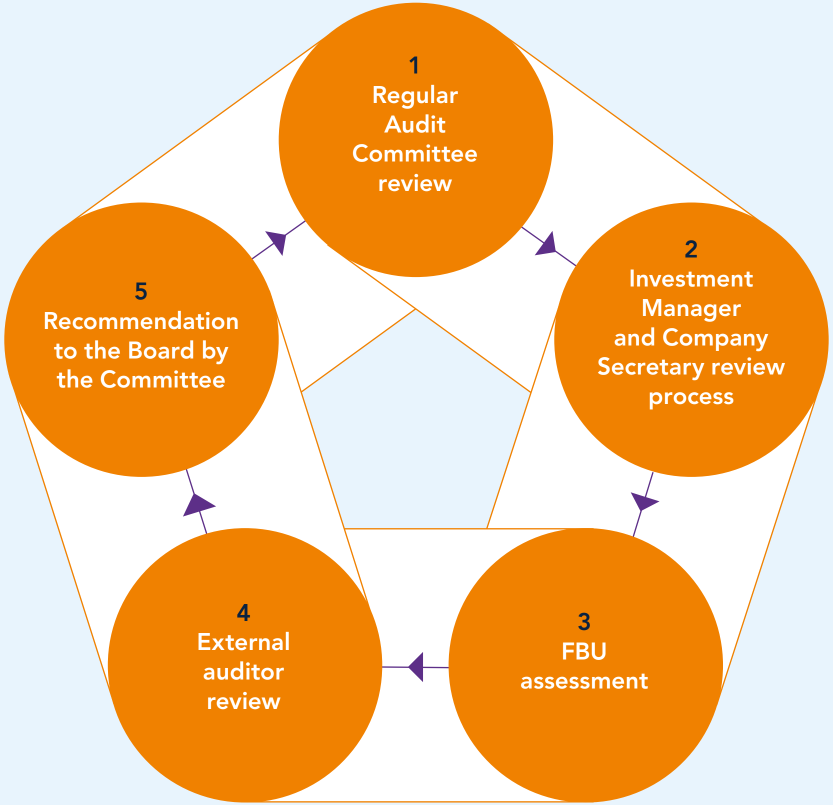
The Committee reviewed and made recommendations to the Board regarding significant accounting matters and the accounting disclosures in the Half-yearly report and Annual report and accounts of the Company.

Fair, balanced and understandable ('FBU') reporting

The Committee considered the requirements of the AIC Code and specifically reviewed this Annual report and accounts to conclude whether the financial reporting is fair, balanced, understandable, comprehensive and consistent with how the Board assesses the performance of the Company's business during the financial year. As part of this review, the Committee considered whether the Annual report and accounts provided the information necessary to shareholders to assess the Company's position, performance, strategy and business model and reviewed the description of the Company's Key Performance Indicators.

How the Committee satisfies itself that the Board can make the FBU statement is set out in the chart opposite.

FBU Reporting



The following statements show how the Committee was able to make its FBU assessment:

1 The Committee reviewed the Annual report at an early stage, and throughout the process, to enable sufficient time for comment and review and ensure overall balance and consistency.

2 The Investment Manager and Company Secretary oversaw a verification process for all factual content and reported back to the Committee on its assessment and findings.

3 The Committee approved the process in place to support the FBU assessment and reviewed the findings of the process. The Committee was satisfied that all key events and issues reported to the Board by the Investment Manager had been adequately referenced or reflected within the Report.

4 The external auditor presented the results of its audit work. The significant issues considered by the Committee were consistent with those identified by the external auditor in its report (see pages 126 to 137 for further information).

5 The Board approved the Committee's recommendation that the FBU statement could be made and this can be found in the Directors' Statement on pages 123 and 124.

Audit, Risk and Internal Control continued
Audit and Risk Committee report continued

Key accounting estimates and judgements

An important responsibility of the Committee is to review and agree the key estimates, judgements and assumptions which impact the Financial statements. The key areas of judgement are set out below. After receiving reports on the significant estimates and matters of judgement from the Investment Manager, and after considering the report on the audit from Deloitte, the Committee agreed that the judgements made were appropriate and correctly reflected and presented in the Annual report. More detailed information on the Company's accounting policies can be found on pages 145 to 154.

Valuation of the investment portfolio	The Committee noted that this year there were no changes to the principles of valuation which have been consistently applied. All unquoted assets have been valued on a discounted cash flow ('DCF') basis with the exception of the Projects portfolio which is valued based on the agreed sales price and the 3i India Infrastructure Fund where the valuation is taken as the Company's share of the Fund's net assets. Within the India Fund, the remaining investment in Supreme Infrastructure is valued at nil. The WADR of the portfolio was slightly higher at 10.9% (10.8% at March 2021), with the new investments in SRL and DNS:NET being mostly offset by small reductions in a number of investments including Oystercatcher, TCR, ESVAGT and Valorem. The Committee considered the effect of a higher inflation environment on cost and revenue assumptions. Factors considered include the impact of cost inflation on operating costs and capital expenditure, the ability to pass cost inflation to customers and company specific factors such as the impact on the ROC buyout price for Infinis. These factors are reflected in the cash flow projections of the portfolio companies. The Investment Manager, as the Company's Alternative Investment Fund Manager, is responsible for providing a valuation of the investment portfolio that has been prepared properly and independently challenged. The Committee noted that 3i Investments plc's infrastructure valuations committee is considered independent of the Investment Manager's fund management activity and that it had approved the investment portfolio valuation as at 31 March 2022. The Committee discussed in detail the portfolio company valuations with the Investment Manager and the external auditor, including the external auditor's valuation expert, and considered that the principles of valuation applied by the Investment Manager to the investment portfolio had been applied correctly and consistently and recommended the valuations to the Board for approval.

Interest streaming	For an approved investment trust that has taxable profits arising from net interest income, the UK tax rules provide an option to treat a part of the dividends it pays as interest. The Annual report and accounts have been prepared on the assumption that the Company will not designate any of its final dividend as interest.
Investment entity consideration	The Committee reviewed the assessment that the Company continues to meet the criteria of an investment entity.
Calculation of the management and performance fees payable to the Investment Manager	The Committee undertook a detailed review of the management and performance fee calculation. The Committee also had access to a review of the calculation of the management and performance fee carried out by the internal audit function of the Investment Manager and engaged the external auditor to perform additional agreed-upon-procedures work in relation to the inputs to the management and performance fee calculation.
Valuation of derivative financial instruments, other receivables and recognition of contingent amounts	The Committee considered and agreed with the Investment Manager's valuations in relation to derivative financial instruments, other receivables and recognition of contingent amounts.

Audit, Risk and Internal Control continued
Audit and Risk Committee report continued

In addition to the above matters, the Committee reviewed the following areas:

- the use of Alternative Performance Measures ('APMs') and the balance of APMs and GAAP measures in the Annual Report and accounts;
- the appropriateness of the sensitivity rates applied in Note 9 of the Financial statements;
- post balance sheet events; and
- other changes in presentation within the report to improve clarity for users.

The Committee presented its conclusions on the above areas to the Board and advised the Board that it considered the Annual report and accounts, taken as a whole, to be fair, balanced and understandable.

The Committee further advised that so far as it was aware, there was no relevant audit information of which the external auditor was unaware; that the Committee had taken all reasonable steps to ascertain any relevant audit information and ensure that the external auditor was aware of such information; and that the Annual report and accounts provided the information necessary for the shareholders to assess the Company's position, performance, business model and strategy.

External auditor

The Committee has primary responsibility for overseeing the relationship with Deloitte LLP ('Deloitte'), the external auditor, including assessing annually its performance, effectiveness and independence. Shareholders approved the re-appointment of Deloitte as external auditor for the year ended 31 March 2022 at the Company's July 2021 AGM following a competitive external auditor selection process in 2017.

Jacqueline Holden has been the audit partner for Deloitte since first appointment in the year to 31 March 2018 following a full audit tender. Jacqueline will rotate off the audit at the conclusion of this year's audit and Stephen Craig has been selected as her replacement. Stephen is familiar with auditing investment trusts. The Committee considers that the Deloitte lead audit partner rotation provides fresh perspective and thanks Jacqueline for her work with the Company over the last five years. The Committee reviewed and monitored Deloitte's execution of the audit plan. The Committee considered Deloitte's report on its review of the half-yearly results and its report on the FY22 audit. It discussed all significant matters identified in Deloitte's final report on the FY22 audit including key accounting judgements taken by the Investment Manager and the Investment Manager's responses to any audit findings.

Audit, Risk and Internal Control continued
Audit and Risk Committee report continued

External auditor effectiveness

The Audit and Risk Committee reviewed the effectiveness of the FY21 external audit process, considering performance, objectivity, independence and relevant experience demonstrated by reports and presentations from the external audit team and discussion with the Investment Manager. The Committee monitors the external auditor's independence and objectivity, taking into consideration relevant professional and regulatory requirements, the quality of the audit process, and the use of Deloitte's valuation practice to support the audit of the portfolio valuations, the technical knowledge of the team and staff turnover within the Deloitte audit team. The Committee considered a memorandum from the Investment Manager regarding the external auditor's effectiveness, independence and objectivity. The Committee considered the Financial Reporting Council's ('FRC') 2016 guidance to Audit Committees when assessing the effectiveness of the whole audit process.

The Committee noted the following in respect of the external auditor:

Assessment against the audit plan

- the FY21 audit was again conducted remotely due to the continued Covid-19 stay at home restrictions and whilst this provided a number of challenges for both Deloitte and the Investment Manager, the audit was efficient and effective, and all deadlines were met;
- there were no areas where the Investment Manager or Company's views of the accounting treatment differed from that of the external auditor;
- the level of engagement from the audit partner was high throughout the audit process;
- the continuity of the audit team was predominantly retained from the previous year; and
- the audit matched the process set out in the audit plan.

Evaluation of audit quality

Following the FRC's Practice Aid for audit committees on audit quality (2019) the Committee considered the four key elements that are necessary to support the auditor in making sound judgement – (i) Judgement, (ii) Mindset and Culture, (iii) Skills, Character and Knowledge, and (iv) Quality Control. In making its evaluation the Committee noted the following in respect of the external auditor:

- the work undertaken by the external auditor to address the risks identified in their plan and any subsequent risks that had later been identified;
- the external auditor's focus on valuation assumptions particularly for Ionisos due to the valuation impact of the fraudulent activity in Steril Milano, and for TCR as an asset impacted by the pace and extent of the recovery in the aviation sector;
- the detailed audit work completed on the calculation of the Management and Performance Fees;
- the additional disclosures and sensitivities sought concerning Ionisos and the updated assumptions on Covid-19 restrictions, particularly in relation to TCR;
- the use of data analytic tools to support the conduct of the audit;
- the level and quality of challenge received from the external auditor;
- a good knowledge of accounting standards, governance requirements and the infrastructure market;
- the robust and perceptive handling of the key accounting and audit judgements;
- the support received by the external auditor from the external auditor's technical team;
- the focus of the external auditor on compliance with the UK Investment Trust Regulations and AIC Statement of Recommended Practice; and
- the final report was presented based on a good understanding of the Company's business and included granularity around the valuation assumptions.

