12 May 2016

3i Infrastructure plc

Results for the year to 31 March 2016

3i Infrastructure plc (“3i Infrastructure” or “the Company”) announces today its results for the year ending 31 March 2016.

Performance highlights

Year to/as at 31 March 2016

Strong portfolio performance driving growth in Net Asset Value

Good total return for the year driven by the continued robust performance of the portfolio, including the positive impact of regulatory developments on the value of the Company’s holding in Elenia.

Net Asset Value (“NAV”) of £1,277m (2015: £1,321m) after payment of a £150m special dividend to shareholders in July 2015.

14%
Total return on opening NAV

161.0p
NAV per share

Investing well across our target markets and developing a healthy investment pipeline

Good progress made in further diversifying the portfolio. £193m of investments completed in FY16: two further Oiltanking terminals, the West of Duddon Sands (“WODS”) OFTO project, ESVAGT and the Condorcet Campus primary PPP project.

Committed to invest a further £75m in Wireless Infrastructure Group, €200m in TCR and €5m in the Hart van Zuid primary PPP project since the year end.

£193m
Invested or committed in the year

Good income progression

Good progress in building portfolio income following the sale of Eversholt Rail in April 2015, with new investments in the Oiltanking companies, the WODS OFTO and ESVAGT making useful contributions in the second half of the year.

£64m
Total income

Delivered dividend target for FY16

Met dividend target for FY16 of 7.25p per share.

7.25p
Total dividend for FY16

Managing our balance sheet efficiently while maintaining a good level of liquidity to invest

Renewed the Revolving Credit Facility (“RCF”) in May 2015, increasing its size from £200m to £300m on attractive terms, providing further flexibility for new investment activity. Investment activity during the year used cash balances and investments since the year end can be funded by the RCF.

£50m
Cash balances

£277m
Undrawn RCF balance

Priorities for FY17

Committing to grow the dividend progressively

Total dividend target for FY17 of 7.55p per share, representing growth of over 4% on FY16.

7.55p
Total dividend target for FY17

+4%
Increase on FY16

Raising new equity of up to £350m to fund new investments and future pipeline

Announcing an Open Offer, Placing and Intermediaries Offer, to raise up to £350m in new equity from existing and new shareholders, with an ability to issue up to an additional £130m on a non pre-emptive basis, subject to demand and investment pipeline.

In April 2016, we extended the term of the RCF by one year to May 2019 and, at the same time, agreed a temporary increase in the Facility to £500m to December 2016.

up to £350m
New equity

Richard Laing, Chairman of 3i Infrastructure plc, said: "3i Infrastructure provides its shareholders with a differentiated investment proposition. The infrastructure market continues to offer attractive investment opportunities, as demonstrated by the new investments completed by the Company."

Ben Loomes and Phil White, Managing Partners and Co-heads, Infrastructure, 3i Investments plc, said: "The portfolio continued to perform well in FY16, underpinning strong NAV growth and portfolio income progression, in line with the Company's objectives. This performance builds on the strong long-term performance of the Company, which has delivered an annualised total shareholder return of 11.3% since its IPO in 2007. We were pleased to have made a number of new investments during the year, demonstrating our ability to access attractive opportunities within the Company's target markets. These investments further diversify the Company's portfolio. The Company is well positioned for the future and we begin FY17 with three new investments announced and a healthy investment pipeline."

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

Notes to editors

3i Infrastructure plc is a Jersey-incorporated, closed-ended investment company, listed on the London Stock Exchange and regulated by the Jersey Financial Services Commission. The Company is a long-term investor in infrastructure businesses and assets. The Company's market focus is on economic infrastructure, primary PPP and low-risk energy projects in developed economies, principally in Europe, investing in operating businesses and projects which generate long-term yield and capital growth.

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

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

This report for 3i Infrastructure plc ("3i Infrastructure" or "the Company") for the year to 31 March 2016 has been drawn up in reliance upon applicable English and Jersey law and the liabilities of the Company in connection with that report shall be subject to the limitations and restrictions provided by such law. This report may contain certain statements about the future outlook for 3i Infrastructure. Although the Directors believe their expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Chairman's statement

This is my first report to the shareholders of 3i Infrastructure since succeeding Peter Sedgwick as Chairman on 1 January 2016. Since my appointment, I have had an opportunity to get to know the Board and the investment advisory team and to understand the Company's portfolio and the market in which it operates. I believe 3i Infrastructure is well positioned to continue to deliver its objectives and to provide its shareholders with a differentiated investment proposition, due to the quality of its portfolio and the advice it receives from the Investment Adviser.

The results we achieved in FY16, as well as over the longer term, confirm this. In FY16, we delivered a total return of 14%. This compares with the Company's target of delivering a total return of 8% to 10% over the medium term. We redeployed a majority of the proceeds from the sale of the Company's interest in Eversholt Rail across our target markets and met our dividend target for the year of 7.25 pence per share. Consistent with our progressive dividend policy, we are announcing a total dividend target for FY17 of 7.55 pence per share, implying a growth of over 4% compared to the total dividend we delivered in FY16.

Since the year end, we have committed to invest a further £75 million in Wireless Infrastructure Group ("WIG"), €200 million in TCR and a further €5 million in the Hart van Zuid primary PPP project. Our future investment pipeline is developing well and to ensure that we remain well funded to execute this future pipeline, we are launching an Open Offer, Placing and Intermediaries Offer with the intention of raising up to £350 million. We have increased our Revolving Credit Facility by £200 million to provide additional funding flexibility in the meantime.

Performance

The Company generated a total return of £166 million for the year to 31 March 2016, or 14% of opening Net Asset Value ("NAV"), adjusted for the payment of the special dividend on 31 July 2015. The NAV per share increased to 161.0 pence at 31 March 2016. This was a very good result in the context of the Company's total return target of 8% to 10% per annum, to be achieved over the medium term, and was driven by the continued robust performance of the European portfolio, including the positive impact of regulatory developments for Elenia. In addition, the Company made good progress towards building portfolio income, with all new investments completed during the year yielding in line with our expectations.

We delivered a Total Shareholder Return ("TSR") of 12.6% in the year to 31 March 2016, improving further our performance record since inception. The TSR from the Company's IPO in March 2007 to 31 March 2016 was 164.3% or 11.3% on an annualised basis. This compares favourably with the returns in the broader market. Over the same period, the FTSE 250 generated a TSR of 93.4%, or 7.6% on an annualised basis. Importantly, the Company continues to achieve this outperformance with low share price volatility.

Dividend

Last year, we announced a total dividend target for FY16 of 7.25 pence per share. Following the payment of the interim dividend of 3.625 pence per share in January 2016, the Board has declared a final dividend for the year of 3.625 pence per share, meeting our target for the year. We expect the final dividend to be paid on 11 July 2016. Consistent with our progressive dividend policy, we are announcing a total dividend target for FY17 of 7.55 pence per share, representing a year-on-year increase of 4%.

Strategy

The increase in demand for infrastructure assets in the sustained low interest rate environment, combined with the availability of debt finance for infrastructure investment on attractive terms, has driven the price of some infrastructure assets higher. This trend has been most evident in the market for large Core infrastructure assets. Against this backdrop, the Company shaped its investment strategy to focus on mid-market economic infrastructure and greenfield projects, where prospective returns are more attractive.

Investment and realisation activity

In competitive markets, we invested or committed to invest a total of £193 million in four new investments across mid-market economic infrastructure businesses and greenfield projects, redeploying a significant portion of the proceeds from the sale of the Company's interest in Eversholt Rail. The new investments completed in the year are performing well and contributed to income generation in the second half of the year, in line with our expectations at the time of investment. In addition, since the year end, we have announced that we are to invest approximately £75 million in WIG and €200 million in TCR, in transactions expected to complete by the end of June and the end of August 2016 respectively, subject to regulatory clearance, and a further €5 million in the Hart van Zuid primary PPP project. These are complementary additions to the Company's investment portfolio, providing further geographical and sector diversification.

The Investment Adviser continues to make progress with the realisation of the assets in the India Fund. Following the sale of approximately 54% of Adani Power in the last financial year, the India Fund sold its holding in Ind-Barath Energy (Utkal) Limited ("Ind-Barath Energy") in FY16 and the proceeds from that sale are expected to be received in the first quarter of FY17.

Balance sheet and Open Offer, Placing and Intermediaries Offer

The efficient management of the Company's liquidity continues to be a key area of focus for the Board. Following the sale of the Company's investment in Eversholt Rail, the Company has continued to manage its liquidity position actively, ensuring that it maintains good liquidity to pursue new investment opportunities, while not diluting shareholder returns by holding excessive cash balances. Consistent with this objective, the Company announced in May 2015 that it would pay a special dividend of £150 million to shareholders and that it had negotiated a new RCF, increasing the Facility from £200 million to £300 million on attractive terms. Following the payment of the ordinary and special dividends, as well as investment and realisation flows, the Company ended the year with total liquidity of £327 million, including cash balances of £50 million and an undrawn RCF balance of £277 million. In April 2016, the RCF was increased by £200 million on a temporary basis to provide additional flexibility to make new investment commitments.

In order to ensure that the Company remains well funded to execute its new investments and future pipeline, we are launching an Open Offer, Placing and Intermediaries Offer with the intention of raising up to £350 million from existing and new shareholders. The proceeds from this offering will be used to fund completion of the investments in WIG and TCR, as well as to fund future investment opportunities. The Company may issue up to an additional £130 million of new shares, representing up to 10% of the existing issued share capital, on a non pre-emptive basis. This additional issue will be dependent on demand for the Offer and the Board's assessment of the near-term pipeline.

Corporate governance

At the end of December 2015, Peter Sedgwick retired after nine years as Chairman. On behalf of the Board, I would like to thank Peter for his contribution to a period of outstanding growth and success for 3i Infrastructure.

The Board aims to uphold the highest standard of corporate governance and, in the year under review, complied with all applicable provisions of the UK Corporate Governance Code. The Company's Annual General Meeting and an Extraordinary General Meeting were held on 7 July 2015. All resolutions were approved by shareholders, including the election or re-election of all the Directors to the Board. The special resolutions relating to the share consolidation implemented in conjunction with the payment of the special dividend and the increase to the single investment concentration limit from 20% to 25% of gross assets were also approved with an overwhelming majority. This year's AGM will be held on 7 July 2016.

Outlook

The infrastructure market continues to offer attractive investment opportunities, as demonstrated by the new investments the Company completed during the financial year and announced since then. These investments offer a stable return profile, sought after in a highly uncertain macroeconomic environment, which continues to be characterised by low interest rates and low growth. Looking ahead, we are confident in our business model and our ability to continue to deliver our objectives. We have a high quality portfolio which underpins future returns. We also have a healthy pipeline of investment opportunities across our target markets, and we have the funding and market access to continue to grow the Company over the years to come.

Richard Laing
Chairman, 3i Infrastructure plc
11 May 2016

Our objectives and strategic priorities

Our objective is to provide shareholders with a sustainable total return of 8% to 10% per annum, to be achieved over the medium term, with a progressive annual dividend per share.

We aim to achieve this by maintaining a balanced portfolio of infrastructure investments delivering a mix of income yield and capital growth.

We drive value by adopting a selective approach to new investment, through our engaged asset management approach and by maintaining an efficient balance sheet.

Our investment approach

We implement our investment approach through the Investment Adviser's team of approximately 25 dedicated investment professionals based in London and Paris, as well as through its broader European network of offices. This platform provides us with a comprehensive coverage of our target markets, as well as the asset management skills to drive value from our investment portfolio.

The Investment Adviser will:

– originate investment opportunities focusing selectively on transactions that are value enhancing to the portfolio;

– engage with portfolio company management at board level to define the strategic direction and business plan;

– access its network of industry specialists and senior management to bring in expertise and/or bolster management teams;

– invest in the underlying asset base to support profitable growth over the longer term;

– assess acquisitions if suitable opportunities arise;

– implement an efficient and prudent capital structure to optimise funding costs and which is appropriate for the business's risk profile;

– drive operational performance and disciplined cash management to support both income yield and capital growth; and

– apply a clear and comprehensive Responsible Investment policy which is embedded into its investment and portfolio monitoring processes.

The Company generally invests on the basis of a buy and hold strategy, although it may realise investments when a sale would generate superior value for shareholders.

Clear strategic priorities

Maintaining a balanced portfolio	Managing the portfolio intensively
▪ Delivering an attractive mix of income yield and capital growth for our shareholders ▪ Investing in developed markets, with a focus on the UK and Europe	▪ Driving value from the Company's portfolio through our engaged asset management approach
Disciplined approach to new investment	**Maintaining an efficient balance sheet**
▪ Focusing selectively on investments that are value enhancing to the Company's portfolio and consistent with its return objectives	▪ Minimising return dilution to shareholders from holding excessive cash, while retaining a good level of liquidity for future investment

The infrastructure asset class

Infrastructure businesses generally have a strong market position, often operating within regulatory frameworks, or with revenues underpinned by long-term contracts. They provide “essential” services, either because they are fundamental to economic activity and growth, such as utilities, transport or communications infrastructure, or because they support important social functions, such as education or healthcare facilities.

Infrastructure assets typically have a low correlation with other asset classes, including listed equities, real estate and fixed income. The quality and predictability of their cash flows tend to provide for stable returns to shareholders over time.

Investment characteristics that we typically target

1. Geographical focus	**2. Target sectors**	**3. Asset intensive or long-term concession**	**4. Essential services**	**5 Acceptable element or market/ usage risk**	**6. Opportunities to enhance value**
Developed markets, principally the UK and Europe	For economic infrastructure – focus on investments within key sectors of utilities, energy, transport and communications, and also in adjacent sectors such as leasing and storage For projects – focusing on greenfield education, transport, healthcare or public sector accommodation and low-risk energy projects	Businesses with a significant asset base that they own in perpetuity, or long-term concessions backed by robust regulatory frameworks, generating stable long-term cash flows	Businesses that provide essential services to the communities in which they operate or to other businesses, operating in markets with high barriers to entry and providing some downside protection	Downside protection from operating in partially competitive markets Potential upside through an acceptable level of demand risk	Partnering with management teams and/or operational partners to deliver enhancements to the current business plan or to develop appropriate growth opportunities

Market conditions

The sustained low interest rate environment and macroeconomic uncertainty have continued to drive demand for long duration assets with stable cash flows. Over recent years, this has resulted in significantly increased competition for infrastructure assets, where cash yields and the relative insensitivity to economic cycles make the asset class attractive for investors.