Audit, Risk and Internal Control continued
Audit and Risk Committee report continued

Non-audit services and External auditor independence

The Committee monitors the Company's policy for non-audit services to ensure that the provision of such services by the external auditor does not impair the external auditor's independence or objectivity. The Committee reviewed and updated the Company's policy on the provision of non-audit services which is compliant with the provisions applicable to public interest entities in the Revised Ethical Standard 2019 published by the Financial Reporting Council. In order to safeguard external auditor objectivity and independence, the chair of the Audit and Risk Committee is required to approve in advance all non-audit work undertaken by the external auditor for the Company and its subsidiaries, and as a general rule the external auditor will not be engaged on investment-related work. However, exceptions to this may be permitted if the work is (i) for an affiliate of the Company and an indirect service to the Company or (ii) reporting accountant work, for example in the case of a capital raise.

Deloitte and their associates provided non-audit services to the Company for fees totalling £104,635 for the year to 31 March 2022 (2021: £52,700). This related to agreed-upon procedures on the management and performance fees (£7,560), agreed-upon procedures work in respect of Sustainability KPIs for the RCF reporting (£27,000), a review of the interim financial statements (£55,575) and reporting accountant work (£14,500). In this financial year, in line with the Company's policy, Deloitte provided non-audit services in relation to certain non-consolidated investee companies. The fees for these services are ordinarily borne by the underlying investee companies or unconsolidated subsidiaries, and therefore are not included in the expenses of the Company.

In assessing the external auditor's independence, the Committee reviews the total amount of fees paid to the external auditor in accordance with the stated policy on non-audit services, regardless of whether they are borne by the Company or by the investee companies.

The Committee concluded that the external auditor remained independent and the audit was effective, and that a resolution be proposed to shareholders recommending the re-appointment of Deloitte at the 2022 AGM.

Risk management and internal control

The Committee is responsible on behalf of the Board for overseeing the effectiveness of the Company's risk management and internal control systems. During the year, the Committee:

- carried out a a full review of the risk register as part of the beginning of a new three year risk review cycle with the objectives of (i) identifying the principal, key and emerging risks facing the Company; (ii) considering the impact and likelihood of these risks; (iii) ensuring that risks identified were linked to the Company's strategic objectives; and (iv) updating the risk register and risk matrix as appropriate;
- conducted risk reviews as detailed in the Risk report on pages 67 to 77;
- carried out horizon scanning to identify new and emerging risks;
- reviewed the risk log at each Committee meeting, and discussed the management of risks noted on the log with the Investment Manager;
- considered reports from the Company's Compliance Officer, Money Laundering Compliance Officer and Money Laundering Reporting Officer;
- on the advice of Apex, considered and approved updates to (i) the customer due diligence procedures for shareholders related to off-market transactions, (ii) the conduct of business manual; (iii) the anti-money laundering manual and (iv) the business risk assessment;
- considered the presentation of risk-related matters in the Annual report and accounts;
- considered the viability statement and the reverse stress test analysis (for more detail see pages 79 and 80);
- considered reports and presentations on the controls systems and their operation from the main service providers, including from the Investment Manager, the Jersey Administrator, the Registrar and the Heads of Internal Audit and Compliance of the Investment Manager and determined the effectiveness of the internal controls; and
- reviewed the fact that the Company does not have a separate internal audit function and recommended to the Board that it was not considered appropriate to have one given the structure of the Company.

Audit, Risk and Internal Control continued
Audit and Risk Committee report continued

Prior to the start of the full review of the risk register in October 2021, the Committee and Investment Manager participated in a risk management workshop facilitated by EY. The purpose of the workshop was to look at risk management best practice and consider what, if any, changes should be made to the Company's risk management framework and risk review process. The current three-year cycle was considered to be in line with market practice for investment trusts. The 'blank sheet of paper' element at the very start of the risk review process was considered best practice. EY offered suggestions to enhance the current process along with advice on best practice for external reporting.

The risk register is reviewed regularly by the Committee and managed on a day-to-day basis by the Investment Manager. The Investment Manager brings to the Committee's attention events or circumstances which may impact the full range of risks on the risk register.

Examples of this include the following:

- In the previous three-year risk review cycle Climate risk was identified as a new key risk and identified as such in the 2021 Annual report.
- This year Climate risk was reassessed based on the physical risk from climate change and the transition risk associated with a move towards a low-carbon economy on the portfolio.
- In addition Climate regulation has been identified as a regulatory risk for the Company and the portfolio associated with the transition to a low-carbon economy.
- Market and economic risk now includes the risks associated with the Russia/Ukraine conflict, including the risks resulting from increases in commodity and energy prices and the heightened risk of recession.

These examples illustrate the dynamic nature of the risk register. For further details see the Risk Report on pages 67 to 77.

Other matters

Other matters reviewed by the Committee during the year were:

- the coverage of the proposed interim and final dividends, including a review of the coverage of dividend payments through income generated by the Company, non-income cash distributions received from portfolio companies, net capital profits generated from the sale of portfolio assets and retained reserves; and
- the Company's compliance with its regulatory obligations in the UK as a listed entity and in Jersey where it is registered.

The Committee reported to the Board on how it has discharged its responsibilities and reported to the Board the key matters arising at each meeting. All recommendations were accepted by the Board.

Wendy Dorman
Chair, Audit and Risk Committee
9 May 2022

Relationship with Investment Manager
Management Engagement Committee report

"

Management of the performance of and relationship with the Investment Manager remains key to the continuing success of the Company."

Richard Laing
Chair, Management Engagement Committee

The principal function of the Management Engagement Committee is to consider, and recommend to the Board, whether the continued appointment of the Investment Manager is in the best interests of the Company and its shareholders and to give reasons for its recommendation. Its remit includes managing all aspects of the performance of and relationship with the Investment Manager. The Committee also reviews the terms of the Investment Management Agreement.

Investment Manager

On 15 October 2018, the Company appointed 3i Investments plc as its Investment Manager (it having previously acted as the Company's investment adviser) with discretionary investment management authority. The Investment Manager is responsible for the implementation of the agreed investment policy and for investment or divestment decisions, subject to the investments or divestments remaining below an agreed threshold.

Where the value of investments or divestments is above the agreed threshold, the Board is responsible for approving these transactions.

The Investment Manager keeps the Board regularly updated on the progress of the deal pipeline, and proposed and completed transactions. The Investment Manager discusses with the Board potential investment opportunities and proposed divestments, whether or not they are within the Investment Manager's delegated authority. The Investment Manager undertakes origination activities, manages the Company's funding and hedging requirements, and manages funding requirements of the investment portfolio, all of which is governed by the terms of the IMA.

The IMA includes an exclusivity arrangement in respect of investment opportunities within the Company's Investment policy.

Fees under the IMA consist of a tiered management fee and time weighting of the management fee calculation, a one-off transaction fee of 1.2% payable in respect of new investments, and the payment of a performance fee on a phased basis and subject to future performance tests.

The applicable tiered rates are shown in the table below:

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

The IMA is terminable on service of 12 months' notice by either party.

Further details on the management and performance fees and the relationship between the Company, 3i Investments plc and 3i Group plc are described in more detail in Note 18 in the Financial statements on pages 176 and 177.

Relationship with Investment Manager continued
Management Engagement Committee report continued

The Committee monitored the overall relationship with the Investment Manager and:

- monitored and reviewed the Investment Manager's performance against the Company's strategy and the general market conditions;
- reviewed the quality, timeliness, accuracy and relevance of the information provided to the Board, including recommendations on new investments and divestments and reviews of portfolio company performance;
- reviewed reports from industry analysts, comparing the performance of listed infrastructure investment companies, including an analysis of the terms of their management agreements and fees charged relative to their investment objectives;
- reviewed the fees charged to the Company by the Investment Manager for the provision of its management services; and
- reviewed non-investment services provided by the Investment Manager.

Following its assessment, and based on the continued good performance of the Investment Manager, the Committee recommended to the Board, and the Board agreed, that the continued appointment of the Investment Manager on the terms set out in Note 18 in the Financial statements on pages 176 and 177 is in the interest of shareholders as a whole.

Richard Laing
Chair, Management Engagement Committee
9 May 2022

Remuneration
Remuneration Committee report

"The Remuneration Committee, comprising the independent non-executive Directors, sets the remuneration of the Chair and members of the Board."

Paul Masterton
Chair, Remuneration Committee

The Remuneration Committee is charged with reviewing the scale and structure of the non-executive Directors' remuneration.

Remuneration policy

The remuneration of each of the Directors is subject to fixed fee arrangements and none of the Directors received any additional remuneration or incentives in respect of his or her services as a Director of the Company. The Directors' fees were reduced in April 2019 following the Company becoming a managed alternative investment fund, which led to a reduced time commitment for Directors.

The Committee conducted its annual review of the Directors' fees and recognised that there had been no increase in fees for a number of years. At the time of the fee reduction in 2019 the Board had agreed that regular increases to Directors' fees was more appropriate than larger infrequent increases.

The Remuneration Committee reviewed the current level of the Directors' fees taking account of the time spent including but not limited to attendance at meetings, Board calls with the Investment Manager, the strategy sessions and attending ad hoc meetings. The Committee also reviewed external benchmarking reports on Director remuneration for both FTSE 250s and, in particular, investment trusts.

After careful consideration the Committee recommended to the Board that the fees for Directors, the Chair, the Chair of the Audit and Risk Committee and the Senior Independent Director be increased as set out below and this was subsequently approved by the Board to take effect from 1 April 2022.

The Directors' fees for the financial year to 31 March 2022 and fee increases from 1 April 2022 are as follows:

Directors' fees	Amount per annum to be paid from 1 April 2022 £	**Amount paid in the year ended 31 March 2022 £**	Amount paid in the year ended 31 March 2021 £
Richard Laing	124,000	**120,000**	120,000
Doug Bannister	47,500	**46,000**	46,000
Wendy Dorman	58,500	**56,000**	56,000
Samantha Hoe-Richardson	47,500	**46,000**	46,000
Robert Jennings[1]	n/a	**15,333**	46,000
Ian Lobley[2]	47,500	**46,000**	46,000
Paul Masterton	55,000	**53,000**	53,000

1 Fees paid for the period from April-July 2021.
2 Fee payable to 3i plc.

Paul Masterton
Chair, Remuneration Committee
9 May 2022

Directors' statement

Principal activity

The Company is a closed-ended UK investment trust that invests in infrastructure businesses and assets. The Directors do not anticipate any change in the principal activity of the Company in the foreseeable future. Its unconsolidated subsidiaries are shown in Note 19 in the Financial statements on pages 178 to 182.

Investment trust status

The management and tax domicile of the Company moved from Jersey to the UK on 15 October 2018, and the Company was granted, with effect from that date, UK approved investment trust status. The affairs of the Company are directed to enable it to maintain its UK tax domicile and its approved investment trust company status, which it did during the course of the year. This is managed on an ongoing basis by the Investment Manager and monitored by Audit and Risk Committee.

Corporate Governance

The Company is committed to upholding the highest standards of corporate governance. The Company observes the requirements of the AIC Code, a copy of which is available from The Association of Investment Companies website (www.theaic.co.uk).

The provisions of the AIC Code are more appropriate for a closed ended investment trust than the UK Corporate Governance Code (the 'UK Code') because, amongst other things, it has no executive directors. The Association of Investment Companies website includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The Company complied with all the provisions of the AIC Code for the financial year ended 31 March 2022.

Directors' duties

Details of compliance by Directors with their Directors' duties are set out on pages 81 and 82.

Appointment and re-election of Directors

The appointment and re-election of Directors is governed by the Articles, the Companies (Jersey) Law 1991 and related legislation. The Articles provide that at each AGM of the Company all the Directors at the date of notice convening the AGM shall retire from office and each Director may offer himself or herself for election or re-election. In addition, under the AIC Code, all Directors should be subject to annual election by shareholders.

As a result, all Directors will retire and stand for re-election at the next AGM to be held on 7 July 2022.

The Board regularly considers the independence of non-executive Directors as detailed on pages 101 to 102.

Board's responsibilities and processes

The composition of the Board and its Committees, as well as the Board's key responsibilities and the way in which it and its Committees work, are described on pages 94 to 96 and pages 108 to 119. The Board is responsible to shareholders for the overall management of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Articles of Association and any directions given by special resolution of the shareholders.

Matters reserved for the Board

The Board has approved a formal schedule of matters reserved to it and its duly authorised Committees for decision, as detailed on page 94.

Portfolio management and voting policy

In relation to unquoted investments, the Company's approach is to seek to add value to the businesses in which it invests through the extensive experience, resources and contacts of the Investment Manager's team. In relation to quoted equity investments, the Company's policy is to exercise voting rights on matters affecting the interests of the Company.

Regulation

The Company is incorporated in Jersey and is regulated by the Jersey Financial Services Commission as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988. It has a Premium Listing on the London Stock Exchange's Main Market.

Alternative Investment Fund Managers Directive

For the purposes of the Alternative Investment Fund Managers Regulations 2013 (the 'Regulations') and the EU Alternative Investment Fund Managers Directive, the Company is an alternative investment fund ('AIF'). The Investment Manager is approved as an alternative investment fund manager ('AIFM') by the Financial Conduct Authority (the 'FCA') for the purposes of the Regulations and is the Company's AIFM. The Depositary is currently Citibank UK Limited.

The Investment Manager is a subsidiary of 3i Group plc and the Remuneration Policy of 3i Group plc (which applies to the Investment Manager) was approved by 3i Group plc's shareholders in 2020. Details of the Remuneration Policy are set out in the 3i Group plc Annual report and accounts for 2021.

The disclosures required by the Investment Manager as an AIFM are contained in the Annual report and accounts of 3i Group plc (www.3i.com). These disclosures include the remuneration (fixed and variable) of all staff and all AIFM Identified Staff of the Investment Manager. Due to 3i Group plc's operational structure, the information needed to provide a further breakdown of remuneration attributable to the staff and the AIFM Identified Staff of the Investment Manager as the Company's AIFM is not readily available and would not be relevant or reliable.

Although certain investor disclosures required by the FCA's Investment Funds sourcebook are made in this Annual report, further disclosures are summarised on the Company's website at www.3i-infrastructure.com. There have been no material changes to these disclosures during the financial year.

In accordance with Part 5 of the Regulations and the relevant requirements of the EU Alternative Investment Fund Managers Directive, the Investment Manager, as an AIFM, requires all relevant controlled portfolio companies to make available to employees an annual report which meets the applicable disclosure requirements.

These are available either on the portfolio company's website or through filing with the relevant local authorities.

NMPI

As a UK investment trust, the Company's shares are excluded from the FCA rules regarding the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes ('non-mainstream pooled investments', or 'NMPIs') and therefore the restrictions relating to NMPIs do not apply to its shares.

It is the Board's intention that the Company will continue to conduct its affairs in such a manner that it maintains its approved investment trust company status and that, accordingly, the Company's shares will continue to be excluded from the FCA's rules relating to NMPIs.

Results and dividends

The Directors recommend that a final dividend of 5.225 pence per share (2021: 4.9 pence) be paid in respect of the year to 31 March 2022 to shareholders on the register at the close of business on 17 June 2022. The Company has chosen not to designate any of its final dividend as an interest distribution.

The Company chose to designate 38% of the interim dividend as an interest distribution (2.0 pence per share of the total dividend of 5.225 pence per share). For UK tax purposes the effect of the designation was that shareholders were treated in respect of the designated part as though they had received a payment of interest, whilst being treated as having received a payment of dividend in respect of the non-designated part.

The distribution of the dividend payments between interim and final dividends is evaluated by the Board each year, according to the Company's performance, portfolio income generation and other factors, such as profits generated on the realisation of portfolio assets. The Company will be targeting a dividend for FY23 of 11.15 pence per share.

Strategy, performance and principal risks

The Strategic report on pages 1 to 82 provides a review of the performance and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Operations and management arrangements

Details of the role and responsibilities of the Investment Manager under the Investment Management Agreement are set out in the Management Engagement Committee report on pages 117 and 118.

Other significant service arrangements

In addition to the investment management arrangements, 3i plc and 3i Investments plc (both subsidiaries of 3i Group plc), in relation to certain regulatory services, have been appointed by the Company to provide support services, including treasury and accounting services, investor relations and other support services. The amounts payable under these arrangements are described in more detail in Note 18 in the Financial statements on page 176 and 177.

3i plc acts as Company Secretary to the Company and Apex Financial Services (Alternative Funds) Limited acts, in a limited capacity, as the Company's Jersey fund administrator, which includes provision of the Company's Compliance Officer, Money Laundering Compliance Officer and Money Laundering Reporting Officer.

Directors' statement continued

Revolving credit facility

The Company has a £400 million sustainability-linked revolving credit facility ('RCF'). The RCF has a margin of 1.50% and a non-utilisation fee. The RCF has a maturity date of November 2024 and includes two one-year extension options. The RCF has a £200 million accordion feature. This gives the Company a right to request an increase in the size of the RCF on a temporary basis. The £200 million accordion was activated in December 2021 for one year.

In January 2022, the Company raised an additional credit facility of £400 million embedded into the existing RCF with a margin of 1.2%. This tranche has a maturity date of January 2023. Aggregate credit facilities therefore total £1 billion.

Share capital

The issued share capital of the Company as at 31 March 2022 was 891,434,010 ordinary shares (2021: 891,434,010). The Company does not hold any ordinary shares in treasury.

Major interests in ordinary shares

As at 31 March 2022 and 30 April 2022, the Company has received notification in accordance with Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules of the following notifiable interests in the voting rights in the Company's ordinary share capital:

Interest in ordinary shares	Number of ordinary shares[1] as at 31 March 2022	% of issued share capital	Number of ordinary shares[1] as at 30 April 2022	% of issued share capital
3i Group plc (and subsidiaries)	**269,242,685**	30.20%	**269,242,685**	30.20%
Schroders plc	**47,693,972**	5.35%	**47,591,515**	5.34%

1 Each ordinary share carries the right to one vote.

Directors' and Persons Closely Associated interests

The Board adopted a code for Directors' dealings in ordinary shares following the implementation of the EU Market Abuse Regulation ('MAR') on 3 July 2016. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the UK version of MAR by the Directors.

In accordance with FCA Listing Rule 9.8.6(R)(1), Directors' interests in the shares of the Company (in respect of which transactions are notifiable to the Company under the UK version of MAR as at 31 March 2022) are shown below:

Directors' interests and beneficial interests[1]	Ordinary shares at 31 March 2022	Ordinary shares at 31 March 2021
Richard Laing	**35,000**	35,000
Doug Bannister	**20,000**	20,000
Wendy Dorman	**21,947**	21,947
Samantha Hoe-Richardson	**1,339**	1,339
Robert Jennings[2]	**n/a**	55,000
Ian Lobley	**0**	0
Paul Masterton	**29,194**	29,194

1 No options have been granted since the inception of the Company.

2 Stepped down from the Board on 16 July 2021.

Directors' authority to buy back shares

The Company did not purchase any of its own shares during the year. The current authority of the Company to make market purchases of up to 14.99% of the issued ordinary share capital expires at the 2022 AGM. The Company will seek to renew such authority until the end of the AGM in 2023, specifying the maximum and minimum price at which shares can be bought back. Any buy back of ordinary shares will be made in accordance with Jersey law and the making and timing of any buy backs will be at the discretion of the Directors.

Such purchases will also only be made in accordance with the Listing Rules of the FCA which provide that the price paid must not be more than the higher of: (i) 5% above the average middle market quotations for the ordinary shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange at such time.

Directors' conflicts of interests

The Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles enable the Directors to approve conflicts of interest and include other conflict of interest provisions. The Company has implemented processes to identify potential and actual conflicts of interest. Such conflicts are then considered for approval by the Board, subject, if necessary, to appropriate conditions. No conflicts arose during the year, other than the pre-approved conflict of Ian Lobley as the 3i Group plc nominated Director.

Directors' indemnities

The Articles provide that, subject to the provisions of the Statutes, every Director of the Company shall be indemnified out of the assets of the Company against all liabilities and expenses incurred by him or her in the actual or purported execution or discharge of his or her duties. 'Statutes' here refers to the Companies (Jersey) Law 1991 and every other statute, regulation or order for the time being in force concerning companies registered under the Companies (Jersey) Law 1991.

In addition, the Company has entered into indemnity agreements for the benefit of its Directors and these remain in force at the date of this report.

The Company also had directors' and officers' liability insurance in place in the year.

Political donations

During the year to 31 March 2022 no donations were made to political parties or organisations, or independent election candidates and no political expenditure was incurred.

Information included in the Strategic report

The following information has been included in the Strategic report: risk management objectives and policies; likely future developments of the business; greenhouse gas emissions; and section 172 statement. The Directors' Viability statement is also shown in the Strategic report on page 79.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and accounts in accordance with applicable law and regulations and those International Financial Reporting Standards ('IFRSs') which have been adopted by the United Kingdom.

As a company listed on the London Stock Exchange's Main Market, 3i Infrastructure plc is subject to the FCA's Listing Rules and Disclosure Guidance 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 generally accepted accounting principles. The Financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the period end and of the profit or loss of the Company for the period then ended.

Directors' statement continued

In preparing these Financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- 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 the Company's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company's Financial statements comply with the requirements of the Companies (Jersey) Law 1991.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Annual report and accounts and the Directors confirm that they consider that, taken as a whole, the Annual report and accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

- the Financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and
- the Annual report and accounts include a fair review of the development and performance of the business and the position of the Company taken as a whole, together with a description of the principal risks and uncertainties faced by the Company.

The Directors of the Company and their functions are listed on pages 89, 90, 94 to 96 and pages 101 to 103.

The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2022.

By order of the Board

Authorised signatory

3i plc
Company Secretary
9 May 2022

Registered Office:
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands

Accounts and other information

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Page 00

Independent auditor's report to the members of 3i Infrastructure plc

Report on the audit of the Financial statements

1 Opinion

In our opinion the Financial statements of 3i Infrastructure plc (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the Financial statements which comprise:

- the Statement of comprehensive income;
- the Statement of changes in equity;
- the Balance sheet;
- the Cash flow statement;
- the Reconciliation of net cash flow to movement in net debt;
- the Statement of significant accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

Independent auditor's report to the members of 3i Infrastructure plc continued

2 Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Company for the year are disclosed in Note 3 to the Financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3 Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the fair value of investments. Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the Financial statements was £25.9 million which was determined on the basis of approximately 1% of the Company's net assets. A lower materiality threshold of £2.4 million based upon approximately 2% of investment income was applied to certain balances in the Statement of comprehensive income and Balance sheet, excluding fair value of investments and derivatives balances and their associated fair value movements.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes in our audit approach compared with the prior year.