The infrastructure asset class attracts interest from existing specialist financial investors, but also from large pension funds, sovereign wealth funds and insurance companies, a number of which have developed direct investment capabilities. Underlying investors continue to increase their allocations to the infrastructure sector and overall remain under-invested relative to target allocations.

This increase in demand, combined with the availability of debt finance for infrastructure investment on attractive terms, has driven the price of some infrastructure assets materially higher and therefore projected returns lower.

This trend has been most evident in the market for large Core economic infrastructure assets. Over the recent past, this compression in returns has had a materially positive impact on the value of the Company's investments, many of which were purchased in a more favourable projected returns environment.

Market conditions have shaped our investment activity to focus on:

– economic infrastructure businesses in the energy, utilities, communications and transportation sectors and adjacent sub-sectors;

– economic infrastructure businesses with characteristics that can be managed to enhance value over the period of ownership, including for example some level of demand or market risk; and

– greenfield projects.

Our target markets for new investment

Economic infrastructure businesses

Businesses generally:

– own their asset base in perpetuity

– provide essential services

– have a strong market position

– generate stable cash flows

Some businesses may have some characteristics which, through the Investment Adviser's engaged asset management approach, can enhance returns, including:

– growth opportunities

– demand/market risk

– greater operational complexity

Equity investments typically in the range of £50m-£250m

Returns typically in the range of 9%-14% per annum

Our approach

We originate investments through the Investment Adviser's dedicated team based in London and Paris, as well as drawing from its broader European network of offices.

We generate returns during our ownership through the Investment Adviser's engaged asset management approach.

The Investment Adviser represents the Company on the boards of our investments, engaging with senior management to support the development and execution of their strategy.

We will sell investments when a sale would generate superior value for our shareholders.

Greenfield projects

PPPs to build, commission and operate infrastructure such as government buildings, social infrastructure and roads

Low-risk energy projects, other means of energy generation, transmission and storage, telecommunications, accommodation and transportation projects

Equity investments typically in the range of £5m-£50m

Returns typically in the range of 9%-12% per annum

Our approach

Our approach is to originate attractive opportunities through the Investment Adviser's relationships with project developers, including construction companies. We also leverage the Investment Adviser's expertise in the assessment and management of construction risk.

We generate returns by managing greenfield projects through their construction phase and operational ramp-up.

Once projects become operational, they can be held for yield or sold to crystallise value as part of our broader portfolio management approach.

How we performed

Key performance indicators

Total return % on opening Net Asset Value		**Full year distribution**[1] pence per share (pps)		**Portfolio balance**[2] % of portfolio			
					Economic infrastructure businesses	**Projects portfolio**	**India Fund**
2016	**14.0%**	**2016**	**7.25pps**	**2016**	**85%**	**11%**	**4%**
2015	24.6%	2015	7.00pps	2015	86%	9%	5%

Target

Total return	Full year distribution	Portfolio balance
To provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term	Progressive dividend per share policy. Targeting a full year dividend for FY16 of 7.25 pence per share	At least 75% of the portfolio invested in economic infrastructure businesses

Outcome for the year

Total return	Full year distribution	Portfolio balance
Total return of 14% for the year to 31 March 2016	**Total dividend declared for FY16 of 7.25 pence per share, in line with target**	**85%[2] of the portfolio invested in economic infrastructure businesses at 31 March 2016**

Rationale and definition

Total return	Full year distribution	Portfolio balance
– 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 advisory and performance fees and operating and finance costs. It also includes movements in the fair value of derivatives and taxes – Total return, measured as a percentage, is calculated against the opening net asset value, 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 period	– 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 operational costs of the Company and distributions to shareholders – The dividend is measured on a pence per share basis, and is targeted to be progressive	– The Company's strategy is to deliver differentiated access to the infrastructure asset class by investing in a portfolio weighted strongly towards economic infrastructure businesses, owning their asset base in perpetuity – This provides shareholders with a differentiated investment proposition compared with other UK-listed infrastructure investment vehicles – The India Fund portfolio is being managed by the Investment Adviser with a view to realisation over the next few years

Performance in the year

Total return	Full year distribution	Portfolio balance
– Total return of £166 million in the year, or 14% on opening net asset value, adjusted for the special dividend – The return was driven by the good performance of the European portfolio, including the valuation uplift on our holding in Elenia as a result of the final regulatory determination in the year – Costs were managed in line with expectations	– Declared total dividend of 7.25 pence per share, or £58 million, in line with the target set out at the beginning of the year – Income generated from the portfolio and cash deposits, including non-income cash distributions from portfolio companies, totalled £67 million for the year. Operational costs and finance costs used to assess dividend coverage totalled £22 million in the year. The resulting dividend coverage shortfall of £13 million is covered by accumulated realised profits – Setting a total dividend target for FY17 of 7.55 pence per share	– 85%[2] of the portfolio invested in economic infrastructure businesses – Portfolio balance reflects new investment activity in the year and the realisation of the Company's holding in Eversholt Rail, which was completed in April 2015 – Further portfolio diversification achieved during the year through new investment activity – Further progress in realising the India Fund's portfolio through the sale of Ind-Barath Energy in the year

1 In addition to the ordinary dividend, the Company paid a special dividend of 17 pence per share in July 2015.
2 For the purpose of this analysis, the portfolio is measured as the underlying portfolio asset value for each asset and does not include investment commitments until they are drawn. Including investment commitments, the percentage for economic infrastructure is 81%.

Investment Adviser's review

About the Investment Adviser

3i Investments plc ("3i Investments"), a wholly-owned subsidiary of 3i Group plc ("3i Group"), acts as the investment adviser (the "Investment Adviser") to the Company through its infrastructure investment team (the "investment advisory team"). The investment advisory team provides advice to the Company on the origination and execution of new investments, on the management of the portfolio and on realisations, as well as on funding requirements. 3i Group was among the subscribers to the Company's Initial Public Offering in 2007 and subsequent Placing and Open Offer in 2008, and owns approximately 34% of the equity in the Company. 3i Group has undertaken irrevocably to subscribe for its pro rata entitlement under the Open Offer announced on 12 May 2016 and will retain its 34% holding upon the completion of that Offer.

The investment advisory team is managed as a separate business line within 3i Group and operates from offices across 3i Group's European network, focusing on origination, execution and portfolio management. The Investment Adviser also has a dedicated team in Mumbai to manage the assets in the India Fund. The team of investment professionals has significant experience of investing in, and managing, infrastructure assets. The investment advisory team can also draw on 3i Group's broader network of investment professionals and relationships to originate infrastructure investment opportunities.

There have been a number of new appointments to the investment advisory team over the recent months. Bernardo Sottomayor joined the team as a Partner from Antin Infrastructure in October 2015, with a focus on the origination, execution and asset management of investments across Europe. In addition, James Dawes was appointed as Chief Financial Officer of 3i's Infrastructure business, in succession to Stephen Halliwell from January 2016. A number of other appointments were also made, focused on the origination, execution and asset management of investments, as well as finance, operations and strategy.

Implementation of the Company's strategy during the year

In highly competitive markets, and in line with the Company's strategic priorities, the Board and the Investment Adviser focused on:

Diversifying the Company's portfolio with attractive investments in the Company's target markets, while remaining disciplined in our approach to new investment

Competition for large Core economic infrastructure businesses remains strong, as evidenced by a number of recent transactions in the sector. Against this backdrop, the Investment Adviser has remained disciplined in its approach to new investment, targeting more attractive risk-adjusted returns in areas of the infrastructure market, such as mid-market economic infrastructure businesses as well as greenfield projects, consistent with the Company's investment focus.

The team leveraged its partnerships, international network and local knowledge to invest or commit to invest a total of £193.4 million across the Company's target markets during the year. Of this amount, £111.1 million was invested in ESVAGT, £52.6 million in two further oil storage terminals alongside Oiltanking and £23.5 million in the West of Duddon Sands ("WODS") Offshore Transmission Owner ("OFTO"). These new investments have been performing well and contributed to portfolio income in the second half of the year. In addition, on 15 March 2016 the Company announced it had committed to invest £6.2 million in the Condorcet Campus primary PPP project in France and, as is usual with primary PPP investments, this commitment will be drawn at the end of the construction of the project, which is expected in 2019. These new investments are complementary additions to the Company's existing portfolio, providing further geographical and sector diversification.

Since the year end, 3i Infrastructure announced that it had signed an agreement to acquire a 36% economic interest in Wireless Infrastructure Group, investing approximately £75 million and joining existing majority shareholder Wood Creek Capital Management and the management team as shareholders. It also announced it had agreed to invest approximately €200 million to acquire up to 50% in TCR, in a consortium with Deutsche Asset Management. Finally, it committed to invest €5 million in the Hart van Zuid primary PPP project in the Netherlands. These investments provide further sector and geographical diversification, adding exposure to high quality economic infrastructure businesses with attractive opportunities for growth and to a further Dutch primary PPP project.

The Investment Adviser continues to develop the Company's pipeline of future investment opportunities and is assessing a number of potential investments across the UK and Europe.

Driving value from the economic infrastructure portfolio

The publication of the new regulatory settlement for Elenia was an important feature in the year. In December 2015, the Finnish Energy Authority, which regulates electricity distribution in Finland, issued the final determination for the sector covering the next two regulatory periods (from January 2016 to December 2023). This included several changes to address the low allowed return on capital experienced by all distribution companies over recent years, and was in line with our expectations following the publication of draft guidelines in June 2015. The Investment Adviser worked with Elenia's management team throughout the year to assess the impact of the regulator's draft proposals and to frame Elenia's response to these proposals. The publication of the final determination formed part of the year-end valuation review of the Company's holding in Elenia, including a reduction in the discount rate used to value the investment, reflecting the reduced regulatory risk over the next eight years.

The 2015–2020 regulatory period for AWG ("AMP6") commenced on 1 April 2015. The AWG management team is now focusing on the implementation of the capital expenditure and efficiency programmes to drive value through AMP6. As part of the regulatory settlement for AMP6, AWG also has a set of Outcome Delivery Incentives. These are key operational performance parameters against which AWG will be judged and which carry material financial incentives and penalties. The business, with input from the Investment Adviser and other shareholders, is implementing initiatives to optimise performance against these parameters.

Market conditions in the oil and gas sector have been challenging, with a material decline in oil prices over the year. ESVAGT's performance has remained resilient in this environment, given the medium-term nature of its contracts with producing platforms. We believe that these difficult market conditions could provide growth opportunities for ESVAGT, which has the advantages of a strong market position, scale, a younger fleet and better profitability compared to some of its competitors and we have been engaging actively with ESVAGT's management to assess a number of development opportunities. We also believe that ESVAGT is well positioned to continue to grow in the offshore wind energy support market. The business made good progress against that objective in the last financial year, signing an agreement with MHI Vestas to provide a bespoke service operation vessel in support of two offshore wind power developments in Belgium for a period of 10 years from vessel delivery in mid-2017.

The Company's investments in the Oiltanking terminals continued to perform well. Their performance is not directly correlated to the oil price, but more to the forward curve. Market conditions for Oiltanking's trading customers improved during the year, with periods of contango in key product markets. This was offset in part by a reduction in demand for storage of certain products in parts of Europe and by additional storage capacity coming on line in the Singapore region. However, the strong market position of the five terminals continues to ensure that capacity at each terminal remains substantially let and that contract renewals are achieved on good terms. Following the completion of the investments in the Oiltanking Ghent and Oiltanking Terneuzen terminals in June 2015, the Investment Adviser has been working to embed these investments within the Oystercatcher vehicle and governance framework. As a result, the discount rate used to value Oystercatcher was reduced at the end of March 2016, reflecting the fact that the vehicle now owns a larger and more diverse set of terminals.

In the favourable debt market conditions over the recent years, the optimisation of portfolio companies' capital structures has been a key driver of value creation by the Investment Adviser. Elenia was able to refinance the last tranche of its acquisition debt during the period, on attractive terms.

The Investment Adviser is heavily involved in strengthening the boards and management teams of its investee companies. In August 2015, Elenia appointed Tommi Valento as CFO, replacing Aapo Nikunen. Tommi was formerly Group Treasurer at Pohjolan Voima Oy, a Finnish power company, and has significant debt capital markets experience. Stephen Billingham, former CFO of British Energy and currently chairman of Punch Taverns, took over as chairman of AWG from Robert Napier in April 2015. On 2 November 2015, ESVAGT announced the appointment of Jesper Lok, formerly CEO of the Danish Railroads and of Falck's Emergency Division, as chairman.

The Investment Adviser continues to work with the Company's portfolio to assess new investment and capital expenditure programmes, as well as value accretive investments.

Continuing to manage the assets in the India Fund

The Investment Adviser aims to realise value from the assets in the India Fund over the next few years and is making progress towards that objective. During the year, the India Fund sold its entire holding in Ind-Barath Energy. The Company expects to receive proceeds of approximately £7 million from that sale in the first quarter of FY17. This builds on the progress in FY15, when the India Fund achieved the sale of approximately 54% of its holding in Adani Power. The India Fund represented 4.1% of the Company's portfolio at 31 March 2016, or 3.6% excluding the value of Ind-Barath Energy, which was valued at the sales proceeds at that date.

Managing the Company's balance sheet efficiently

The Investment Adviser ensured the implementation of the Company's objective of managing its balance sheet efficiently, while maintaining liquidity to fund investment opportunities. The Company had low levels of cash throughout the year, following the payment of a special dividend of £150 million to shareholders and the redeployment of substantially all of the retained proceeds from the sale of Eversholt Rail in the new investments described above.