Independent auditor's report to the members of 3i Infrastructure plc continued

4 Conclusions relating to going concern

In auditing the Financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Assessment of the financial position of the Company, including the cash balance of £17 million and undrawn financing facilities of £769 million, of which £600 million expires during the next 12 months;
- Review of the Directors' liquidity forecast for the next 12 months, including the ability to fund committed investments of c.£300 million and to meet its obligations under the Investment Management Agreement;
- Assessment of the ability of the Company's investments to generate cash income for the Company and the robustness of those cash flows to key risks;
- Performance of sensitivity analysis, including the consideration of a 'reverse stress test'; and
- Assessment of the model used to prepare the forecasts, testing of mathematical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by the Investment Manager.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the Financial statements are authorised for issue.

In relation to reporting on how the Company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of 3i Infrastructure plc continued

5 Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Fair value of Investments

Key audit matter description

At 31 March 2022, the Company held investments totalling £2,873 million (2021: £1,804 million) in unquoted companies which are recognised at fair value through profit and loss. These investments are classified at Level 3 within the IFRS 7 fair value hierarchy and, for Economic Infrastructure investments, their valuation requires significant judgement and estimation.

Certain assumptions used in the determination of fair value are a key source of estimation uncertainty, which is why we consider there to be a significant risk of material misstatement as well as a potential fraud risk. As a liquid market does not exist for the investments, they are generally measured using a discounted cash flow methodology. The complex nature of this methodology, combined with the number of significant judgements and estimates, means there is a risk that the fair value of the investments could be misstated.

The key assumptions and estimates used in the determination of fair value for Economic Infrastructure investments have been summarised as:

- Discount rates – the determination of the appropriate discount rate for each investment that is reflective of current market conditions and the specific risks of the investment;
- Macroeconomic assumptions – primarily in respect of forecast inflation rates; and
- Forecasted future cash flows – specific investments contain certain assumptions in the cash flow forecasts that are particularly complex and judgemental.

This key audit matter is also discussed on page 112 in the Audit and Risk Committee report and disclosed in the significant accounting policies as a key source of estimation uncertainty on pages 148 and 149 and in the portfolio valuation methodology on pages 30 and 31.

Independent auditor's report to the members of 3i Infrastructure plc continued

5 Key audit matters continued

5.1 Fair value of Investments continued

How the scope of our audit responded to the key audit matter

In response to the key audit matter identified, we performed the following procedures:

- Tested the controls in respect of the valuation process adopted by the Investment Manager and the Board, including the review and approval processes undertaken by the Investment Manager's valuation committee;
- Tested that the valuation methodology is compliant with IFRS 13 requirements;
- Met with the Investment Manager's Managing Partner, CFO and analysts responsible for preparing the valuations to understand the underlying performance of the businesses being valued and how the year-end valuation has been prepared, including key valuation assumptions;
- Involved our valuation experts to assess discount rates applied in the valuations by benchmarking to relevant peers and transactions and considering the inherent risk profile of the underlying cash flows specific to each investment;
- Tested and challenged the macroeconomic assumptions included in the forecasts with reference to observable market data and external forecasts;
- Assessed the forecasted cash flows and related assumptions for all investments, including movements since acquisition or the prior year and, where applicable, used third-party evidence to challenge key assumptions;
- Engaged with our valuation experts to apply an additional level of challenge to the investments identified as containing more judgemental forecast cash flow assumptions;
- Evaluated the Investment Manager's identification of climate change-related risks and considered how material risks are accounted for in the valuation assumptions;
- Evaluated the Investment Manager's assessment of the risks related to the ongoing war in Ukraine, including supply chain continuity, customer base exposure and the monitoring of sanctions compliance;
- Reviewed industry news and other external sources of information to identify evidence that may contradict the assumptions adopted by the Investment Manager;
- Assessed the historical accuracy of the cash flow forecasts through comparison to actual results in order to assess the reliability of the forecasts;
- Compared historical data included in the valuation to audited financial statements to check that forecasts are based on actual results where applicable;
- Employed analytics to assess the integrity of the valuation models;
- Evaluated whether the estimates made were, individually and in aggregate, reasonable and free of bias; and
- Assessed the disclosures made in the notes to the Financial statements regarding the key sources of estimation uncertainty.

Key observations

We consider the judgements and assumptions utilised in determining the fair value of the Company's investments to be within an acceptable range. We have not identified any material misstatements in respect of the fair value of the Company's investments at 31 March 2022.

Independent auditor's report to the members of 3i Infrastructure plc continued

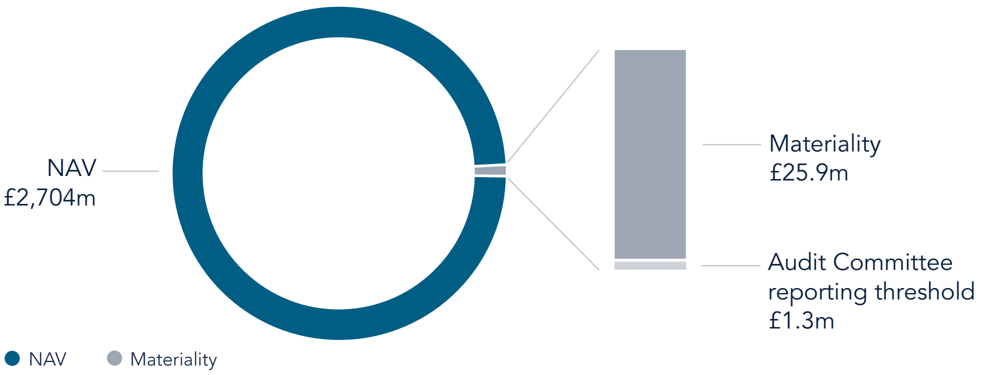
6 Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the Financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial statements as a whole as follows:

Materiality	£25.9 million (2021: £23.1 million).
Basis for determining materiality	Materiality is determined using approximately 1% of net asset value ('NAV').
Rationale for the benchmark applied	We consider NAV to be the key financial statement benchmark used by shareholders of the Company in assessing financial performance.



A lower materiality threshold of £2.4 million (2021: £2.0 million) based on approximately 2% (2021: 2%) of investment income has also been used. This has been applied to certain balances in the Statement of comprehensive income and Balance sheet, excluding fair value of investments and derivatives balances and their associated fair value movements, due to qualitative factors of stakeholder interest.

Independent auditor's report to the members of 3i Infrastructure plc continued

6 Our application of materiality continued

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

- The quality of internal control in existence at the Company and the Investment Manager;
- The stability of the business;
- The low level of errors identified in prior years;
- The willingness of the Investment Manager to correct errors identified; and
- The stability and competence of the finance team.

6.3 Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £1.3 million (2021: £1.1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial statements.

7 An overview of the scope of our audit

7.1 Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. All audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2 Our consideration of the control environment

We have obtained an understanding of the control environment and the relevant controls to address our significant risks and other key account balances and transactions including the valuation of investments, performance and management fees, investment income, investment and divestment, and financial reporting. This has included the control environment and relevant controls operating at the Investment Manager as a key service provider to the Company.

We tested the controls in respect of the valuation process adopted by the Investment Manager and the Board, including the review and approval processes undertaken by the Investment Manager's valuation committee.

Independent auditor's report to the members of 3i Infrastructure plc continued

7 An overview of the scope of our audit continued

7.3 Our consideration of climate-related risks

The Company has identified climate risk as a key risk as detailed in the Climate risk section of the Risk report on page 71. The primary area where climate risks could impact the Financial statements is in respect of the fair value of investments as the investment portfolio companies face a range of climate change-related risks and opportunities.

In preparing the valuations, the Company has considered the impact of climate change. We have assessed the identification and evaluation of climate change risk and the potential impact on the fair value of investments as highlighted in section 5. This assessment considered the risks and opportunities associated with the impact of energy transition, extreme weather patterns and regulatory environments and their impact on the determination of fair value.

8 Other information

The other information comprises the information included in the Annual report, other than the Financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual report.

Our opinion on the Financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of 3i Infrastructure plc continued

9 Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the Financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10 Auditor's responsibilities for the audit of the Financial statements

Our objectives are to obtain reasonable assurance about whether the Financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial statements.

A further description of our responsibilities for the audit of the Financial statements is located on the FRC's website. This description forms part of our auditor's report.

11 Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Investment Manager's fee structure and performance targets;
- results of our enquiries of the Investment Manager, the Investment Manager's internal audit function, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations regarding how and where fraud might occur in the Financial statements and any potential indicators of fraud.

Independent auditor's report to the members of 3i Infrastructure plc continued

11 Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.1 Identifying and assessing potential risks related to irregularities continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of the investment portfolio. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Jersey) Law, Listing Rules, and UK Investment Trust tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. The key laws and regulations we considered in this context included the Alternative Investment Fund Managers Directive as approved by the Financial Conduct Authority.

11.2 Audit response to risks identified

As a result of performing the above, we identified the fair value of investments as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial statements;
- enquiring of management, the Audit and Risk Committee, the Investment Manager's in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing the Investment Manager's internal audit reports pertaining to the Company's activities, and reviewing any correspondence with HMRC and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent auditor's report to the members of 3i Infrastructure plc continued

Report on other legal and regulatory requirements

12 Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 78;
- the Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 79;
- the Directors' statement on fair, balanced and understandable set out on page 124;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 115 and 116;
- the section of the Annual report that describes the review of effectiveness of risk management and internal control systems set out on page 115; and
- the section describing the work of the Audit and Risk committee set out on pages 110 to 116.

13 Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the Financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of 3i Infrastructure plc continued

14 Other matters which we are required to address

14.1 Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the shareholders on 6 July 2017 at the Annual General Meeting to audit the Financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 31 March 2018 to 31 March 2022.

14.2 Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

15 Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jacqueline Holden, FCA
For and on behalf of Deloitte LLP
Recognised Auditor
London, United Kingdom
9 May 2022

Statement of comprehensive income

For the year to 31 March

	Notes	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Net gains on investments	7	**384**	118
Investment income	7	**127**	92
Fees payable on investment activities		**(3)**	(1)
Interest receivable		**6**	11
Investment return		**514**	220
Movement in the fair value of derivative financial instruments	5	**(2)**	22
Management and performance fees payable	2	**(97)**	(31)
Operating expenses	3	**(3)**	(3)
Finance costs	4	**(5)**	(2)
Exchange movements		**(3)**	–
Profit before tax		**404**	206
Income taxes	6	**–**	–
Profit after tax and profit for the year		**404**	206
Total comprehensive income for the year		**404**	206
Earnings per share			
Basic and diluted (pence)	14	**45.3**	23.1

Statement of changes in equity
For the year to 31 March

For the year to 31 March 2022	Notes	Stated capital account £m	Retained reserves[1] £m	Capital reserve[1] £m	Revenue reserve[1] £m	Total shareholders' equity £m
Opening balance at 1 April 2021		779	1,282	330	(1)	2,390
Total comprehensive income for the year		–	–	324	80	404
Dividends paid to shareholders of the Company during the year	15	–	–	(11)	(79)	(90)
Closing balance at 31 March 2022		**779**	**1,282**	**643**	**–**	**2,704**

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

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

Balance sheet

As at 31 March

	Notes	2022 £m	2021 £m
Assets			
Non-current assets			
Investments at fair value through profit or loss	7	**2,873**	1,804
Derivative financial instruments	10	**6**	18
Total non-current assets		**2,879**	1,822
Current assets			
Derivative financial instruments	10	**20**	25
Trade and other receivables	8	**104**	106
Cash and cash equivalents		**17**	462
Total current assets		**141**	593
Total assets		**3,020**	2,415
Liabilities			
Non-current liabilities			
Derivative financial instruments	10	**(6)**	(2)
Trade and other payables	12	**(38)**	(10)
Loans and borrowings	11	**(231)**	–
Total non-current liabilities		**(275)**	(12)
Current liabilities			
Derivative financial instruments	10	**(12)**	(4)
Trade and other payables	12	**(29)**	(9)
Total current liabilities		**(41)**	(13)
Total liabilities		**(316)**	(25)
Net assets		**2,704**	2,390

Balance sheet continued

	Notes	2022 £m	2021 £m
Equity			
Stated capital account	13	**779**	779
Retained reserves		**1,282**	1,282
Capital reserve		**643**	330
Revenue reserve		**–**	(1)
Total equity		**2,704**	2,390
Net asset value per share			
Basic and diluted (pence)	14	**303.3**	268.1

The Financial statements and related Notes were approved and authorised for issue by the Board of Directors on 9 May 2022 and signed on its behalf by:

Richard Laing
Chair

Cash flow statement

For the year to 31 March

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Cash flow from operating activities		
Purchase of investments	**(761)**	(43)
Proceeds from other financial assets	**12**	104
Proceeds from partial realisations of investments	**140**	14
Proceeds from full realisations of investments	**8**	30
Investment income[1]	**54**	51
Fees paid on investment activities	**(4)**	–
Operating expenses paid	**(4)**	(3)
Interest received	**–**	1
Management and performance fees paid	**(50)**	(29)
Amounts received on the settlement of derivative contracts	**27**	6
Distributions from transfer of investments from unconsolidated subsidiaries[2]	**–**	5
Net cash flow from operating activities	**(578)**	136

1 Investment income includes dividends of £24 million (2021: £6 million), interest of £30 million (2021: £43 million) and no distributions (2021: £2 million) received from unconsolidated subsidiaries.
2 Following the change of tax residence of the Company from Jersey to the UK, several of the investments held in unconsolidated subsidiaries domiciled outside the UK have been transferred to be held directly by the Company.

Cash flow statement continued

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Cash flow from financing activities		
Fees and interest paid on financing activities	**(6)**	(2)
Dividends paid	**(90)**	(85)
Drawdown of revolving credit facility	**955**	–
Repayment of revolving credit facility	**(724)**	–
Net cash flow from financing activities	**135**	(87)
Change in cash and cash equivalents	**(443)**	49
Cash and cash equivalents at the beginning of the year	**462**	413
Effect of exchange rate movement	**(2)**	–
Cash and cash equivalents at the end of the year	**17**	462

Reconciliation of net cash flow to movement in net debt

For the year to 31 March

	Notes	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Change in cash and cash equivalents		**(443)**	49
Drawdown of revolving credit facility	11	**(955)**	–
Repayment of revolving credit facility	11	**724**	–
Change in net (debt)/cash resulting from cash flows		**(674)**	49
Movement in net (debt)/cash		**(674)**	49
Net cash at the beginning of the year		**462**	413
Effect of exchange rate movement		**(2)**	–
Net (debt)/cash at the end of the year		**(214)**	462

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

Significant accounting policies

Corporate information

3i Infrastructure plc (the 'Company') is a company incorporated in Jersey, Channel Islands. The Financial statements for the year to 31 March 2022 comprise the Financial statements of the Company as defined in IFRS 10 Consolidated Financial Statements.

The Financial statements were authorised for issue by the Board of Directors on 9 May 2022.

Statement of compliance

These Financial statements have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards ('IFRS') and International Accounting Standards.

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

Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of determining the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant accounting policies continued

Going concern

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

- the analysis of the adequacy of the Company's liquidity, solvency and capital position. The Company manages and monitors liquidity regularly ensuring it is adequate and sufficient. At 31 March 2022, liquidity remained strong at £786 million (2021: £763 million). Liquidity comprised cash and deposits of £17 million (2021: £463 million) and undrawn facilities of £769 million (2021: £300 million). The £200 million accordion and £400 million additional facility both mature within 12 months of the date of this report. In addition, the Company is able to call the second tranche of the deferred consideration from the realisation of WIG of £98 million with six weeks' notice and, in June 2022, is expecting to receive £103 million from the sale of its Projects portfolio. Income and non-income cash is expected to be received from the portfolio investments during the coming year, a portion of which will be required to support the payment of the dividend target and the Company's other financial commitments;
- uncertainty around the valuation of the Company's assets as set out in the Key estimation uncertainties section. The valuation policy and process was consistent with prior years. This year a key focus of the portfolio valuations at 31 March 2022 was an assessment of the impact of the macroeconomic environment on the operational and financial performance of each portfolio company. In particular this focused on increasing inflationary pressures, tightening debt markets, volatility in power prices, recovery from the Covid-19 pandemic and ongoing geopolitical uncertainties. We have incorporated into our cash flow forecasts a balanced view of future income receipts and expenses; and
- the Company's financial commitments. The Company had one investment commitment at 31 March 2022 totalling c.£300 million in GCX, a global data communications service provider. The Company had ongoing charges of £36 million in the year to 31 March 2022, detailed in Table 5 in the Financial review, which are indicative of the ongoing run rate in the short term. The Company has a FY22 performance fee accrual of £54 million, a third of which is payable within the next 12 months. The Company has a FY21 performance fee accrual of £4 million relating to the second and third instalments of the FY21 fee, the second instalment being due within the next 12 months, an accrual of £12 million relating to the third instalment of the FY20 fee due within the next 12 months and a proposed final dividend for FY22 of £47 million. In addition, while not a commitment at 31 March 2022, the Company has a dividend target for FY23 of 11.15 pence per share. In order to meet the commitment to invest in GCX, the Company expects to receive the WIG deferred consideration and the proceeds from the sale of the Projects portfolio prior to the completion of this investment.

In addition to the considerations listed above there are a number of mitigating actions within management control to enhance available liquidity. These include seeking to extend the maturity of available credit facilities, the timing of certain income receipts from the portfolio and the level and timing of new investments or realisations.

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

Significant accounting policies continued

Key judgements

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

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

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

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

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

The Company meets the criteria as follows:

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

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

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

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

Significant accounting policies continued

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

During the year, the Company set up seven wholly owned subsidiary entities for new investments in SRL and GCX. The Directors have assessed whether any of these entities provide investment-related services and have concluded that they should not be consolidated and that they should all be held at fair value through profit or loss.

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

Key estimation uncertainties

Valuation of the investment portfolio

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

The majority of assets in the investment portfolio are valued on a discounted cash flow basis which requires assumptions to be made regarding future cash flows, terminal value and the discount rate to be applied to these cash flows. The methodology for deriving the fair value of the investment portfolio, including the key estimates, is set out in the Portfolio valuation methodology section. Refer to Note 7 for further details of the valuation techniques, significant inputs to those techniques and sensitivity of the fair value of these investments to the assumptions that have been made.

The discount rate applied to the cash flows in each investment portfolio company is a key source of estimation uncertainty. The acquisition discount rate is adjusted to reflect changes in company-specific risks to the deliverability of future cash flows and is calibrated against secondary market information and other available data points, including comparable transactions. The discount rates applied to the investment portfolio at 31 March 2022 range from 10.0% to 13.2% (2021: 7% to 12%) and the weighted average discount rate applied to the investment portfolio is 10.9% (2021: 10.8%). The increase in the year is due to the introduction of the new investments in SRL and DNS:NET to the portfolio at a higher than average discount rate, mostly offset by small reductions in discount rates for Oystercatcher, TCR, ESVAGT and Valorem. The Projects portfolio is now valued on a sales basis and therefore this investment has been removed from the discount rate range.

The cash flows on which the discounted cash flow valuation is based are derived from detailed financial models. These incorporate a number of assumptions with respect to individual portfolio companies, including: forecast new business wins or new orders; cost-cutting initiatives; liquidity and timing of debtor payments; timing of non-committed capital expenditure and construction activity; the terms of future debt refinancing; and macroeconomic assumptions such as inflation and oil and power prices. Future power price projections are taken from independent forecasters and changes in these assumptions will affect the future value of our energy generating portfolio companies. The Summary of portfolio valuation methodology section on pages 30 and 31 provides further details on some of the assumptions that have been made in deriving a balanced base case of cash flows.

Significant accounting policies continued

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

New and amended standards adopted for the current year

Standards and amendments to standards applicable to the Company that became effective during the year and were adopted by the Company on 1 April 2021 are listed below.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (1 January 2021)

This amendment has not had a material impact on the Financial statements.

Standards and amendments issued but not yet effective

As at 31 March 2022, the following new or amended standards, which have not been applied in these Financial statements, had been issued by the International Accounting Standards Board ('IASB') but are yet to become effective.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (1 January 2023)

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (1 January 2023)

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (1 January 2022)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts (1 January 2022)

Amendments to IFRS 3 Business Combinations (1 January 2022)

Amendments to IFRS 17 Insurance contracts (1 January 2022)

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 resulting from Annual Improvements to IFRS 2018-2020 Cycle (1 January 2022)

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

Significant accounting policies continued

A Classification

(i) **Subsidiaries –** Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity. In accordance with the exception under IFRS 10 Consolidated Financial Statements, the Company only consolidates subsidiaries in the Financial statements if they are deemed to perform investment-related services and do not meet the definition of an investment entity. Investments in subsidiaries that do not meet this definition are accounted for as Investments at fair value through profit or loss with changes in fair value recognised in the Statement of comprehensive income in the year. The Directors have assessed all entities within the structure and concluded that there are no subsidiaries of the Company that provide investment-related services or activities.

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

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

B Exchange differences

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency using exchange rates ruling at the date the fair value was determined with the associated foreign exchange difference being recognised within the unrealised gain or loss on revaluation of the asset or liability.

C Investment portfolio

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

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

Significant accounting policies continued

Income

Investment income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be an economic benefit and the income can be reliably measured.

The following specific recognition criteria must be met before the income is recognised:

- dividends from equity investments are recognised in the Statement of comprehensive income when the Company's rights to receive payment have been established. Special dividends are credited to capital or revenue according to their circumstances;
- interest income from loans that are measured at fair value through profit or loss is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value or principal amount. The remaining changes in the fair value movement of the loans are recognised separately in the line Net gains on investments in the Statement of comprehensive income;
- distributions from investments in Limited Partnerships are recognised in the Statement of comprehensive income when the Company's rights as a Limited Partner to receive payment have been established; and
- fees receivable represent amounts earned from investee companies on completion of underlying investment transactions and are recognised on an accruals basis once entitlement to the revenue has been established.