To ensure financial flexibility, the Company negotiated a new RCF in May 2015, increasing the size of the Facility from £200 million to £300 million on attractive terms. In April 2016, to accommodate further investment activity, the Company increased the size of the Facility from £300 million to £500 million on a temporary basis to December 2016. The maturity date of the Facility was extended by one year to May 2019.

Outlook

The Company delivered a strong total return during the last financial year, underpinned by the robust performance of the portfolio. Demand for large Core economic infrastructure investments in Europe continues to be strong, with recent transactions providing further evidence of low projected returns in this area. The Company has reinvested the proceeds from the sale of Eversholt Rail in a number of attractive investments across the Company's target markets, which are performing well and contributed positively to the overall return for the year.

We continue to develop the Company's investment pipeline and are assessing a number of investment opportunities across our target sectors and geographies. In this highly competitive market, we will remain disciplined in the assessment and pricing of these opportunities.

Portfolio

Table 1 summarises the valuation and movements in the portfolio, as well as the return for each investment, for the year. As a result of the adoption of accounting standards, "Investments at fair value through profit or loss", as reported in the Consolidated balance sheet includes, in addition to the portfolio asset valuation, the cash and other net assets held within intermediate unconsolidated holding companies. These amounts are set out at the foot of the table below, to provide a reconciliation between the Directors' valuation of the portfolio assets and "Investments at fair value through profit or loss" reported in the Consolidated financial statements. The basis of the portfolio information set out below is consistent with analyses in previous periods.

Table 1: Portfolio summary (31 March 2016, £m)

Portfolio assets	Directors' valuation 31 March 2015	Investment in the year	Divestment in the year	Value movement	Foreign exchange translation	**Directors' valuation 31 March 2016**	Profit/ (loss) on disposal	Underlying portfolio income in the year	Allocated foreign exchange hedging	**Asset Total return in the year**
Economic infrastructure businesses										
Elenia	238.5	–	(14.6)[1]	109.7	28.8	**362.4**	0.2[2]	18.8	(24.1)	**133.4**
AWG	242.3	–	–	12.7	–	**255.0**	–	11.1	–	**23.8**
Oystercatcher	110.5	52.6	–	11.5	12.3	**186.9**	–	14.2	(11.7)	**26.3**
ESVAGT	–	111.1	–	1.2	9.3	**121.6**	–	5.4	(8.4)	**7.5**
Cross London Trains	99.8	–	–	8.9	–	**108.7**	–	4.8	–	**13.7**
Eversholt Rail Group	359.8	–	(359.8)	–	–	**–**	–	0.7	–	**0.7**
	1,050.9	163.7	(374.4)	144.0	50.4	**1,034.6**	0.2	55.0	(44.2)	**205.4**
Projects										
Primary projects[3]	0.1	–	–	–	–	**0.1**	–	0.2	–	**0.2**
Operational projects										
Elgin	44.7	–	(0.1)	1.1	–	**45.7**	–	2.5	–	**3.6**
Octagon	42.2	–	–	(0.2)	–	**42.0**	–	3.3	–	**3.1**
Dalmore	17.4	–	–	0.9	–	**18.3**	–	1.0	–	**1.9**
NMM	4.6	–	(0.1)	1.2	0.4	**6.1**	–	0.3	(0.4)	**1.5**
WODS	–	23.5	(0.9)	(0.2)	–	**22.4**	–	1.1	–	**0.9**
	108.9	23.5	(1.1)	2.8	0.4	**134.5**	–	8.2	(0.4)	**11.0**
India Fund										
3i India Infrastructure Fund	63.2	–	–	(8.2)	(2.1)	**52.9**	–	–	–	**(10.3)**
Total portfolio	**1,223.1**	**187.2**	**(375.5)**	**138.6**	**48.7**	**1,222.1**	**0.2**	**63.4**	**(44.6)**	**206.3**
Balance sheet adjustments related to unconsolidated subsidiaries[4]	8.4	–	(1.4)	(0.3)	–	**6.7**	–	–	–	**–**
Income statement adjustments related to unconsolidated subsidiaries[4]	–	–	–	–	–	**–**	(0.1)	(4.3)	(0.1)	**(4.8)**
Reported in the Consolidated financial statements	1,231.5	187.2	(376.9)	187.0	–	**1,228.8**	0.1	59.1	(44.7)	**201.5**

1 Capitalised income and shareholder loan repaid in the year.
2 Realised foreign exchange gain.
3 Investments in the Mersey Gateway Bridge, Ayrshire College, A12, A9, La Santé, RIVM and Condorcet Campus primary PPP projects.
4 Income statement adjustments explained in Table 7 and Balance sheet adjustments explained in Table 11 in the Financial review.

Investment and realisation activity

The Company was active in its target markets, investing a total of £187.2 million during the year. Of this amount, £163.7 million was invested in two mid-market economic infrastructure investments, with the balance of £23.5 million invested in a low-risk energy project. In addition, the Company announced in March it had committed to invest an additional £6.2 million in a primary PPP project in France. In an environment of increased competition and rising prices, the investments are a strong endorsement of the Company's investment strategy and the Investment Adviser's ability to source attractive investment opportunities that are capable of delivering attractive risk-adjusted returns, in line with the Company's objectives.

In April 2015, as announced with the Company's full year results, the Company completed the sale of its investment in Eversholt Rail, crystallising an exceptional return for shareholders, and generating net cash proceeds of £365 million.

During the year, the 3i India Infrastructure Fund completed the sale of its holding in Ind-Barath Energy. The transaction generated proceeds to the Company of approximately £7 million, an uplift of 14% over the underlying carrying value at 31 March 2015. The proceeds from this sale are expected to be received in the first quarter of FY17. The divestment is consistent with the India Fund's strategy of realising its investments over the next few years.

Economic infrastructure businesses

3i Infrastructure and AMP Capital announced the joint acquisition of 100% of **ESVAGT** from Maersk on 7 July 2015. The transaction completed on 17 September 2015, following EU Merger Regulation clearance. The Company invested £111.1 million (including transaction costs) to acquire its 50% interest.

The Company's acquisition of a 45% interest in each of **Oiltanking Terneuzen B.V.** ("OTT") in the Netherlands and **Oiltanking Ghent N.V.** ("OTG") in Belgium from Oiltanking GmbH completed on 5 June 2015. The total consideration for this investment was £77.8 million (including transaction costs), including £52.6 million in equity provided by the Company and £25.2 million of additional debt funding raised in Oystercatcher, which now holds these two investments alongside its existing 45% stakes in Oiltanking Amsterdam, Oiltanking Malta and Oiltanking Singapore. The investments are complementary additions to the Oystercatcher portfolio which diversified its portfolio of oil storage terminals.

Projects portfolio

The **West of Duddon Sands** ("WODS") OFTO project reached financial close on 21 August 2015, with 3i Infrastructure investing £23.5 million for its 50% holding. The project involves the acquisition, financing and operation of power transmission cables and associated electrical equipment connecting the WODS offshore wind farm in the Irish Sea to the onshore grid.

On 15 March 2016, the Company announced that it had committed to invest £6.2 million to acquire an 80% interest in the **Condorcet Campus** PPP project in France, in a consortium also comprising entities of the VINCI Construction France and ENGIE groups.

Investment activity post year end

Since the year end, the Company announced the investment of approximately £75 million in WIG, approximately €200 million in TCR and a commitment to invest approximately €5 million in the Hart van Zuid primary PPP project.

Movements in portfolio value

As set out in Table 2, the portfolio assets were valued at £1,222.1 million at 31 March 2016, compared to £1,223.1 million at the beginning of the financial year. The movement in portfolio value was driven principally by investments and realisations during the period, as well as by good value growth for the European portfolio, offset in part by a decline in the value of the Company's holding in the India Fund.

Table 2: Reconciliation of the movement in portfolio value (year to 31 March 2016, £m)

Opening portfolio value at 1 April 2015	1,223.1
Investment	187.2
Divestment/capital repayment	(375.5)
Unrealised value movement	138.6
Exchange movement	48.7[1]
Closing portfolio value at 31 March 2016	1,222.1

1 Excludes movement in the foreign exchange hedging programme (see Table 4).

Investment

The Company invested a total of £187.2 million in the period in four new investments.

Divestment proceeds/capital repayments

The Company received total proceeds from investments of £381.1 million in the year (2015: £22.4 million), comprising principally proceeds of £365.2 million relating to the sale of its holding in Eversholt Rail, which completed on 16 April 2015. The asset was valued on a sales basis at 31 March 2015.

Other proceeds received by the Company during the year included:

– £14.8 million from Elenia relating to income capitalised in the previous financial year and to the partial repayment of a shareholder loan;

– £0.1 million from NMM relating to income capitalised in the previous financial year;

– £0.1 million in respect of a partial shareholder loan repayment from Elgin; and

– £0.9 million in respect of a partial shareholder loan repayment from the WODS OFTO project.

Total value movement

The total value movement in the year was £187.3 million (2015: £229.7 million). Value movement represents the change in the portfolio valuation within a measurement period. Changes to portfolio valuations arise due to several factors, as shown in Table 3.

The key driver of the value movement during the year was the robust performance of the portfolio. Discount rates were reduced for Elenia, AWG, Oystercatcher and NMM. The main driver of the changes in macroeconomic assumptions was lower inflation.

Table 3: Components of value movement (year to 31 March 2016, £m)

Value movement component	Value movement in the year (£m)	Description
Planned value growth	24.6	Net value movement resulting from the passage of time, consistent with the discount rate and cash flow assumptions at the beginning of the period less distributions received in the period.
Asset performance	68.7	Net movement arising from actual performance in the period and changes to future cash flow projections, including financing assumptions and changes to regulatory determination assumptions. It also includes uplift to sales basis from last valuation.
Discount rate movement	45.0	Value movement relating to changes in the discount rate applied to the valuations.
Macroeconomic assumptions	0.3	Value movement relating to changes to macroeconomic out-turn or assumptions, eg inflation, interest rates on deposit accounts and taxation rates. This includes changes to regulatory returns that are directly linked to macroeconomic variables.
Total value movement before exchange	**138.6**	
Unrealised foreign exchange retranslation	48.7	Movement in value due to currency retranslation to period-end rate.
Total value movement	**187.3**	

Economic infrastructure portfolio

The economic infrastructure portfolio was valued at £1,034.6 million at 31 March 2016 (2015: £1,050.9 million) and generated an unrealised value gain of £144.0 million in the year (or £194.4 million after exchange movements). This was driven by the continued robust operational performance of the underlying investments, and principally by the valuation uplift for the Company's holding in Elenia.

Elenia was valued at £362.4 million at March 2016 (2015: £238.5 million), including foreign exchange gains of £28.8 million. In December 2015, the Finnish Energy Authority, which regulates electricity distribution in Finland, issued the final determination for the sector covering the next two regulatory periods (from January 2016 to December 2023). This included several changes to address the low allowed return on capital experienced by all distribution companies over recent years, and was in line with our expectations following the publication of draft guidelines in June 2015. In addition, in February 2016 Elenia announced that it would increase its distribution tariffs by 9.4% from the beginning of April. The discount rate used to value Elenia at the year end was reduced to reflect the increased regulatory certainty over the next eight years. The combined positive effect of these developments and the increase seen in the Finnish Government bond yield, to which the allowed return remains linked, resulted in an uplift of £109.7 million over the opening value.

AWG was valued at £255.0 million at March 2016 (2015: £242.3 million). The business performed well during the year, with operational performance and income levels in line with expectations. The business is currently focused on implementing its efficiency and capital spending programmes and has made a good start against the targets for the 2015–2020 regulatory period, or AMP6, which began on 1 April 2015. The valuation at the end of the year reflects the lower inflation assumptions for 2016 and a more prudent approach to gearing through the remainder of AMP6.

Oystercatcher was valued at £186.9 million at March 2016 (2015: £110.5 million), including foreign exchange gains of £12.3 million. Much of the value increase over the year was attributable to the new investments in the Oiltanking Terneuzen and Oiltanking Ghent terminals (£52.6 million cost), which are now held through the Oystercatcher vehicle, alongside the existing investments in Oiltanking Amsterdam, Oiltanking Malta and Oiltanking Singapore. The five terminals continue to perform well both operationally and financially, with capacity substantially let and a good level of throughput. The discount rate used to value Oystercatcher at the end of March was reduced, to reflect the fact that the vehicle now owns a larger and more diverse set of terminals. The valuation of Oystercatcher is affected by the euro and Singapore dollar exchange rate against sterling. The euro and Singapore dollar exposures are partially hedged, as described below.

ESVAGT was valued at £121.6 million at March 2016, against an acquisition cost of £111.1 million. The business has continued to perform robustly since acquisition. While the lower oil price environment is beginning to impact new oil and gas exploration activity, it has not yet impacted producing platforms, to which the majority of ESVAGT's revenues are tied. Since investment, ESVAGT has progressed in diversifying its business away from its core oil and gas client base and secured a new, 10-year contract with MHI Vestas to provide a bespoke service operation vessel in support of the Belwind 1 and Nobelwind Belgian offshore wind farms. This contract had not been included in the original investment case.

XLT was valued at £108.7 million at March 2016 (2015: £99.8 million), reflecting continued progress in the manufacturing of the trains and offset in part by income receipts in the year. There are some initial delays in the acceptance programme and the Investment Adviser is working closely with XLT management, Siemens and GTR to address these. The conditional acceptance of the first unit by GTR took place in March 2016, with the delivery programme scheduled to complete in 2018.

Projects portfolio

The PPP and low-risk energy projects portfolio was valued at £134.6 million at March 2016 (2015: £109.0 million) reflecting the new investment in the WODS OFTO during the period, as well as the continued robust operational performance of the portfolio. This was offset in part by income receipts in the year and by the impact of lower than expected inflation. The discount rate used to value NMM was reduced during the year as the project became operational in the last financial year, contributing to a value uplift for this asset of £1.6 million, including foreign exchange gains, or 35%.