D Fees

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

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

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

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

Significant accounting policies continued

E Treasury assets and liabilities

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

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

(ii) **Bank loans, loan notes and borrowings –** Loans and borrowings are initially recognised at the fair value of the consideration received, net of issue costs associated with the borrowings. Where issue costs are incurred in relation to arranging debt finance facilities these are capitalised and disclosed within Trade and other receivables and amortised over the life of the loan. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

(iii) **Derivative financial instruments –** Derivative financial instruments are used to manage the risk associated with foreign currency fluctuations in the valuation of the investment portfolio. This is achieved by the use of forward foreign currency contracts. Such instruments are used for the sole purpose of efficient portfolio management. All derivative financial instruments are held at fair value through profit or loss.

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

F Other assets

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

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

G Other liabilities

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the financial reporting date. Such liabilities are short-term in nature, the carrying value of these liabilities is considered to be approximate to their fair value.

Significant accounting policies continued

H Equity and reserves

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

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

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

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

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

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

Significant accounting policies continued

l Income taxes

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

The tax currently payable is based on the taxable profit for the year. This may differ from the profit included in the Statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

1 Operating segments

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

The following is an analysis of the Company's investment return, profit before tax, assets, liabilities and net assets by portfolio segment for the year to 31 March 2022:

For the year to 31 March 2022	Economic infrastructure businesses £m	Projects portfolio £m	India Fund £m	Unallocated[1] £m	Total £m
Investment return	**486**	**18**	**5**	**5**	**514**
Profit/(loss) before tax	**483**	**19**	**5**	**(103)**	**404**
For the year to 31 March 2021					
Investment return	196	8	5	11	220
Profit/(loss) before tax	215	11	5	(25)	206
As at 31 March 2022					
Assets	**2,796**	**105**	**–**	**119**	**3,020**
Liabilities	**(18)**	**(1)**	**–**	**(297)**	**(316)**
Net assets/(liabilities)	**2,778**	**104**	**–**	**(178)**	**2,704**
As at 31 March 2021					
Assets	1,748	96	3	568	2,415
Liabilities	(6)	–	–	(19)	(25)
Net assets	1,742	96	3	549	2,390

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

Notes to the accounts continued

1 Operating segments continued

The following is an analysis of the Company's investment return, profit before tax, assets, liabilities and net assets by geography for the year to 31 March 2022:

For the year to 31 March 2022	UK and Ireland[1] £m	Continental Europe[2] £m	Asia £m	Total £m
Investment return	**63**	**446**	**5**	**514**
(Loss)/profit before tax	**(45)**	**444**	**5**	**404**
For the year to 31 March 2021				
Investment return	53	162	5	220
Profit before tax	17	184	5	206
As at 31 March 2022				
Assets	**653**	**2,367**	**–**	**3,020**
Liabilities	**(298)**	**(18)**	**–**	**(316)**
Net assets	**355**	**2,349**	**–**	**2,704**
As at 31 March 2021				
Assets	868	1,544	3	2,415
Liabilities	(19)	(6)	–	(25)
Net assets	849	1,538	3	2,390

1 Including Channel Islands. All centrally incurred costs have been deemed to be incurred in the UK and Ireland while recognising these costs support allocations across geographies.
2 Continental Europe includes all returns generated from, and investment portfolio value relating to, the Company's investments in Oystercatcher, including those derived from its underlying business in Singapore.

The Company generated 12% (2021: 24%) of its investment return in the year from investments held in the UK and Ireland and 87% (2021: 74%) of its investment return from investments held in continental Europe. During the year, the Company generated 95% (2021: 94%) of its investment return from investments in Economic infrastructure businesses, 4% (2021: 4%) from investments in Projects and 1% (2021: 2%) from its investment in the India Fund. Given the nature of the Company's operations, the Company is not considered to be exposed to any operational seasonality or cyclicality that would impact the financial results of the Company during the year or the financial position of the Company at 31 March 2022.

2 Management and performance fees payable

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Management fee	**43**	24
Performance fee	**54**	7
	97	31

Total management and performance fees payable by the Company for the year to 31 March 2022 were £97 million (2021: £31 million). Note 18 provides further details on the calculation of the management fee and performance fee.

3 Operating expenses

Operating expenses include the following amounts:

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Audit fees	**0.6**	0.4
Directors' fees and expenses	**0.5**	0.5

In addition to the fees described above, audit fees of £0.05 million (2021: £0.07 million) were paid by unconsolidated subsidiary entities for the year to 31 March 2022 to the Company's auditor.

Notes to the accounts continued

3 Operating expenses continued

Services provided by the Company's auditor

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

Audit services		Year to 31 March 2022 £m	Year to 31 March 2021 £m
Statutory audit[1]	Company	**0.40**	0.30
	UK unconsolidated subsidiaries[2]	**0.05**	0.04
	Overseas unconsolidated subsidiaries[2]	**–**	0.03
		0.45	0.37

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

Non-audit services

Deloitte LLP and their associates provided non-audit services for fees totalling £104,635 for the year to 31 March 2022 (2021: £52,700). This related to agreed-upon procedures work in respect of the management and performance fees (£7,560), agreed-upon procedures work in respect of Sustainability KPIs for the RCF reporting (£27,000), the review of the interim financial statements (£55,575) and reporting accountant work (£14,500). In line with the Company's policy, Deloitte LLP provided non-audit services to certain investee companies. The fees for these services are ordinarily borne by the underlying investee companies or unconsolidated subsidiaries, and therefore are not included in the expenses of the Company. Details on how such non-audit services are monitored and approved can be found in the Governance section of the Annual report and accounts.

4 Finance costs

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Finance costs associated with the debt facilities	**3**	2
Professional fees payable associated with the arrangement of debt financing	**2**	–
	5	2

The finance costs associated with the debt facilities have increased in the year ended 31 March 2022 as a result of higher average drawings and increases in the total available facilities. The average monthly drawn position during the year was £80 million (2021: nil) and the average monthly total available facilities was £508 million (2021: £300 million).

5 Movement in the fair value of derivative financial instruments

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Movement in the fair value of forward foreign exchange contracts	**(2)**	22

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

6 Income taxes

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Current taxes		
Current year	**–**	–
Total income tax charge in the Statement of comprehensive income	**–**	–

6 Income taxes continued

Reconciliation of income taxes in the Statement of comprehensive income

The tax charge for the year is different from the standard rate of corporation tax in the UK, currently 19% (2021: 19%), and the differences are explained below:

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Profit before tax	**404**	206
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2021: 19%)	**77**	39
Effects of:		
Non-taxable capital profits due to UK approved investment trust company status	**(70)**	(26)
Non-taxable dividend income	**(5)**	(1)
Dividends designated as interest distributions	**(3)**	(12)
Temporary differences on which deferred tax is not recognised	**1**	–
Total income tax charge in the Statement of comprehensive income	**–**	–

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

Under the UK Finance Act 2021, the UK corporation tax rate will increase for large companies from the current rate of 19% to 25% with effect from 1 April 2023. Should the Company recognise any deferred tax assets and liabilities, a rate of 19% or 25% would be used depending on when the assets and liabilities are expected to be crystallised.

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

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

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

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

The table below shows the classification of financial instruments held at fair value into the fair value hierarchy at 31 March 2022. For all other assets and liabilities, their carrying value approximates to fair value. During the year ended 31 March 2022, there were no transfers of financial instruments between levels of the fair value hierarchy (2021: none).

Trade and other receivables in the Balance sheet includes £2 million of deferred finance costs relating to the arrangement fee for the revolving credit facility and additional facilities (2021: £1 million). This has been excluded from the table below as it is not categorised as a financial instrument.

Notes to the accounts continued

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

Financial instruments classification

	As at 31 March 2022			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Investments at fair value through profit or loss	**–**	**–**	**2,873**	**2,873**
Trade and other receivables	**–**	**102**	**–**	**102**
Derivative financial instruments	**–**	**26**	**–**	**26**
	–	**128**	**2,873**	**3,001**
Financial liabilities				
Derivative financial instruments	**–**	**(18)**	**–**	**(18)**
	–	**(18)**	**–**	**(18)**

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

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

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

Level 3 fair value reconciliation	As at 31 March 2022 £m	As at 31 March 2021 £m
Opening fair value	**1,804**	1,652
Additions	**816**	91
Disposal proceeds and repayment	**(148)**	(48)
Movement in accrued income	**17**	(9)
Fair value movement (including exchange movements)	**384**	118
Closing fair value	**2,873**	1,804

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

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

Investment income of £127 million (2021: £92 million) comprises dividend income of £24 million (2021: £6 million), interest of £103 million (2021: £83 million) and no distributions (2021: £3 million) from unconsolidated subsidiaries.

Unquoted investments

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

The Company's policy is to fair value both the equity and shareholder debt investments in infrastructure assets together where they will be managed and valued as a single investment, were invested at the same time and cannot be realised separately. The Directors consider that equity and debt share the same characteristics and risks and they are therefore treated as a single unit of account for valuation purposes and a single class for disclosure purposes. As at 31 March 2022, the fair value of unquoted investments was £2,873 million (2021: £1,802 million). Individual portfolio asset valuations are shown in the Portfolio summary on page 27.

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

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

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

A discussion of discount rates applied can be found in the Summary of portfolio valuation methodology section. Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £258 million (2021: £152 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £297 million (2021: £176 million).

The majority of assets held within Level 3 have revenues that are linked, partially linked or in some way correlated to inflation. The long-term inflation rate assumptions for the country of domicile of the investments in the portfolio range from 5.0% (India) (2021: 5.0%) to 2.0% (the Netherlands) (2021: 2.0%). The long-term RPI assumption for the UK is 2.5% (2021: 2.5%). The impact of increasing the inflation rate assumption by 1% for the next two years would increase the value of the portfolio by £43 million (2021: £25 million). Decreasing the inflation rate assumption used in the valuation of each asset by 1% for the next two years would decrease the value of the portfolio by £46 million (2021: £25 million). The timing and quantum of price increases will vary across the portfolio and the sensitivity may differ from that modelled. Changing the inflation rate assumption may result in consequential changes to other assumptions used in the valuation of each asset.

The valuations are sensitive to changes in interest rates, which may result from: (i) unhedged existing borrowings within portfolio companies; (ii) interest rates on uncommitted future borrowings assumed within the asset valuations; and (iii) cash deposits held by portfolio companies. These comprise a wide range of interest rates from short-term deposit rates to longer-term borrowing rates across a broad range of debt products. Increasing the cost of borrowing assumption for unhedged borrowings and any future uncommitted borrowing and the cash deposit rates used in the valuation of each asset by 1% would reduce the value of the portfolio by £158 million (2021: £88 million). Decreasing the interest rate assumption for unhedged borrowings used in the valuation of each asset by 1% would increase the value of the portfolio by £156 million (2021: £82 million). This calculation does not take account of any offsetting variances which may be expected to prevail if interest rates changed, including the impact of inflation discussed above.