3i India Infrastructure Fund

The India Fund was valued at £52.9 million at March 2016 (2015: £63.2 million), after exchange losses of £2.1 million as the Indian rupee declined against sterling in the period, as shown in Table 4. The negative value movement was due to a number of factors, including continued delays in project execution and funding constraints for the road projects, and the pricing and availability of fuel for the investments in the power sector. During the year, the share price of Adani Power fell by 28%, resulting in a reduction in the value of the Company's holding of £2 million.

Foreign exchange impact

There was significant volatility in exchange rates in the financial year, with foreign exchange translation losses incurred in the first half of the year more than reversed in the second half, as the euro, Danish krona and Singapore dollar all increased against sterling.

In March 2014, the Board extended the Company's existing hedging policy to partially cover the Singapore dollar exchange rate risk that arises from the underlying investment in Oiltanking Singapore. More recently, the Board also extended the Company's hedging policy to partially cover the Danish krona exchange rate risk that arises from the investment in ESVAGT, which completed in July 2015.

As shown in Table 4, the reported net foreign exchange gain on investments of £48.9 million related mainly to the Company's euro and Danish krona portfolio, albeit those gains were largely offset through the respective hedging programmes.

The Indian rupee depreciated against sterling in the period, resulting in a small foreign exchange loss. The Indian rupee exposure is not hedged.

Table 4: Impact of foreign exchange movements on portfolio value (year to 31 March 2016, £m)

	£/rupee	£/€/SGD/DKK	Net impact
Translation of unhedged assets (£/rupee)	(2.1)	–	(2.1)
Translation of partially hedged assets (£/€/SGD/DKK)	–	51.0	51.0
Reported foreign exchange gains/(losses) on investments	**(2.1)**	**51.0**	**48.9**
Movement in the fair value of derivative financial instruments (€/SGD/DKK hedging)	–	(44.6)	(44.6)
Net foreign exchange (losses)/gains	**(2.1)**	**6.4**	**4.3**

Summary of portfolio valuation methodology

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

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

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

- earnings multiples;
- recent transactions;
- quoted market comparables; and
- regulated asset base multiples.

Table 5: Portfolio weighted average discount rate (31 March 2016, %)

March 2008	12.4
March 2009	13.8
March 2010	12.5
March 2011	13.2
March 2012	12.6
March 2013	12.0
March 2014	11.8
March 2015	10.2
March 2016	9.9

Table 5 shows the movement in the weighted average discount rate applied to the portfolio at the end of each year since the Company's inception. During the year, the weighted average discount rate was updated to reflect the addition of the investments in ESVAGT, the two further Oiltanking terminals and of the WODS OFTO in the portfolio.

In addition, the following changes were made during the year:

– the discount rate used to value Elenia was reduced at the year end to reflect the increase in regulatory clarity over the next eight years following the publication of the final determination for the next two regulatory periods in December 2015;

– the discount rate used to value AWG was reduced to reflect revised gearing assumptions;

– the discount rate used to value Oystercatcher was reduced at the year end, as the vehicle now owns a larger and more diverse set of terminals; and

– the discount rate used to value the NMM PPP project was reduced at the end of September 2015 as it became operational during the last financial year.

The net impact of these movements was to reduce the weighted average discount rate from 10.2% at 31 March 2015 to 9.9% at 31 March 2016.

3i India Infrastructure Fund and Dalmore Capital Fund

The Company's investments in the India Fund and in the Dalmore Capital Fund were valued as the Company's share of net assets held by those funds.

Within the India Fund valuation, Adani Power, which has been a listed company since August 2009, was valued on a mark-to-market basis using closing bid prices, Krishnapatnam Port was valued on the basis of consideration due under a put option, and Ind-Barath Energy was valued based on the sales proceeds to be received by the India Fund in the first quarter of FY17. All other investments were valued on an underlying DCF basis.

All of Dalmore Capital Fund's underlying investments were valued on a DCF basis.

Investment track record

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

	Total cost	Value including accrued income	Proceeds on disposals/ capital returns	Cash income
Existing portfolio				
Elenia	195	367	–	86
AWG	173	256	12	138
Oystercatcher	137	187	–	85
ESVAGT	111	127	–	–
Cross London Trains	62	110	–	13
Projects	103	136	2	48
3i IIF	107	53	11	–
Realised assets				
Eversholt Rail	151	–	391	114
Projects	173	–	250	22
Junior debt portfolio	120	–	135	24
T2C and Novera	18	–	10	–

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

– significant income, supporting the consistent delivery of the Company's annual dividend objective;

– strong capital profits from realisations; and

– consistent capital growth.

These have underpinned an 18% annualised gross portfolio asset IRR since the Company's inception. The economic infrastructure and projects portfolio, in particular, have 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. Indeed, most investments have returned a significant proportion of their cost through income in a relatively short time.

The value created through this robust investment performance was crystallised in a number of instances through well managed realisations, shown as “Realised assets” in Table 6. While the Company is structured to hold investments over the long term, it has sold assets where compelling offers have generated additional shareholder value. This was the case with Eversholt Rail in 2015, which generated an IRR in excess of 40%, as well as through the realisations of Alma Mater in 2008, I^2 in 2009, the junior debt portfolio in 2011–12 and Alpha Schools in 2013, generating an aggregate IRR of 26.8%.

The valuation of the India Fund has, however, been volatile, and has continued to be affected by currency and macroeconomic issues, as well as a number of issues related to specific investments.

Phil White and Ben Loomes
Managing Partners and Co-heads, Infrastructure, 3i Investments plc
11 May 2016

Financial review

“The Company delivered a solid set of results in FY16 and importantly made good progress with building income, including useful contributions from new investments completed in the year.”

James Dawes
CFO, Infrastructure
11 May 2016

Key financial measures

	Year to 31 March 2016	Year to 31 March 2015
Total return	**£166.2m**	£266.8m
Net asset value per share[1]	**161.0p**	149.9p
Total income[2]	**£64.1m**	£79.8m
Portfolio asset value[3]	**£1,222.1m**	£1,223.1m
Cash balances[3]	**£49.9m**	£75.4m
Total liquidity[4]	**£326.5m**	£259.6m

1 The movement in NAV per share in the year includes a 2.6 pence per share reduction resulting from the share consolidation undertaken in conjunction with the payment of the special dividend in July 2015.
2 Reconciliation of measures to the financial statement balances is set out in Table 7.
3 Reconciliation of measures to the financial statement balances is set out in Table 11.
4 Includes cash balances of £49.9 million and £276.6 million undrawn balances available under the £300 million RCF.

Returns

The Company’s performance is assessed by the Board based on the following measures:

– capital return: unrealised value movements due to changes to the carrying valuation of assets across the financial year (or since acquisition, if shorter) including the impact of foreign exchange movements relating to portfolio assets; or realised capital profits generated from the sale or partial sale of portfolio assets above their carrying valuation;

– movement in fair value of derivatives for foreign currency hedging;

– total income: interest and dividends from underlying portfolio assets, interest on cash holdings and transaction fees receivable;

– costs: advisory and performance fees, Board and other operating costs, transaction fees payable and finance costs relating to the Company’s RCF; and

– other net income/costs: includes other income and foreign exchange movements relating principally to euro balances held on deposit in relation to future commitments to fund investment.

Table 7 shows the underlying aggregate returns from portfolio assets for each of these elements of returns and costs. The Financial statements’ classification of these components of total return includes transactions within unconsolidated subsidiaries as the Company adopts Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) for its reporting.

Total return

3i Infrastructure generated a total return for the year of £166.2 million, representing a 14.0% return on opening shareholders’ equity, adjusted on a time weighted average basis for the payment of the £150 million special dividend on 31 July 2015 (2015: £266.8 million, 24.6%).

The return was underpinned by the robust performance of the European portfolio and, in particular, by the valuation uplift in the Company’s holding in Elenia, as well as by positive foreign exchange movements during the second half of the year. This was offset partly by the weak performance of the India Fund (see Movements in portfolio value section).

Table 7: Summary total return (year to 31 March 2016, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries	Financial statements
Capital return	187.5[1]	(0.4)[2,3]	187.1
Movement in fair value of derivatives	(44.6)	(0.1)[2]	(44.7)
Total income	64.1	(4.3)[3]	59.8
	207.0	**(4.8)**	**202.2**
Costs	(43.9)	5.0[3]	(38.9)
Other net income/(costs)	3.1	(0.2)	2.9
Total return	**166.2**	–	**166.2**

1 Capital return includes a £48.9 million foreign exchange gain.
2 Movement in fair value of derivatives relating to hedging specific to the Oystercatcher subsidiary, reclassified as capital return, as it is monitored by the Board as part of the unrealised value movement in Oystercatcher.
3 Costs of £5.0 million were incurred within unconsolidated subsidiaries, comprising predominantly fees paid directly to 3i Group (£4.2 million), operating expenses (£0.2 million) and transaction fees (£0.6 million). These are reflected in capital returns or income as they have reduced either the carrying value, or the income distributed from these subsidiaries.

Capital return

Total capital return for the year was £187.5 million (2015: £230.6 million), nearly all of which, or £187.3 million (2015: £229.7 million), was an unrealised value gain, while the remaining £0.2 million (2015: £0.9 million) was a realised return.

Realised return

3i Infrastructure generated a realised return of £0.2 million in the year (2015: £0.9 million) relating to a realised foreign exchange gain on the partial repayment of shareholder loan principal from Elenia.

Unrealised value movement, including foreign exchange movements

The portfolio generated an unrealised value gain of £187.3 million in the year to 31 March 2016 (2015: £229.7 million). This comprised a £138.6 million value increase (2015: £263.6 million) and a £48.7 million foreign exchange gain (2015: loss of £33.9 million).

The European portfolio achieved a robust return, driven by the valuation uplift for the Company's holding in Elenia and other positive movements in the valuations of AWG, Oystercatcher and XLT. The solid performance of the European portfolio was offset in part by an unrealised value loss, including foreign exchange movements, of £10.3 million for the India Fund. These value movements are described in the Movements in portfolio value section.

Table 8: Reconciliation of the movement in net asset value (year to 31 March 2016, £m)

Opening NAV at 1 April 2015[1]	**1,289.4**
Special dividend	(149.8)
Opening NAV net of special dividend	1,139.6
Capital return	138.6
Net foreign exchange movement[2]	4.3
Total income	64.1
Net costs including advisory and performance fees	(40.8)
NAV before distributions	1,305.8
Distribution to shareholders	(57.5)
Closing NAV at 31 March 2016	**1,248.3**

1 Net of final dividend for the prior year.
2 Foreign exchange movements are described in Table 4.

Net capital return

Net capital return, including the loss of £44.6 million in the fair value of foreign currency hedging derivatives (2015: gain of £29.8 million), was £142.9 million (2015: £260.4 million), as shown in Table 8.

Movements in the fair value of derivatives represents a loss of £44.6 million (2015: gain of £29.8 million) in the fair value of the euro, Singapore dollar and Danish krona hedging programme. This was more than offset by the foreign exchange gain in the portfolio of £48.9 million (2015: loss of £33.9 million). The net impact of the foreign exchange hedging programme is shown in Table 4.

Income

Total income
Total income of £64.1 million for the year to 31 March 2016 (2015: £79.8 million) comprised dividend and interest income from the portfolio of £63.2 million (2015: £78.0 million), interest receivable on cash balances of £0.7 million (2015: £0.3 million) and transaction fees of £0.2 million (2015: £1.5 million).

Portfolio income
The European portfolio continued to perform well and generated income of £63.2 million in the year (2015: £79.5 million, including income of £31.1 million from the Company's interest in Eversholt Rail, which was sold in April 2015). Table 9 shows the income from the portfolio by asset.

The Company made good progress with replacing income following the sale of Eversholt Rail with new investments generating good levels of income during the second half of the year.

Portfolio income is expected to grow further in FY17, as new investments completed in the current year deliver a full year of income to the Company.

Interest receivable on cash balances
Interest income from cash and cash equivalents totalled £0.7 million (2015: £0.3 million), reflecting an increase in the average cash balances held during the year compared to last year following the sale of Eversholt Rail in April 2015.

The Company's cash balances generated interest at an average rate of 0.5% in the year (2015: 0.4%). Cash balances as at 31 March 2016 were £49.9 million following new investment activity and the payment of the ordinary and special dividends in the period.

Table 9: Breakdown of portfolio income (year to 31 March, £m)

	2016		2015		
	Dividends	**Interest**	**Dividends**	**Interest**	**Comments**
Eversholt Rail	**–**	**0.7**	15.5	15.6	Sold in April 2015.
Elenia	**–**	**18.8**	–	19.9	Lower due to the partial repayment of loan principal during the year.
AWG	**6.3**	**4.8**	5.7	4.8	AWG increased distributions in FY16 following the publication of the Final Determination for the 2015–2020 regulatory period.
Oystercatcher	**14.2**	**–**	4.3	–	Distributions resumed in H2 2015 following completion of refinancing. Addition of two new terminals to the portfolio during the year.
ESVAGT	**–**	**5.4**	–	–	New investment in the period. Income accrued during the second half of the year.
XLT	**–**	**4.8**	–	4.8	
Projects portfolio[1]	**3.5**	**4.7**	3.7	3.7	Higher interest income following the investment in the WODS OFTO in August 2015.
Total	**24.0**	**39.2**	29.2	48.8	

1 Excludes transaction fees received in relation to new investments in the year.

Costs

Advisory fees and performance fees
During the year to 31 March 2016, the Company and its unconsolidated subsidiaries incurred advisory fees of £15.0 million (2015: £15.2 million). The amount is comparable to the amount paid last year, as the impact of the sale of Eversholt Rail was significantly offset by new investment activity in the year. The advisory fee, payable to 3i plc, for economic infrastructure assets is calculated as 1.5% of the Gross Investment Value, which is based on the opening portfolio value and the cost of any new investments or commitments made during the year. The advisory fee reduces from 1.5% to 1.25% for any proportion of an asset held for more than five years. The advisory fee for project investments made before May 2014 is 1.5%, reducing to 1.25% for any proportion of an asset held for more than five years. The advisory fee for project investments made after May 2014 is 1.0%.

As several of the Company's investments have been held for more than five years, the advisory fee rate chargeable for those investments (eg AWG, three of the five terminal investments held within Oystercatcher, Octagon, Elgin and various assets within the 3i India Fund) is 1.25%.

An annual performance fee is also payable by the Company, amounting to 20% of returns above a hurdle of 8% of the growth in net asset value per annum. This hurdle was exceeded for the year ending 31 March 2016. Based on the total return of 14.0%, the performance fee payable to 3i plc in respect of the year ending 31 March 2016 totalled £19.5 million (2015: £45.0 million). The performance fee is also subject to a high water mark requirement which was introduced with the amendments to the Investment Advisory Agreement in FY15. As the closing net asset value per share at the end of the year (before deducting a performance fee) exceeded the highest net asset value per share over the preceding three years, the high water mark requirement was met for the year ending 31 March 2016. For a more detailed explanation of how Advisory and Performance fees are calculated and of the high water mark definition, please refer to Note 8 of this document.

Fees payable
Fees payable in relation to transactions that did not reach, or have yet to reach completion, totalled £1.9 million (2015: £4.1 million).

Other operating and finance costs
Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £2.7 million in the year (2015: £3.1 million). This amount includes the legal and professional costs associated with the implementation of the share consolidation approved at the Extraordinary General Meeting ("EGM") in July 2015 and the payment of the special dividend. The figure for last year reflected additional costs including the legal and professional cost incurred by the Company in the context of the amendments to the Investment Advisory Agreement approved at the EGM in July 2014, as well as other costs.

Finance costs of £4.8 million (2015: £3.2 million) in the year comprise £3.3 million of arrangement, commitment and utilisation fees for the Company's £300 million RCF and costs of £1.5 million associated with cancelling the previously existing facilities. Overall finance costs are higher compared to last year due to the increase in the RCF from £200 million to £300 million announced in May 2015 and the costs for cancelling the previous facilities.

Ongoing charges ratio
The ongoing charges ratio measures annual operating costs, as disclosed in Table 10, against the average net asset value 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 1.36% for the year to 31 March 2016 (2015: 1.47%).

The AIC methodology does not include performance fees or finance costs. However, the AIC recommends that the impact of performance fees on the ongoing charges ratio is noted, where performance fees are payable. The cost items that contributed to the ongoing charges ratio are shown below. The ratio including the performance fee was 2.86% (2015: 5.18%).

Table 10: Ongoing charges (year to 31 March 2016, £m)

	2016 £m	2015 £m
Investment Adviser's fee	**15.0**	15.2
Auditor's fee	**0.3**	0.2
Directors' fees and expenses	**0.5**	0.4
Other ongoing costs	**1.8**	2.0
Total ongoing charges	**17.6**	17.8
Ongoing charges ratio	**1.36%**	1.47%

Balance sheet

The net asset value at 31 March 2016 was £1,277.0 million (2015: £1,321.3 million). The principal components of the net asset value are the portfolio assets, cash holdings, the fair value of derivative financial instruments and other net assets and liabilities, principally relating to accrued interest.

The statutory financial statements require cash or other net assets/liabilities held within intermediate holding companies to be presented as part of the fair value of the investments. The Directors consider that it is helpful for users of the accounts to be able to consider the valuation of the Company's portfolio assets and total aggregate cash and net assets/liabilities within the Company and its unconsolidated subsidiaries. The non-material adjustments required to provide this analysis are shown in Table 11.

At 31 March 2016, the Company's net assets totalled £1,277.0 million, or £1,248.3 million after the deduction of the final dividend (2015: £1,321.3 million, £1,289.4 million), comprising the asset portfolio, valued at £1,222.1 million (2015: £1,223.1 million), cash and cash equivalents of £49.9 million (2015: £75.4 million), other financial assets of £36.7 million (2015: £33.9 million), net derivative financial instruments liabilities of £24.4 million (2015: assets of £28.2 million) and other current assets of £16.9 million (2015: £14.2 million), primarily relating to accrued income from portfolio investments, offset by accrued transaction fees, advisory and other operating and financing costs of £24.2 million (2015: £53.5 million). A summary balance sheet is included in Table 11.

Table 11: Summary balance sheet (as at 31 March 2016, £m)

	Underlying aggregate portfolio amounts and other balances	Adjustments for transactions in unconsolidated subsidiaries[1]	Financial statements
Portfolio assets	1,222.1	6.7	1,228.8[2]
Cash balances	49.9	(2.4)[3]	47.5
Financial assets	36.7	–	36.7
Derivative financial instruments	(24.4)	(3.4)[4]	(27.8)
Other net liabilities	(7.3)	(0.9)	(8.2)
Net asset value	**1,277.0**	–	**1,277.0**

1 "Investments at fair value through profit or loss" in the statutory Financial statements includes £2.4 million of unrestricted cash balances and £0.9 million of other net assets within intermediate unconsolidated holding companies and a £3.4 million reclassification of derivative liabilities relating to the Oystercatcher subsidiary. These adjustments reclassify these balances to show the underlying value of the portfolio assets, the total cash holdings and other net assets/(liabilities) position, as monitored by the Board.
2 Described as "Investments at fair value through profit or loss" in the Financial statements.
3 Cash balances held in unconsolidated subsidiaries totalled £2.4 million.
4 A £3.4 million derivative liability relating to hedging specific to the Oystercatcher subsidiary is reclassified as Portfolio assets, as it is monitored by the Board as part of the valuation of Oystercatcher.

Cash and other financial assets

Cash balances at 31 March 2016 totalled £49.9 million (2015: £75.4 million), including £2.4 million (2015: £2.9 million) of unrestricted cash balances held within intermediate unconsolidated holding companies. In addition, an amount of £36.7 million (2015: £33.9 million), held on the balance sheet as "Other financial assets", includes cash held on deposit in third-party bank accounts on behalf of the Mersey Gateway Bridge, Ayrshire College and A9 projects.

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

Revolving Credit Facility

On 7 May 2015, the Company renewed its RCF and increased the size of the Facility from £200 million to £300 million. This, alongside the decision by the Board to return £150 million of capital to shareholders following the sale of the Company's interest in Eversholt Rail, was in line with the Company's objective to minimise returns dilution from holding excessive cash balances, while maintaining a good level of liquidity for further investment. This Facility is a three-year facility. The Company has the right to increase the size of the Facility by up to a further £200 million, provided that existing lenders have a right of first refusal, and the Company has rights to request one or two-year extensions to the maturity date of the Facility, which may be granted at the discretion of each lender individually.

In April 2016, the Company increased the size of the Facility from £300 million to £500 million on a temporary basis to December 2016. The maturity date of the Facility was extended by one year to May 2019.

At 31 March 2016, the RCF had been used to issue letters of credit for €7.9 million (£6.2 million) for the undrawn commitment to the Condorcet Campus primary PPP project, €4.8 million (£3.8 million) for the undrawn commitment to the RIVM primary PPP project, €5.3 million (£4.2 million) for the undrawn commitment to the A12 primary PPP project and €11.7 million (£9.2 million) for the undrawn commitment to the La Santé primary PPP project.

Return of capital and share consolidation

Following the completion of the sale of Eversholt Rail in April 2015, on 12 May 2015 the Company announced that it would return £150 million to shareholders by way of a special dividend of 17.0 pence per share, to enable shareholders to participate in the sale of the asset. The Company also announced a 9 for 10 share consolidation, which was subject to shareholder approval at the EGM, to neutralise the impact of the payment of the special dividend on the share price. The share consolidation was approved by the shareholders at the EGM held on 7 July 2015 and the share consolidation was implemented shortly after, on 8 July 2015. The special dividend was paid to shareholders on 31 July 2015.

Net asset value per share

The total net asset value per share at 31 March 2016 was 161.0 pence (2015: 149.9 pence). This reduces to 157.4 pence (2015: 146.3 pence) after the payment of the final dividend of 3.625 pence. There are no dilutive securities in issue.

The movement in NAV per share during the year includes a reduction of 2.6 pence per share resulting from the share consolidation and special dividend payment implemented in July. The share consolidation ratio was based on a share price of 168.8 pence per share (being the share price on 1 June 2015, the date of the publication of the EGM circular). In line with market practice, the share consolidation targeted share price consistency, rather than consistency in NAV per share. As the share price was at a premium to NAV per share at the time of the consolidation, a reduction of 2.6 pence to NAV per share resulted from the share consolidation and special dividend payment.

Dividend and dividend cover

The Board has proposed a total dividend for the year of 7.25 pence per share, or £57.5 million in aggregate (2015: 7.0 pence; £61.7 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 period. The Board also takes into account any surpluses retained from previous years, and net capital profits generated through asset realisations, which it considers available for distribution as dividend. For the year to 31 March 2016, total income and interest, including non-income cash distributions from portfolio companies, amounted to £66.9 million (2015: £85.0 million). For dividend cover, operational costs relating to advisory fees, operating expenses and financing costs, totalled £22.5 million for the year (2015: £21.5 million). The final dividend cover shortfall of £13.1 million which was expected following the sale of Eversholt Rail and accommodated in the Company's cash flow planning, is covered from the amounts available for distribution as dividend as detailed above. The retained amount available for distribution, following the payment of the final dividend and performance fee, will be £55.0 million (March 2015: £33.1 million).

The Board is announcing a target dividend for FY17 of 7.55 pence per share.

Open Offer, Placing and Intermediaries Offer

In order to ensure that the Company remains well funded to execute its new investments and future pipeline, the Company is launching an Open Offer, Placing and Intermediaries Offer with the intention of raising up to £350 million from existing and new shareholders. The proceeds from this offering will be used to fund completion of the investments in WIG and TCR, as well as to fund future investment opportunities.

Risk report

“Effective risk management underpins the successful delivery of the Company’s strategy.”

Steve Wilderspin
Chairman, Audit and Risk Committee
11 May 2016

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 attractive risk-adjusted returns for shareholders. Integrity and responsibility are embedded in the Company’s approach to risk management.

The Board exercises oversight of the risk framework, methodology and process through the Audit and Risk Committee. During the year, the Company conducted a thorough review of the risk framework to ensure that it provides a structured and consistent process for identifying, assessing and responding to risks in relation to its strategy and business objectives.

The Committee ensures that there is a consistent approach to risk across the Company’s strategy, policies and procedures.

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

The Board manages risks through updates from the Investment Adviser and other service providers and through representation on portfolio companies’ boards.

In addition to the **Audit and Risk Committee**, a number of other committees contribute to the Company’s overall risk governance structure.

The **Investment Committee**, which includes all Directors, meets as required to consider risk in relation to the acquisition, management and disposal of investments.

The **Management Engagement Committee** monitors the performance of the Investment Adviser and considers annually, and recommends to the Board, whether the continued appointment of the Investment Adviser is in the best interest of the Company and its shareholders.

<table>
<tr><td colspan="3">Board
– Has overall responsibility for risk management, including maintaining a governance structure and system of internal controls that ensures effective oversight</td></tr>
<tr>
<td>Board acting as Investment Committee
– Receives reports from the Investment Adviser on the performance of portfolio companies, including an assessment of key risks and actions implemented to mitigate them
– Assesses investment and divestment proposals from the Investment Adviser, with consideration given to their impact on portfolio performance and long-term returns</td>
<td>Audit and Risk Committee
– Operation of the risk assessment methodology, including a review of risks facing the Company and articulation of risk appetite in line with the Company’s strategy
– Receives reports from the Investment Adviser and other key service providers on the implementation of risk management processes and systems of internal control
– Maintains a risk log
– Receives reports from the Investment Adviser and other key service providers on regulatory and compliance matters</td>
<td>Management Engagement Committee
– Monitors and assesses the performance of the Investment Adviser</td>
</tr>
</table>

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:

– regular updates on the operational and financial performance of portfolio companies;

– infrastructure and broader market overviews;

– experience of investment processes;

– key macroeconomic indicators and their impact on the performance and valuation of portfolio companies;

– liquidity management;

– compliance with regulatory obligations;

– analysis of the impact of international initiatives such as the OECD's Action Plan on Base Erosion and Profit Shifting and the Common Reporting Standard, the EU Alternative Investment Fund Managers Directive, and the US Foreign Account Tax Compliance Act; and

– review of the Company's risk log.

The Audit and Risk Committee uses the above to identify a number of key risks. It then evaluates the impact and likelihood of each key risk, with reference to the Company's strategy and business model. The adequacy of the mitigation plans and controls are then assessed and, if necessary, additional actions are agreed and then reviewed at the subsequent meeting.

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

The key risks identified in the year have been categorised as external, strategic, investment, operational or financial risks.

Risk framework

The review of the risk framework included a new assessment of risks facing the Company, mapping these risks onto a risk matrix to determine the principal risks, and analysing the risks through the framework.

Risk appetite

The Committee has reviewed the risk matrix, and set out the Company's appetite for each of the key risks. As an investment company, the Company seeks to take investment risk. The appetite for investment risk is described on page 12 of the Annual report and accounts 2016, with a risk/return graph which shows the investment focus of the Company, and in the investment policy. The Company seeks to limit or manage exposure to other risks to acceptable levels.

Review of significant key risks

The disclosures on the following pages 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 mitigation table.

The Company's risk profile and appetite remains broadly stable.

External risks – market and competition

The markets in which the Company seeks to invest, and in particular the European economic infrastructure market, are competitive, with strong demand for large Core assets. While this has supported value gains for existing assets in the portfolio, it has also made it challenging for the Company to secure new investments in large Core infrastructure businesses at total returns and yields consistent with the Company's targets, posing a risk to the Company's ability to source attractive investment opportunities. In this challenging environment, the Investment Adviser continues to leverage its network and skills to make investments that can continue to deliver attractive risk-adjusted returns to the Company's shareholders.