Intermediate holding companies

The Company invests in a number of intermediate holding companies that are used to hold the unquoted investments, valued as referred to above. All other assets and liabilities of the intermediate holding companies are held either at fair value or a reasonable approximation to fair value. The fair value of these intermediate holding companies therefore approximates to their NAV and the Company classifies the fair value as Level 3. As at 31 March 2022, the fair value of the other assets and liabilities within these intermediate holding companies was £nil (2021: £2 million).

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

Over-the-counter derivatives

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

Valuation process for Level 3 valuations

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

8 Trade and other receivables

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Current assets		
Vendor loan notes	**100**	105
Other receivables including prepayments	**2**	–
Capitalised finance costs	**2**	1
	104	106

Vendor loan notes ('VLNs') of £98 million plus interest are due from the purchaser following the sale of WIG in December 2019. These can be called on by giving notice and carry an interest rate of 6%. These are measured at amortised cost using the effective interest method. Accrued interest on the VLNs is included in the table above.

Notes to the accounts continued

9 Financial risk management

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

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

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

Capital structure

The Company has a continuing commitment to capital efficiency. The capital structure of the Company consists of cash held on deposit and in AAA rated money market funds, borrowing facilities and shareholders' equity. The Company's Articles require its outstanding borrowings, including any financial guarantees to support subsequent obligations, to be limited to 50% of the gross assets of the Company. The type and maturity of the Company's borrowings are analysed in Note 11 and the Company's equity is analysed into its various components in the Statement of changes in equity. Capital is managed so as to maximise the return to shareholders, while maintaining a strong capital base that ensures that the Company can operate effectively in the marketplace and sustain future development of the business. The Board is responsible for regularly monitoring capital requirements to ensure that the Company is maintaining sufficient capital to meet its future investment needs.

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

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

9 Financial risk management continued

Credit risk

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

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

For those assets and income entitlements that are not past due, it is believed that the risk of default is small and capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the investment. If the portfolio company has failed and there is no expectation to recover any residual value from the investment, the Company's policy is to record an impairment for the full amount of the loan. When the net present value of the future cash flows predicted to arise from the asset, discounted using the effective interest rate method, implies non-recovery of all or part of the Company's investment a fair value movement is recorded equal to the valuation shortfall.

As at 31 March 2022, the Company had no loans or receivables or debt investments considered past due (2021: nil).

The Company actively manages counterparty risk. Counterparty limits are set and closely monitored by the Board and a regular review of counterparties is undertaken by the Investment Manager and reported to the Board. As at 31 March 2022, the Company did not consider itself to have a significant exposure to any one counterparty and held deposits and derivative contracts with a number of different counterparties to reduce counterparty risk (2021: same).

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

Notes to the accounts continued

9 **Financial risk management** continued

Liquidity risk

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

2022	**Payable on demand £m**	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Total £m**
Liabilities					
Loans and borrowings[1]	**–**	**(7)**	**(5)**	**(234)**	**(246)**
Trade and other payables	**(4)**	**(26)**	**(20)**	**(18)**	**(68)**
Derivative contracts	**–**	**(12)**	**(3)**	**(3)**	**(18)**
Financial commitments[2]	**(302)**	**–**	**–**	**–**	**(302)**
Total undiscounted financial liabilities	**(306)**	**(45)**	**(28)**	**(255)**	**(634)**

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

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

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

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

In order to manage the contractual liquidity risk the Company has free cash and debt facilities in place, is able to call the VLNs referred to in Note 8 with six weeks' notice and, in June 2022, is expecting to receive £103 million from the sale of its Projects portfolio.

9 Financial risk management continued

Market risk

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

(i) Interest rate risk

Further information on how interest rate risk is managed is provided in the Risk report.

An increase of 100 basis points in interest rates over 12 months (2021: 100 basis points) would lead to an approximate decrease in net assets and net profit of the Company of £2 million (2021: increase of £5 million). This exposure relates principally to changes in interest payable on the drawn RCF balance at the year end (2021: in interest receivable on cash on deposit held at the year end). The average cash balance of the Company, which is more representative of the cash balance during the year, was £269 million (2021: £405 million) and the weighted-average interest earned was 0.04% (2021: 0.1%).

In addition, the Company has indirect exposure to interest rates through changes to the financial performance of portfolio companies caused by interest rate fluctuations as disclosed in Note 7. This risk is considered a component of market risk described in section (iii). The Company does not hold any fixed rate debt investments or borrowings and is therefore not exposed to fair value interest rate risk.

(ii) Currency risk

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

Notes to the accounts continued

9 **Financial risk management** continued

	As at 31 March 2022					
	Sterling[1] £m	Euro £m	NOK £m	DKK £m	US dollar £m	Total £m
Net assets	**456**	**1,457**	**243**	**548**	**–**	**2,704**
Sensitivity analysis						
Assuming a 10% appreciation in sterling against the euro, NOK, DKK and US dollar exchange rates:						
Impact of exchange movements on net profit and net assets	**139**	**(132)**	**(22)**	**(50)**	**–**	**(65)**

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

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

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

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

9 Financial risk management continued

(iii) Market risk

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

	As at 31 March 2022 Investments at fair value £m	As at 31 March 2021 Investments at fair value £m
Increase in net profit and net assets	**287**	180

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

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

(iv) Fair values

The fair value of the investment portfolio is described in detail in the Portfolio valuation methodology section and in Note 7. The fair values of the remaining financial assets and liabilities approximate to their carrying values (2021: same).

The sensitivity analysis in respect of the interest rate, currency and market price risks is considered to be representative of the Company's exposure to financial risks throughout the period to which they relate (2021: same).

Notes to the accounts continued

10 Derivative financial instruments

	As at 31 March 2022 £m	As at 31 March 2021 £m
Non-current assets		
Forward foreign exchange contracts	**6**	18
Current assets		
Forward foreign exchange contracts	**20**	25
Non-current liabilities		
Forward foreign exchange contracts	**(6)**	(2)
Current liabilities		
Forward foreign exchange contracts	**(12)**	(4)

Forward foreign exchange contracts

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

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

As at 31 March 2022, the notional amount of the forward foreign exchange contracts held by the Company was £1,555 million (2021: £1,090 million).

11 Loans and borrowings

On 3 November 2021, the Company refinanced its £300 million RCF as a new £400 million sustainability-linked RCF with a maturity date of November 2024 and two one-year extension options. The Company has the right to increase the size of the new RCF by a further £200 million, provided that existing lenders have a right of first refusal. This right was exercised on 16 December 2021 for a one-year period. On 31 January 2022 an additional £400 million facility was agreed for a one-year period. Total available debt facilities at 31 March 2022 were £1 billion (2021: £300 million).

The new RCF is secured by a floating charge over the bank accounts of the Company. Interest is payable at SONIA or EURIBOR plus a fixed margin on the drawn amount. This fixed margin is subject to a small adjustment annually based upon performance against agreed sustainability metrics. As at 31 March 2022, the Company had drawn cash of £231 million from the RCF (2021: nil). The new RCF has certain loan covenants, including a loan to value ratio.

12 Trade and other payables

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Non-current liabilities		
Performance fee	**38**	10
Current liabilities		
Management and performance fees	**27**	8
Accruals and other creditors	**2**	1
	67	19

The carrying value of all liabilities is representative of fair value (2021: same).

13 Issued capital

	As at 31 March 2022		As at 31 March 2021	
	Number	£m	Number	£m
Authorised, issued and fully paid				
Opening balance	**891,434,010**	**1,496**	891,434,010	1,496
Closing balance	**891,434,010**	**1,496**	891,434,010	1,496

Aggregate issue costs of £24 million arising from IPO and subsequent share issues have been offset against the stated capital account in previous years. In addition, the stated capital account was reduced by Court order on 20 December 2007 with an amount of £693 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Therefore, as at 31 March 2022, the residual value on the stated capital account was £779 million.

Notes to the accounts continued

14 Per share information

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

	Year to 31 March 2022	Year to 31 March 2021
Earnings per share (pence)		
Basic and diluted	**45.3**	23.1
Earnings (£m)		
Profit after tax for the year	**404**	206
Number of shares (million)		
Weighted average number of shares in issue	**891.4**	891.4
Number of shares at the end of the year	**891.4**	891.4

	As at 31 March 2022	As at 31 March 2021
Net assets per share (pence)		
Basic and diluted	**303.3**	268.1
Net assets (£m)		
Net assets	**2,704**	2,390

Notes to the accounts continued

15 Dividends

Declared and paid during the year	Year to 31 March 2022 Pence per share	Year to 31 March 2022 £m	Year to 31 March 2021 Pence per share	Year to 31 March 2021 £m
Interim dividend paid on ordinary shares	**5.225**	**46**	4.900	44
Prior year final dividend paid on ordinary shares	**4.900**	**44**	4.600	41
	10.125	**90**	9.500	85

The Company proposes paying a final dividend of 5.225 pence per share (2021: 4.9 pence) which will be payable to those shareholders that are on the register on 17 June 2022. On the basis of the shares in issue at year end, this would equate to a total final dividend of £47 million (2021: £44 million).

The final dividend is subject to approval by shareholders at the AGM in July 2022 and has therefore not been accrued in these Financial statements.

16 Commitments

	As at 31 March 2022 £m	As at 31 March 2021 £m
Unquoted investments	**302**	38

As at 31 March 2022, the Company was committed to invest $398 million (£302 million) in GCX. Following the end of the 3i India Infrastructure Fund (the 'India Fund') life at the end of March 2022, the India Fund has now moved into liquidation and the outstanding US$38 million (£27 million) commitment is no longer callable. During the year, the Company invested in ESVAGT and as a result, the prior year commitment of DKK 100 million (£11 million) was extinguished.

17 Contingent liabilities

As at 31 March 2022, the Company had no contingent liabilities (2021: nil).

18 Related parties

Transactions between 3i Infrastructure and 3i Group

3i Group plc ('3i Group') holds 30.2% (2021: 30.2%) of the ordinary shares of the Company. This classifies 3i Group as a 'substantial shareholder' of the Company as defined by the Listing Rules. During the year, 3i Group received dividends of £27 million (2021: £26 million) from the Company.

In 2007 the Company committed US$250 million to the India Fund to invest in the Indian infrastructure market. 3i Group also committed US$250 million to the India Fund. No commitments (2021: nil) were drawn down by the India Fund from the Company during the year. In total, commitments of US$184 million or £140 million re-translated (2021: US$184 million or £133 million) had been drawn down at 31 March 2022 by the India Fund from the Company. As the India Fund has reached the end of its life and moved into liquidation, the outstanding commitment at 31 March 2022 is no longer callable (2021: US$38 million or £27 million).

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

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

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

For the year to 31 March 2022, £43 million (2021: £25 million) was payable, including one-off transaction fees payable in respect of new investments and advance payments of £42 million were made resulting in an amount due to 3i plc of £1 million at 31 March 2022 (2021: less than £1 million due from 3i plc). In consideration of the provision of support services under the IMA, the Company pays the Investment Manager an annual fixed fee. The cost for the support services incurred for the year to 31 March 2022 was £1 million (2021: £1 million). There was no outstanding balance payable as at 31 March 2022 (2021: nil).