Interest rates remained low throughout the year. This had positive implications for some of the portfolio assets, including Elenia and AWG, which have been able to continue to raise debt on attractive terms. Elenia's regulatory allowed return was determined with reference to the 10-year Finnish government bond yield until December 2015. From January 2016, under the new regulatory settlement discussed below, the regulatory allowed return is determined with reference to the higher of the current or the 10-year rolling average 10-year Finnish government bond yield. This has had a positive impact on the valuation of the Company's holding in Elenia.

Inflation remained below expectations in the period, continuing to impact the assets with inflation-linked revenues. However, cost inflation has also been low across the portfolio.

There was significant currency volatility in the year, with sterling depreciating by 9.1% against the euro in the run up to the UK referendum on continued membership of the European Union, and with the Indian rupee depreciating by 3.1% against sterling. The Company's objective is to hedge partially its euro exposure and the Singapore dollar exposure (associated with the investment in Oiltanking Singapore within the Oystercatcher valuation). During the year, the hedging programme was extended to cover the Company's exposure to the Danish krona, arising through the investment in ESVAGT, which completed in July 2015. The revaluation of the hedging programme for the euro, Singapore dollar and Danish krona is impacted by movements in forward exchange rates which are not necessarily matched exactly by an equivalent change in the spot exchange rate at which the assets are translated.

The exposure to the Indian rupee remains unhedged. In relation to this exposure, the Board's assessment remains that the cost of hedging the exposure would considerably outweigh the potential benefits, given the lack of liquidity and resulting high execution costs and also due to the significant interest rate differential between sterling and rupee which impact the forward currency rates and hedging derivative valuation. The Board monitors the effectiveness of the Company's hedging policy on a regular basis. Overall, 87% of the foreign exchange gains were offset by movements in the foreign exchange hedging derivatives.

External risks – regulatory and tax

During the year the Finnish Energy Authority, which regulates electricity distribution in Finland, published the regulatory settlement for the next two four-year regulatory periods (beginning in January 2016). These change the calculation of the allowed return on capital for the industry, and certain other parameters, demonstrating the regulator's intent to address the very low allowed return on capital experienced by all distribution companies over recent years.

In October 2015, the OECD's Base Erosion and Profit Shifting ("BEPS") action plan announced a set of proposals for changes designed to tighten international tax regimes and prevent tax planning strategies used by multinational businesses to artificially shift profits to low tax jurisdictions. The Company and the Investment Adviser have been monitoring the progress of the BEPS action plan since its inception in 2013 and this has included the Investment Adviser contributing to representations made by infrastructure bodies on certain of the proposals, notably those concerning the limiting of tax deductions for interest expenses of companies.

Although the October 2015 announcements mark a significant milestone for the BEPS action plan, the Company and the Investment Adviser need to, and will continue to, monitor further developments as different jurisdictions now consider the questions of which proposals they will implement when and to what extent. The OECD itself has noted that it needs to carry out further work and deliver further detail during 2016 on some of the proposals. In the 2016 Budget in March, the UK Government announced its intention to proceed with restrictions on interest deductibility. The proposals include the adoption of the fixed ratio rule under which deductible interest would be restricted to 30% of UK EBITDA, although the detailed design of the rules will follow further consultation. The BEPS proposals are extremely wide ranging and, subject to their adoption and implementation in different jurisdictions, are likely to impact all multinational businesses to some extent. At this stage it is not possible to determine the precise impact of proposals across Europe on the Company and its investments but the Company and the Investment Adviser will continue to monitor developments and consider the necessary actions.

Strategic risks

During the year, the Company had to balance the funding requirements of its pipeline of investments with the objective of running its balance sheet efficiently. The Board assessed the Company's liquidity requirements regularly. The Company announced in May 2015 that it had negotiated a new RCF, increasing the Facility from £200 million to £300 million for three years. The new Facility includes a temporary accordion feature, allowing for an increase in the Facility of a further £200 million. The Company took advantage of this feature in April 2016, and has aggregate short-term borrowing facilities of £500 million available for the remainder of the calendar year, positioning it to continue to make commitments for potential new investments.

Investment risks

The Company made four new investments during the year, in ESVAGT, two new Oiltanking terminals, the West of Duddon Sands OFTO project, and the Condorcet Campus primary PPP project.

The performance of the investments in the India Fund remained weak in the year. The Modi government, elected in May 2014, has made a number of important policy statements in support of investment in the infrastructure sector. However, these statements have yet to translate into concrete initiatives that can improve the performance of the portfolio materially. The India Fund sold its entire holding in Ind-Barath Energy during the year, realising an uplift to carrying value.

Operational

The key areas of operational risk include the loss of key personnel at the Investment Adviser, and whether the Investment Adviser's team can continue to support the delivery of the Company's objectives. The Board monitors the performance of the Investment Adviser through the Management Engagement Committee. It also monitors the performance of key service providers, receiving reports of any significant control breaches.

Financial risks – valuation

Following the compression in market returns and changes in asset pricing across the infrastructure sector, together with a new regulatory settlement for Elenia from the Finnish Energy Authority, there were several significant changes to asset valuations within the Company's portfolio in this financial year.

Viability statement

The Directors have assessed the viability of the Company over a three-year period to March 2019. The Directors have taken account of the current position of the Company, 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 but 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 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 in the time period. These scenarios were not considered to be plausible.
The Directors consider that a three-year period to March 2019 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, the term of the Company's Revolving Credit Facility, and increased uncertainty surrounding economic, political and regulatory changes over the longer term.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to March 2019.

Principal risks and mitigation

Principal risks	Risk description	Risk mitigation
External		
Legal, tax, compliance and accounting	Changes to the following areas may impact upon the operation of the Company eg: – Legal – changes to listing rules – Tax – changes to the rules which affect the Jersey nil rated regime – Compliance – increased regulation eg AIFMD, FATCA Accounting – rules pertaining to disclosure/consolidation, and – Regulatory – changes to the regulatory regime of 3iN, the Investment Adviser and portfolio companies can impact operating model and/or profitability	– Company has retained legal advisers – Tax advice taken on transactions and at other times as necessary – Investment Adviser has in-house Compliance team to provide advice on regulatory issues – Accounting advice provided to the Company by the auditor at reporting times and throughout the year
OECD BEPs initiative	– Changes to the tax regime applicable to the Company, subsidiaries or portfolio companies that increase tax leakage and/or affect the Company's relative attractiveness as an investment vehicle due to the OECD BEPs initiative or associated UK and EU initiatives	– The impact on the portfolio or investment strategy of changes to applicable standards and regulation are closely monitored
Market/economic	– Macroeconomic or market volatility flows through to pricing, valuations and portfolio performance – Fiscal tightening impacts market environment – Risk of sovereign default lowers market sentiment and increases volatility – Misjudgment of inflation and/or interest rate outlook	– Advice of Investment Adviser 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 other advisers
Competition	– Increased competition for the acquisition of assets in the Company's strategic focus areas – Deal processes 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 of Investment Adviser – Strong track record and strength of 3iN brand
Strategic		
Unbalanced portfolio	– Failure to ensure adequate spread of assets invested to minimise concentration risks (eg by geography, sector, demand driver, regulator) and fulfil investment policy – Difficulty in maintaining geographical diversity, or sale of large assets, may lead to unbalanced portfolio – Misjudgment of risk when entering new sectors, industries or geographies	– Investment process explicitly addresses questions of geographical/sector balance in the portfolio – Portfolio concentration measures are reviewed periodically by the Board – The Investment Adviser undertakes a concentration review for each new investment
Investment		
Inappropriate rate of investment	– Failure to achieve new investment impacts shareholder perception, returns and growth prospects – Excess "vintage risk" magnifies the impact of poor performance from a vintage of investments – Poor management of investment pipeline	– Efficient balance sheet maintained and monitored regularly by the Board – Portfolio concentration measures are reviewed periodically by the Board – The Investment Adviser undertakes a concentration review for each new investment
Operational		
Loss of senior Investment Adviser staff	– Members of the deal team at Investment Adviser 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
Financial		
Transition of CFO	– Transition of the CFO Infrastructure role results in knowledge gaps, control breakdowns or other disruption	– Detailed handover completed

Corporate responsibility

The Board's aim is to invest responsibly. The Board is responsible for the definition and implementation of the Company's corporate responsibility policy, however in practice it relies heavily on the relevant policies and procedures put in place by 3i Group that apply to the Investment Adviser and, consequently, to the Company.

For more information on 3i Group's corporate responsibility policies, please refer to its website: www.3i.com/corporate-responsibility. The Board believes that these policies meet the Company's objectives in this area.

Responsible Investment policy

3i Group is a signatory to the UN Principles for Responsible Investment ("RI") and has embedded RI policies in its investment and asset management processes.

The Investment Adviser's philosophy on RI can be summarised as follows:

- the effective assessment and management of environmental, social, business integrity and corporate governance matters has a positive effect on the value of portfolio companies, and hence on 3i Infrastructure itself;
- compliance with local laws and regulations may not be enough to meet global expectations, deliver value and enhance reputation and licence to operate; and
- it is vital that the Investment Adviser seeks to identify all material environmental, social and governance ("ESG") risks and opportunities through its due diligence and effectively manage them during the period of the Company's investment.

The Investment Adviser's RI policy makes clear that it aims to use its influence to promote a commitment in portfolio companies to:

- comply, as a minimum, with applicable local and international laws;
- mitigate adverse environmental and social impacts and enhance positive effects on the environment, workers and relevant stakeholders; and
- uphold high standards of business integrity and good corporate governance.

The main features of the policy include:

- clear statements of the commitment to mitigate adverse environmental and social impacts and uphold high standards of business integrity and good corporate governance;
- an exclusion list of businesses and activities in which investment is precluded;
- a referral list of businesses and activities which may be particularly sensitive and may require additional scrutiny; and
- a set of minimum ESG standards that portfolio companies should meet, either at the time of investment or within a reasonable period thereafter.

Details of the Investment Adviser's RI policy are available on 3i Group's website: **www.3i.com/corporate-responsibility/responsible-investor**.

Governance

Good corporate governance is fundamental to 3i Infrastructure and its activities. For full details of the Company's governance structure, please see the Governance section of this report and visit the Governance & CSR section of the Company's website at **www.3i-infrastructure.com**.

Bribery Act

The Company does not offer, pay or accept bribes and is committed to working only with third parties whose standards of business integrity are substantively consistent with its own. The Company also expects the businesses it invests in to commit to avoiding corruption in all its forms and to comply with anti-bribery, anti-fraud and anti-money laundering laws applicable to them. The Company has an anti-bribery policy and is fully compliant with the provisions of the UK Bribery Act.

Environment

As an investment company with no employees, governed by a non-executive Board of Directors, 3i Infrastructure has no material direct impact on the environment. Its carbon emissions are negligible, and limited to Board members' travel to and from Jersey to attend Board meetings.

Procurement

3i Infrastructure has developed policies and procedures in relation to the procurement of services received from third-party providers. As far as possible, the Company will work only with suppliers who support its aim to source products and services responsibly. 3i Infrastructure aims to have a collaborative relationship with its service providers and, wherever possible, will work with them when problems or issues arise to help them meet its requirements.

Prompt Payment Code

3i Group performs most payment and treasury functions for the Company and is a signatory of the Prompt Payment Code. The Code encourages and promotes best practice between organisations and their suppliers. Signatories to the Code commit to paying their suppliers within clearly defined terms, and to ensuring there is a proper process for dealing with any issues that may arise.

This Strategic report is approved by order of the Board Authorised signatory

Capita Financial Administrators (Jersey) Limited
Company Secretary
11 May 2016

Consolidated statement of comprehensive income

For the year to 31 March

	Notes	**Year to 31 March 2016 £m**	Year to 31 March 2015 £m
Realised gains over fair value on the disposal of investments		**0.1**	14.5
Net gains on investments at fair value through profit or loss	3	**187.0**	236.5
		187.1	251.0
Investment income		**58.9**	58.1
Fees payable on investment activities		**(1.3)**	(6.1)
Fees receivable on investment activities		**0.2**	1.5
Interest receivable		**0.7**	0.3
Investment return		**245.6**	304.8
Advisory and performance fees payable	2	**(30.3)**	(56.0)
Operating expenses		**(2.5)**	(2.8)
Finance costs		**(4.8)**	(3.2)
Net unrealised (losses)/gains on the fair value of derivative financial instruments		**(46.2)**	23.3
Net realised gains over fair value on the settlement of derivative financial instruments		**1.5**	1.4
Other income		**1.6**	1.1
Exchange movements		**1.3**	(1.8)
Profit before tax		**166.2**	266.8
Income taxes		**–**	–
Profit after tax and profit for the year		**166.2**	266.8
Total comprehensive income for the year		**166.2**	266.8
Earnings per share			
Basic and diluted (pence)	5	**20.3**	30.3

Consolidated statement of changes in equity

For the year to 31 March

For the year to 31 March 2016	**Notes**	**Stated capital account £m**	**Retained reserves £m**	**Total shareholders' equity £m**
Opening balance at 1 April 2015		**181.6**	**1,139.7**	**1,321.3**
Total comprehensive income for the year		**–**	**166.2**	**166.2**
Dividends paid to shareholders of the Company during the year	6	**–**	**(210.5)**	**(210.5)**
Closing balance at 31 March 2016		**181.6**	**1,095.4**	**1,277.0**

For the year to 31 March 2015		Stated capital account £m	Retained reserves £m	Total shareholders' equity £m
Opening balance at 1 April 2014		181.6	932.2	1,113.8
Total comprehensive income for the year		–	266.8	266.8
Dividends paid to shareholders of the Company during the year	6	–	(59.3)	(59.3)
Closing balance at 31 March 2015		181.6	1,139.7	1,321.3

Consolidated balance sheet

As at 31 March

	Notes	**2016 £m**	2015 £m
Assets			
Non-current assets			
Investments at fair value through profit or loss	3	**1,228.8**	1,231.5
Investment portfolio		**1,228.8**	1,231.5
Derivative financial instruments		**6.4**	24.4
Total non-current assets		**1,235.2**	1,255.9
Current assets			
Derivative financial instruments		**4.1**	11.9
Trade and other receivables		**16.6**	13.0
Other financial assets		**36.7**	33.9
Cash and cash equivalents		**47.5**	72.5
Total current assets		**104.9**	131.3
Total assets		**1,340.1**	1,387.2
Liabilities			
Non-current liabilities			
Derivative financial instruments		**(28.2)**	(6.0)
Trade and other payables		**(2.0)**	(0.5)
Total non-current liabilities		**(30.2)**	(6.5)
Current liabilities			
Trade and other payables		**(22.8)**	(52.8)
Derivative financial instruments		**(10.1)**	(6.6)
Total current liabilities		**(32.9)**	(59.4)
Total liabilities		**(63.1)**	(65.9)
Net assets		**1,277.0**	1,321.3
Equity			
Stated capital account	4	**181.6**	181.6
Retained reserves		**1,095.4**	1,139.7
Total equity		**1,277.0**	1,321.3
Net asset value per share			
Basic and diluted (pence)	5	**161.0**	149.9

The Financial statements and related Notes were approved and authorised for issue by the Board of Directors on 11 May 2016 and signed on its behalf by:

Steven Wilderspin
Director

Consolidated cash flow statement

For the year to 31 March

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Cash flow from operating activities		
Purchase of investments	**(187.2)**	(2.6)
Purchase of other financial assets	**(1.3)**	(22.1)
Proceeds from partial realisations of investments	**17.1**	26.8
Proceeds from full realisations of investments	**360.4**	-
Investment income[1]	**56.5**	49.5
Fees received on investment activities	**0.2**	1.4
Fees paid on investment activities	**(5.0)**	(1.8)
Operating expenses paid	**(2.8)**	(2.6)
Interest received	**0.7**	0.3
Advisory and performance fees paid	**(56.6)**	(10.3)
Amounts received on the settlement of derivative contracts	**28.8**	5.1
Amounts paid on the settlement of derivative contracts	**(20.7)**	(0.9)
Other income received	**1.5**	1.2
Net cash flow from operations	**191.6**	44.0
Cash flow from financing activities		
Fees paid on financing activities	**(5.5)**	(2.9)
Dividends paid	**(210.5)**	(59.3)
Net cash flow from financing activities	**(216.0)**	(62.2)
Change in cash and cash equivalents	**(24.4)**	(18.2)
Cash and cash equivalents at the beginning of the year	**72.5**	90.7
Effect of exchange rate movement	**(0.6)**	-
Cash and cash equivalents at the end of the year	**47.5**	72.5

1 Investment income includes dividends of £1.8 million (2015: £1.9 million) and interest of £10.1 million (2015: £11.5 million) received from portfolio assets held directly by the Company and distributions of £44.6 million (2015: £36.1 million) received from unconsolidated subsidiaries.

Significant accounting policies

Corporate information

3i Infrastructure plc (the "Company") is a company incorporated in Jersey, Channel Islands. The Consolidated financial statements for the year to 31 March 2016 comprise the financial statements of the Company and its consolidated subsidiary as defined in IFRS 10 Consolidated Financial Statements (together referred to as the "Group"). The Companies (Jersey) Law 1991 does not require the directors of a company to present separate financial statements where consolidated financial statements are presented and therefore the financial results and position of the Company are not presented alongside the consolidated financial statements of the Group.

The financial statements were authorised for issue by the Board of Directors on 11 May 2016.

Statement of compliance

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

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

Basis of preparation

The financial statements are prepared on a going concern basis as disclosed in the Directors' Report in the Annual report and accounts 2016, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability and cash flows.

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

The preparation of financial statements in conformity with IFRS requires the Board to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of determining the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Basis of consolidation

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 IAS 39 Financial Instruments: Recognition and Measurement, rather than consolidate their results. However, those subsidiaries that are not themselves investment entities and provide investment-related services to the Company are consolidated.

Key estimates and judgments

The preparation of financial statements in accordance with IFRS requires the Directors to exercise judgment in the process of applying the accounting policies defined below. The following policies are areas where a higher degree of judgment 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 essential 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 meets 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 Group 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 Group holds significant stakes in the majority of its investee companies and must exercise judgment in the level of control of the underlying investee company that is obtained in order to assess whether the company should be classified as a subsidiary.

The Group must also exercise judgment in whether a subsidiary provides investment-related services or activities and therefore should be consolidated or held at fair value through profit or loss. Refer to significant accounting policy 'A Classification' for further details.

During the year, the Company acquired two new principal subsidiary entities. The Directors have assessed whether these entities provide investment-related services and have concluded that they should not be consolidated and that they should be held at fair value through profit or loss.

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

Valuation of the investment portfolio

The key area where estimates are significant to the consolidated 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 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 and the discount rate to be applied to these cash flows. Refer to Note 3 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.

Standards and interpretations issued but not yet effective

As at 31 March 2016, the following new or amended standards and interpretations, 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.

IFRS Annual improvements 2012 to 2014 (effective for accounting periods commencing on or after 1 January 2016).

IFRS 9 Financial Instruments (effective for accounting periods commencing on or after 1 January 2018).

Amendments to IFRS 10, IFRS 12 and IAS 28 (effective for accounting periods commencing on or after 1 January 2016).

Amendments to IFRS 11 (effective for accounting periods commencing on or after 1 January 2016).

IFRS 15 Revenue from Contracts with Customers (effective for accounting periods commencing on or after 1 January 2018).

IFRS 16 Leases (effective for accounting periods commencing on or after 1 January 2019).

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Consolidated Group in future periods, although IFRS 9 may impact the disclosure of certain Financial Instruments.

IFRS 10 (Revised) – Consolidated Financial Statements

The IASB issued a narrow scope amendment to IFRS 10 in December 2014 and subsequently the Group revisited its initial assessment of all of its subsidiaries and concluded that the initial assessment remained appropriate.

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 independent 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 Group structure and concluded that 3i Infrastructure Seed Assets GP Limited is the only subsidiary of the Company that provides independent investment-related services or activities. This subsidiary has been consolidated with the Company to form “the Group”.

(ii) Associates – Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group’s investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28, Investment in Associates, which allows investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the year.

(iii) Joint ventures – Interests in joint ventures that are held as part of the Group’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 to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the year.

(iv) Transactions eliminated on consolidation – Intragroup balances between the Company and the consolidated subsidiary; 3i Infrastructure Seed Assets GP Limited, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. There will be no elimination in relation to transactions between the Company and subsidiaries held at fair value.

B Exchange differences

Foreign currency transactions – Transactions entered into by the Group 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.

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.

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 Group 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 designated as at fair value through profit or loss upon initial recognition and subsequently carried in the balance sheet at fair value. All investments are initially recognised at the fair value of the consideration given and are subsequently measured at fair value, applying the Group's valuation policy. Acquisition related costs are accounted for as expenses when incurred, unless directly related to the issue of debt or equity securities.

(i) Realised gains or losses on the disposal of investments are the difference between the fair value of the consideration receivable on disposal less any directly attributable costs and its fair value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal; and are recognised in the statement of comprehensive income.

(ii) Net gains or losses on the revaluation of investments are the movement in the fair value of investments between the start and end of the accounting period, or the investment acquisition date and the end of the accounting period, converted into sterling using the exchange rates in force at the end of the period; and are recognised in the statement of comprehensive income.

Income

Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be an economic benefit and the income can be reliably measured.

Investment income relates to returns from investments in the portfolio, excluding fair value movement on the value of the portfolio.

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 with the exception of dividends paid out of pre-acquisition reserves that are recognised by adjusting the fair value of the equity investment upon acquisition;
- income from loans and receivables and debt held 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;
- 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;
- 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) **Advisory fee –** An annual advisory fee is payable to 3i plc based on the Gross Investment Value of the Group. The fee is payable quarterly in advance and is accrued in the period it is incurred. Further explanations are provided in Note 8.

(iii) **Performance fee –** 3i plc is entitled to a performance fee based on the Adjusted Total Return per ordinary share generated in the period in excess of a performance hurdle (subject to a high water mark requirement being exceeded). The fee is payable annually in arrears and is accrued in the period it is incurred. Further explanations are provided in Note 8.

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

E Treasury assets and liabilities

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

(i) Cash and cash equivalents – Cash and cash equivalents in the balance sheet 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. Interest receivable 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) Other financial assets – Other financial assets in the balance sheet comprise principally cash held on deposit in third-party bank accounts on behalf of the Mersey Gateway Bridge, Ayrshire College and A9 primary PPP projects. The Company retains the right to replace these cash deposits for a letter of credit of the equivalent amount.

(iv) Derivative financial instruments – Derivative financial instruments are used to manage the risk associated with foreign currency fluctuations in the valuation of the investment portfolio and changes in interest rates on borrowings held by the Oystercatcher Luxco 2 S.à r.l. subsidiary. This is achieved by the use of forward foreign currency contracts and interest rate swaps. 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. In the Consolidated cash flow statement the amounts received and paid on the settlement of the derivative financial instruments have been reclassified from financing to operating activities to more appropriately reflect the nature of the instruments as portfolio management tools.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently re-measured to the fair value at each reporting date. 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. Realised gains over fair value on the settlement of derivative financial instruments are the difference between the fair value of the consideration receivable on disposal and the fair value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal; and are recognised in the statement of comprehensive income.

F Other assets

Assets, other than those specifically accounted for under a separate policy, are stated at their consideration receivable less impairment losses. The carrying value of such assets or liabilities is considered to be approximate to their fair value. All assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows. Any change in levels of impairment is recognised directly in the 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.

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. The carrying value of other liabilities is considered to be approximate to their fair value.

H Equity and reserves

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

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

(iii) Dividends payable – Dividends on ordinary shares are recognised as a deduction from retained reserves in the period in which the Company's obligation to make the dividend payment arises.

I Income taxes

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the statement of comprehensive income except to the extent that it relates to an amount recognised in the statement of changes in equity when it is recognised directly in this statement.

The tax currently payable is based on the taxable profit for the period. This may differ from the profit included in the consolidated 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. The Group's liability for current tax is calculated using tax rates and laws for each relevant tax jurisdiction in which the Company and its consolidated subsidiary operate that have been enacted or substantively enacted by the financial reporting date.

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

Notes to the accounts

1 Segmental analysis

The Directors review information on a regular basis that is analysed by geography. In accordance with IFRS 8, the segmental information provided below uses this geographic analysis of results as it is the most closely aligned with IFRS reporting requirements. The Group only operates in one service line, being that of an investment holding company. Therefore, no segmental analysis by service line has been produced. The Group is an investment holding company and does not consider itself to have any customers.

The Group generated 37% (2015: 55%) of its investment income in the period from investments held in the UK and Ireland and 63% (2015: 45%) of investment income from investments held in continental Europe. During the year, the Group generated income from its investments in Elenia of £17.2 million (2015: £18.1 million), Oystercatcher of £14.3 million (2015: £4.3 million), AWG of £8.5 million (2015: £8.0 million) and Eversholt Rail of £0.7 million (2015: £15.6 million) which represents 29% (2015: 31%), 24% (2015: 7%), 14% (2015: 14%) and 1% (2015: 27%), respectively of the total investment income. There was no other income entitlement during the year (or in the comparative year) that represented more than 10% of portfolio income. Given the nature of the Group's operations, the Group is not considered to be exposed to any operational seasonality or cyclicality that would impact the financial results of the Group during the period or the financial position of the Group at 31 March 2016.

For the year to 31 March 2016	UK and Ireland[1] £m	Continental Europe[2] £m	Asia £m	Total £m
Investment return				
Realised gains/(losses) over fair value on the disposal of investments	**-**	**0.2**	**(0.1)**	**0.1**
Net movement on investments at fair value through profit or loss	**23.3**	**174.2**	**(10.5)**	**187.0**
Investment income	**21.8**	**37.1**	**-**	**58.9**
Net fees (payable)/receivable on investment activities	**(1.3)**	**0.2**	**-**	**(1.1)**
Interest receivable	**0.7**	**-**	**-**	**0.7**
Investment return/(loss)	**44.5**	**211.7**	**(10.6)**	**245.6**
Finance costs	**(4.8)**	**-**	**-**	**(4.8)**
Derivative financial instruments	**(44.6)**	**(0.1)**	**-**	**(44.7)**
Other net expenses	**(32.2)**	**2.3**	**-**	**(29.9)**
Profit/(loss) before tax	**(37.1)**	**213.9**	**(10.6)**	**166.2**
As at 31 March 2016				
Balance sheet				
Investments at fair value through profit or loss	**492.0**	**683.6**	**53.2**	**1,228.8**
Cash and cash equivalents	**47.5**	**-**	**-**	**47.5**
Other financial assets	**17.7**	**19.0**	**-**	**36.7**
Derivative financial instruments	**10.5**	**-**	**-**	**10.5**
Other assets	**5.6**	**11.0**	**-**	**16.6**
Assets	**573.3**	**713.6**	**53.2**	**1,340.1**
Derivative financial instruments	**(34.9)**	**(3.4)**	**-**	**(38.3)**
Other liabilities	**(22.8)**	**(2.0)**	**-**	**(24.8)**
Liabilities	**(57.7)**	**(5.4)**	**-**	**(63.1)**
Net assets	**515.6**	**708.2**	**53.2**	**1,277.0**

1 Including Channel Islands.

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

For the year to 31 March 2015	UK and Ireland[1] £m	Continental Europe[2] £m	Asia £m	Total £m
Investment return				
Realised gains/(losses) over fair value on the disposal of investments	13.7	(0.1)	0.9	14.5
Net movement on investments at fair value through profit or loss	242.8	(4.8)	(1.5)	236.5
Investment income	32.1	26.0	–	58.1
Net fees payable on investment activities	(4.6)	–	–	(4.6)
Interest receivable	0.3	–	–	0.3
Investment return/(loss)	284.3	21.1	(0.6)	304.8
Finance costs	(3.2)	–	–	(3.2)
Derivative financial instruments	29.8	(5.1)	–	24.7
Other net expenses	(57.7)	(1.8)	–	(59.5)
Profit/(loss) before tax	253.2	14.2	(0.6)	266.8
As at 31 March 2015				
Balance sheet				
Investments at fair value through profit or loss	806.1	358.8	66.6	1,231.5
Cash and cash equivalents	72.5	–	–	72.5
Other financial assets	17.7	16.2	–	33.9
Derivative financial instruments	36.3	–	–	36.3
Other assets	8.8	4.2	–	13.0
Assets	941.4	379.2	66.6	1,387.2
Derivative financial instruments	(8.1)	(4.5)	–	(12.6)
Other liabilities	(52.6)	(0.7)	–	(53.3)
Liabilities	(60.7)	(5.2)	–	(65.9)
Net assets	880.7	374.0	66.6	1,321.3

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

2 Advisory and performance fees payable

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Advisory fee paid directly from the Company	**10.8**	11.0
Performance fee	**19.5**	45.0
	30.3	56.0

Total advisory and performance fees payable by the Company for the year to 31 March 2016 were £30.3 million (2015: £56.0 million). In addition to the fees described above, management fees of £4.2 million (2015: £4.2 million) were paid to 3i Group plc from unconsolidated subsidiary entities. Note 18 provides further details on the calculation of the advisory fee, performance fee and management fees.