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

18 Related parties continued

The performance hurdle requirement was exceeded for the year to 31 March 2022 and therefore a performance fee of £54 million was recognised (2021: £7 million). The outstanding balance payable as at 31 March 2022 was £64 million (2021: £18 million), which includes the second and third instalments of the prior year fee and the third instalment of the FY20 fee.

Year	Performance fee (£m)	Outstanding balance at 31 March (£m)	Payable in FY23 (£m)
FY22	54	54	18
FY21	7	4	2
FY20	17	6	6

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

Regulatory information relating to fees

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

- **Payments for third-party services:** The Company may retain the services of third-party consultants; typically this is for an independent director or other investment management specialist expertise. The amount paid varies in accordance with the nature of the service and the length of the service period and is usually, but not always, paid or reimbursed by the portfolio companies. The payment may involve a flat fee, retainer or success fee. Such payments, where borne by the Company, are included within Operating expenses. In some circumstances, the AIFM may retain the services of third-party consultants which are paid for by the AIFM and not recharged to the Company.
- **Payments for services from 3i companies:** Other 3i companies may provide investment advisory and other services to the AIFM or other 3i companies and receive payment for such service.

Notes to the accounts continued

19 Unconsolidated subsidiaries and related undertakings

Name	Place of incorporation and operation	Ownership interest
3i Infrastructure (Luxembourg) S.à r.l.	Luxembourg	100%
3i Infrastructure (Luxembourg) Holdings S.à r.l.	Luxembourg	100%
Oystercatcher Luxco 1 S.à r.l.	Luxembourg	100%
Oystercatcher Luxco 2 S.à r.l.	Luxembourg	100%
Oystercatcher Holdco Limited	UK	100%
3i Osprey LP	UK	69%
3i India Infrastructure Fund A LP	UK	100%
BIF WIP LP (dissolved during the year)	UK	100%
BIF WIP Dutch Holdco B.V. (dissolved during the year)	The Netherlands	100%
3i Infrastructure (Netherlands) B.V. (formerly Heijmans Capital B.V.) (dissolved during the year)	The Netherlands	100%
NMM Company B.V.	The Netherlands	100%
Heijmans A12 B.V.	The Netherlands	100%
3i ERRV Denmark Limited	Jersey	100%
ERRV Luxembourg Holdings S.à r.l.	Luxembourg	100%
3i WIG Limited	Jersey	100%
3i Envol Limited	Jersey	100%
3i Tampnet Holdings Limited	UK	100%
3iN Attero Holdco Limited	UK	100%
3i Amalthea Topco Limited	UK	100%
Reef Topco Limited	UK	100%
Reef Midco Limited	UK	100%
Reef Bidco Limited	UK	100%

19 Unconsolidated subsidiaries and related undertakings continued

Name	Place of incorporation and operation	Ownership interest
Joulz Group:		
Joulz Holdco B.V.	The Netherlands	99%
Joulz Bidco B.V.	The Netherlands	99%
Joulz Diensten B.V.	The Netherlands	99%
Joulz Meetbedrijf B.V.	The Netherlands	99%
Joulz Infradiensten B.V.	The Netherlands	99%
Joulz Laadoplossingen B.V.	The Netherlands	99%
Ionisos Group:		
Epione Holdco SAS	France	96%
Epione Bidco SAS	France	96%
Ionisos Mutual Services SAS	France	96%
Ionisos SAS	France	96%
Ionisos GmbH	Germany	96%
Ionmed Esterilizacion SA	Spain	96%
Scandinavian Clinics Estonia OÜ	Estonia	96%
Steril Milano Srl	Italy	96%
Infinis Group:		
3i LFG Topco Limited	Jersey	100%
Infinis Energy Group Holdings Limited	UK	100%
Infinis Energy Management Limited	UK	100%
Infinis Limited	UK	100%
Infinis (Re-Gen) Limited	UK	100%
Novera Energy (Holdings 2) Limited	UK	100%
Novera Energy Generation No. 1 Limited	UK	100%
Novera Energy Operating Services Limited	UK	100%

Notes to the accounts continued

19 Unconsolidated subsidiaries and related undertakings continued

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

19 Unconsolidated subsidiaries and related undertakings continued

Name	Place of incorporation and operation	Ownership interest
Infinis Solar Holdings Limited	UK	100%
Infinis Solar Developments Limited	UK	100%
Infinis Solar Limited	UK	100%
ND Solar Enterprise Limited	UK	100%
Aura Power Solar UK6 Limited	UK	100%
DNS:NET Group:		
DNS Holdings GmbH	Germany	64%
DNS Bidco GmbH	Germany	64%
DNS:NET Internet Service GmbH	Germany	64%
SRL Traffic Systems Group:		
Amalthea Holdco Limited	UK	92%
Amalthea Midco Limited	UK	92%
Amalthea Bidco Limited	UK	92%
Jupiter Bidco Limited	UK	92%
SRL Traffic Systems Limited	UK	92%
SRL GmbH	Germany	92%
SRL Traffic Systems Limited	Ireland	92%
ESVAGT Group:		
ERRV Holdings ApS	Denmark	100%
ERRV ApS	Denmark	100%
ESVAGT Holdings Inc	US	100%
ESVAGT A/S	Denmark	100%
ESVAGT Norge AS	Norway	100%
ESVAGT Holdings Ltd	UK	100%
P/F ESVAGT-Thor	Faroe Islands	51%
ESVAGT UK Ltd	UK	100%

Notes to the accounts continued

19 **Unconsolidated subsidiaries and related undertakings** continued

The list above comprises the unconsolidated subsidiary undertakings of the Company as at 31 March 2022.

There are no current commitments or intentions to provide financial or other support to any of the unconsolidated subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support except for those disclosed in Note 16 (2021: none). No such financial or other support was provided during the year (2021: none).

Investment policy (unaudited)

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

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

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

The Company may also consider investing in other fund structures (in the event that it considers, on receipt of advice from the Investment Manager, that that is the most appropriate and effective means of investing), which may be advised or managed either by the Investment Manager or a third party. If the Company invests in another fund advised or managed by 3i Group, the relevant proportion of any advisory or management fees payable by the investee fund to 3i plc will be deducted from the annual management fee payable under the Investment Management Agreement and the relevant proportion of any performance fee will be deducted from the annual performance fee, if payable, under the Investment Management Agreement.

For the avoidance of doubt, there will be no similar set-off arrangement where any such fund is advised or managed by a third party.

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

No investment made by the Company will represent more than 25% of the Company's gross assets, including cash holdings, at the time of making the investment. It is expected that most individual investments will exceed £50 million. In some cases, the total amount required for an individual transaction may exceed the maximum amount that the Company is permitted to commit to a single investment. In such circumstances, the Company may consider entering into co-investment arrangements with 3i Group (or other investors who may also be significant shareholders), pursuant to which 3i Group and its subsidiaries (or such other investors) may co-invest on the same financial and economic terms as the Company. The suitability of any such co-investment arrangements will be assessed on a transaction-by-transaction basis. Depending on the size of the relevant investment and the identity of the relevant co-investor, such a co-investment arrangement may be subject to the related party transaction provisions contained in the Listing Rules and may therefore require shareholder consent.

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

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

Portfolio valuation methodology (unaudited)

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

Basis of valuation

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

General

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

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

Quoted investments

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

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

- Discounted Cash Flow ('DCF');
- Proportionate share of net assets;
- Sales basis; and
- Cost less any fair value adjustments required.

DCF

DCF is the primary basis for valuation. In using the DCF basis, fair value is estimated by deriving the present value of the investment using reasonable assumptions and estimation of expected future cash flows, including contracted and uncontracted revenues, expenses, capital expenditure, financing and taxation, and the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The terminal value attributes a residual value to the investee company at the end of the projected discrete cash flow period. The discount rate will be estimated for each investment derived from the market risk-free rate, a risk-adjusted premium and information specific to the investment or market sector.

Portfolio valuation methodology (unaudited) continued

Proportionate share of net assets

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

Sales basis

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

Cost less fair value adjustment

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

Information for shareholders

Financial calendar

Ex-dividend date for final dividend	16 June 2022
Record date for final dividend	17 June 2022
Annual General Meeting	7 July 2022
Final dividend expected to be paid	11 July 2022
Half-yearly results	November 2022

Designation of dividends as interest distributions

As an approved Investment Trust, the Company is permitted to designate dividends wholly or partly as interest distributions for UK tax purposes. Dividends designated as interest in this way are taxed as interest income in the hands of shareholders and are treated as tax deductible interest payments made by the Company. The Company expects to make such dividend designations in periods in which it is able to use the resultant tax deduction to reduce the UK corporation tax it would otherwise pay on the interest income it earns from its investments. The Board is not designating any of the 5.225 pence final dividend payable in respect of the year as an interest distribution.

Registrars

The Company's registrar is Link Market Services (Jersey) Limited (the 'Registrar'). The Registrar's main responsibilities include maintaining the shareholder register and making dividend payments. Their registered address is as follows:

Link Market Services (Jersey) Limited
PO Box 532
St. Helier
Jersey JE4 5UW
Channel Islands

If you have any queries relating to your 3i Infrastructure plc shareholding you should contact the Registrar as follows:

Online: www.signalshares.com. From here you will be able to securely email Link with your query.

Telephone: 0371 664 0300

Overseas enquiries: +44 371 664 0300

By post: Link, Central Square, 29 Wellington Street, Leeds, LS1 4DL

*Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am-5.30pm, Monday to Friday excluding public holidays in England and Wales.

Investor relations and general enquiries

For all investor relations and general enquiries about 3i Infrastructure plc, please contact:

Thomas Fodor
Investor Relations
3i Infrastructure plc
16 Palace Street
London, SW1E 5JD

email: thomas.fodor@3i.com
Telephone +44 (0)20 7975 3469

or for full up-to-date investor relations information including the latest share price, recent reports, results presentations and financial news, please visit the investor relations page on our website **www.3i-infrastructure.com**.

If you would prefer to receive shareholder communications electronically, including your Annual reports and notices of meetings, please go to **www.3i-infrastructure.com/investors/shareholder-centre** for details of how to register.

Frequently used Registrars' forms can be found on our website at **www.3i-infrastructure.com/investors/shareholder-centre**.

3i Infrastructure plc
Registered Office
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands

www.3i-infrastructure.com

Glossary

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

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

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

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

Board The Board of Directors of the Company.

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

Company 3i Infrastructure plc.

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

External auditor The independent auditor, Deloitte LLP.

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

FY15, FY20, FY21, FY22, FY23 refers to the financial years to 31 March 2015, 31 March 2020, 31 March 2021, 31 March 2022 and 31 March 2023 respectively.

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

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

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

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

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

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

Glossary continued

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

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

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

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

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

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

Revolving credit facility ('RCF') A £400 million facility provided by the Company's lenders with a maturity date in November 2024, together with a further £200 million of commitments maturing in December 2022 and £400 million of commitments maturing in January 2023.

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

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

Sustainability KPIs Sustainability metrics in relation to the Sustainability-linked revolving credit facility. The facility includes targets across ESG themes aligned with our purpose.

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

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

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

For further information see our website
www.3i-infrastructure.com

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Annual report and accounts online
To receive shareholder communications electronically in future, including Annual reports and notices of meetings, please go to:

www.3i-infrastructure.com