3 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 (i.e. as prices) or indirectly (i.e. 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 re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) for each reporting period.

At 31 March 2016, the Group held the following classes of financial instruments that are measured at fair value. For all other assets and liabilities their carrying value approximates to fair value. During the year ended 31 March 2016, there were no transfers of financial instruments between levels of the fair value hierarchy (2015: none). There were no non-recurring fair value measurements.

Financial instruments classification

	As at 31 March 2016			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Investments at fair value through profit or loss	**-**	**-**	**1,228.8**	**1,228.8**
Derivative financial instruments	**-**	**10.5**	**-**	**10.5**
	-	**10.5**	**1,228.8**	**1,239.3**
Financial liabilities				
Derivative financial instruments	**-**	**(38.3)**	**-**	**(38.3)**

	As at 31 March 2015			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	-	-	1,231.5	1,231.5
Derivative financial instruments	-	36.3	-	36.3
	-	36.3	1,231.5	1,267.8
Financial liabilities				
Derivative financial instruments	-	(12.6)	-	(12.6)

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

Level 3 fair value reconciliation	**As at 31 March 2016 £m**
Opening fair value	**1,231.5**
Additions	**187.2**
Disposal proceeds and repayments	**(376.9)**
Fair value movement (including exchange movements)	**187.0**
Closing fair value	**1,228.8**

Level 3 fair value reconciliation	As at 31 March 2015 £m
Opening fair value	996.6
Additions	18.8
Disposal proceeds and repayments	(20.4)
Fair value movement (including exchange movements)	236.5
Closing fair value	1,231.5

All unrealised movements on investments and foreign exchange movements are recognised in profit or loss in the consolidated statement of comprehensive income during the year and are attributable to investments held at the end of the year.

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

Unquoted investments
The Group 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 section called Summary of portfolio valuation methodology.

The Group's policy is to fair value both the equity and 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. As at 31 March 2016, the fair value of unquoted investments was £1,203.8 million (2015: £1,205.7 million). Individual portfolio asset valuations are shown within the Portfolio summary.

The majority of the assets held within Level 3 are valued on a discounted cash flow basis, hence, the valuations are sensitive to the discount rate assumed in the valuation of each asset. Other significant unobservable inputs include the long-term inflation rate assumption and interest rates assumption used to project the future cash flows.

Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £124.7 million (2015: £84.2 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £151.1 million (2015: £101.6 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)(2015: 5.0%) to 2.0% (Finland)(2015: 2.0%) but with the majority at 2.5% (UK) (2015: 2.5%). Changing the inflation rate assumption may result in consequential changes to other assumptions used in the valuation of each asset. The impact of increasing the inflation rate assumption by 1% for the next two years would increase the value of the portfolio by £29.1 million (2015: £17.0 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 £28.2 million (2015: £16.4 million).

The valuations are sensitive to changes to 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 £90.0 million (2015: £56.2 million). Decreasing the interest rate assumption used in the valuation of each asset by 1% would increase the value of the portfolio by £86.8 million (2015: £52.7 million). This calculation does not take account of any offsetting variances which may be expected to prevail if interest rates changed, the most significant impact would be in the portfolio assets with regulated returns where the future allowed return may also be influenced by the interest rate.

Unlisted funds
The Company invests in one externally managed fund, The Dalmore Capital Fund, which is not quoted in an active market. The Company considered the valuation techniques and inputs used in valuing this fund to ensure they are reasonable and appropriate and therefore the net asset value ("NAV") of this fund may be used as an input into measuring its fair value. In measuring this fair value, the NAV 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 and fund manager. The Company classifies the fair value of this investment as Level 3. As at 31 March 2016, the fair value of unlisted funds was £18.3 million (2015: £17.4 million). There are no adjustments currently made to the NAV of the fund (2015: none). A 10% adjustment in the NAV of the fund would result in a £1.8 million (2015: £1.7 million) change in the valuation.

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 2016, the fair value of the other assets and liabilities within these intermediate holding companies was £6.7 million (2015: £8.4 million).

Over-the-counter derivatives
The Company uses over-the-counter foreign currency derivatives to hedge foreign currency movements on portfolio assets. The derivatives are held at fair value which represents the replacement cost of the instruments at the balance sheet date. The valuation technique incorporates various inputs including foreign exchange spot and forward rates, interest rate curves, 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
Valuations are the responsibility of the Board of Directors of the Company. The valuation of unquoted investments, debt, unlisted funds and derivative investments held by the Group is performed on a half-yearly basis by the valuation team of the Investment Adviser and reviewed by the Investment Committee of the Investment Adviser. 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. On a half-yearly basis, the Investment Committee 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. The Investment Committee 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. Any changes in valuation methods are discussed and agreed with the Audit and Risk Committee before being approved by the Board.

4 Issued capital

	As at 31 March 2016		As at 31 March 2015	
	Number	**£m**	Number	£m
Issued and fully paid				
Opening balance	**881,351,570**	**887.8**	881,351,570	887.8
Share consolidation	**(88,135,157)**	**-**	-	-
Closing balance	**793,216,413**	**887.8**	881,351,570	887.8

Aggregate issue costs of £13.1 million arising from IPO and subsequent share issues were 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 £693.1 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Therefore as at 31 March 2016, the residual value on the stated capital account was £181.6 million.

On 31 July 2015, the Company paid a special dividend of £149.8 million to shareholders. In order to maintain comparability of the Company's share price before and after the special dividend, a share consolidation took place. On 7 July 2015, an Extraordinary General Meeting was held to approve the share consolidation, which was set at a ratio of 9 new ordinary shares for every 10 existing shares. The share consolidation ratio was based on a share price of 168.8 pence per share, being the share price on the date of posting the EGM circular and the special dividend was therefore equivalent to approximately 10% of the market capitalisation of the Company at that time.

Subsequent to the year end, the Company announced an Open Offer, Placing and Intermediaries Offer with the objective of raising up to £350 million of additional issued capital. Further details are described in the Chairman's Statement.

5 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 2016	Year to 31 March 2015
Earnings per share (pence)		
Basic	**20.3**	30.3
Diluted	**20.3**	30.3
Earnings (£m)		
Profit after tax for the year	**166.2**	266.8
Number of shares (million)		
Weighted average number of shares in issue	**816.8**	881.4

	As at 31 March 2016	As at 31 March 2015
Net assets per share (pence)		
Basic	**161.0**	149.9
Diluted	**161.0**	149.9
Net assets (£m)		
Net assets	**1,277.0**	1,321.3

6 Dividends

	Year to 31 March 2016		Year to 31 March 2015	
Declared and paid during the year	**Pence per share**	**£m**	Pence per share	£m
Special dividend paid on ordinary shares	**17.0**	**149.8**	-	-
Interim dividend paid on ordinary shares	**3.625**	**28.8**	3.38	29.8
Prior year final dividend paid on ordinary shares	**3.62**	**31.9**	3.35	29.5
	24.245	**210.5**	6.73	59.3

The Company proposes paying a final dividend of 3.625 pence per share (2015: 3.62 pence) which will be payable to those shareholders that are on the register on 20 May 2016. On the basis of the shares in issue at year end, this would equate to a total final dividend of £28.8 million (2015: £31.9 million).

The final dividend is subject to approval by shareholders at the AGM in July 2016.

7 Contingent liabilities

As at 31 March 2016, the Company had issued €29.7 million (re-translated £23.4 million) (2015: €21.8 million, re-translated £15.8 million) in the form of Letters of Credit, drawn against the Revolving Credit Facility, for the investments into the A12, RIVM, La Santé and Condorcet PPP projects.

8 Related parties

Transactions between 3i Infrastructure and 3i Group
3i Group plc ("3i Group") holds 34.0% (2015: 34.1%) of the ordinary shares of the Company. This classifies 3i Group as a "substantial shareholder" of the Company as defined by the Listing Rules.

The Group has committed US$250 million to the 3i India Infrastructure Fund ("the India Fund") to invest in the Indian infrastructure market. 3i Group has also committed US$250 million of investment capital to the India Fund. No commitments (2015: nil) were drawn down by the India Fund from the Company during the period for investment and deal fees. In total, commitments of US$183.7 million or £127.6 million re-translated (2015: US$183.7 million or £124.2 million) had been drawn down at 31 March 2016 by the India Fund from the Company. As the India Fund has reached the end of its investment period, the Company's outstanding commitment to the India Fund is limited to 15% of the original US$250 million commitment. At 31 March 2016, the outstanding commitment was US$37.5 million, or £26.1 million re-translated (2015: US$37.5 million or £25.3 million).

3i Networks Finland GP Limited, a subsidiary of 3i Group, receives a priority profit share from 3i Networks Finland LP, an unconsolidated subsidiary of the Company. During the year, £2.0 million (2015: £2.1 million) was payable directly to 3i Group, of which the Company's share was £1.7 million (2015: £1.8 million) and which was therefore offset against the total advisory fee payable by the Company. As at 31 March 2016, nil remained outstanding (2015: nil).

3i Osprey GP Limited, a subsidiary of 3i Group, receives a priority profit share from 3i Osprey LP, an unconsolidated subsidiary of the Company. During the year, £3.7 million (2015: £3.5 million) was payable directly to 3i Group, of which the Company's share was £2.5 million (2015: £2.4 million) and which was therefore offset against the total advisory fee payable by the Company. As at 31 March 2016, £0.3 million remained outstanding (2015: £0.3 million).

3i Investments plc, a subsidiary of 3i Group, acts as the exclusive Investment Adviser to the Company and provides its services under an Investment Advisory Agreement ("IAA"). It also acts as the manager for the India Fund. 3i plc, another subsidiary of 3i Group, together with 3i Investments plc, provides support services to the Company.

Under the IAA, an annual advisory fee is payable to 3i plc based on the Gross Investment Value of the Company at the end of each financial period. Gross Investment Value is defined as the total aggregate value (including any subscription obligations) of the investments of the Group as at the start of a financial period plus any investment (excluding cash) made during the period valued at cost (including any subscription obligations). The applicable annual rate is 1.5%, dropping to an annual rate of 1.25% for investments that have been held by the Group for longer than five years. On 8 May 2014, the Company entered into an agreement with the Investment Adviser to amend the IAA (the "Amended Agreement"), which was subsequently approved by the Company's shareholders at an extraordinary general meeting on 8 July 2014 and by the Jersey Financial Services Commission ("JFSC"). The Amended Agreement included a new, lower fee of 1% per annum for any future investments in primary PPP and individual renewable energy projects. The advisory fee accrues throughout a financial period and quarterly instalments are payable on account of the advisory fee for that period. The advisory fee is not payable in respect of cash or cash equivalent liquid temporary investments held by the Group throughout a financial period. For the year to 31 March 2016, £15.0 million (2015: £15.2 million) was payable and £0.8 million (2015: £1.5 million) remained due to 3i plc at 31 March 2016. This amount includes fees of £4.2 million (2015: £4.2 million) which were paid directly from unconsolidated subsidiary entities to 3i plc.

The IAA also provides for an annual performance fee to be payable to 3i plc. This becomes payable when the Adjusted Total Return per ordinary share (being mainly closing Net Asset Value per share aggregated with any distributions made in the course of the financial period and any accrued performance fees relating to the financial period) for the period exceeds the Target Total Return per share, being the Net Asset Value per ordinary share equal to the opening Net Asset Value per ordinary share increased at a rate of 8% per annum ("the performance hurdle"). If the performance hurdle is exceeded, the performance fee will be equal to 20% of the Adjusted Total Return per share in excess of the performance hurdle for the relevant financial period, multiplied by the weighted average of the total number of shares in issue over the relevant financial period. In addition, as part of the Amended Agreement, from the year commencing 1 April 2014, the performance fee includes a high water mark requirement so that, before payment of a performance fee, besides the 8% performance hurdle, the return must also exceed the performance level in respect of which any performance fee has been paid in the previous three financial years. The performance hurdle and high water mark requirement was exceeded for the year to 31 March 2016 and a performance fee of £19.5 million (2015: £45.0 million) has been accrued and £19.5 million remained due to 3i plc (2015: £45.0 million).

Under the IAA, the Investment Adviser's appointment may be terminated by either the Company or the Investment Adviser giving the other not less than 12 months' notice in writing, unless 3i Investments plc has previously ceased to be a member of 3i Group, or with immediate effect by either party giving the other written notice in the event of insolvency or material or persistent breach by the other party. The Investment Adviser may also terminate the agreement on two months' notice given within two months of a change of control of the Company. As part of the Amended Agreement, the IAA was extended for a period of four years and can therefore be terminated by either the Company or the Investment Adviser, giving the other not less than 12 months' notice in writing, to expire no earlier than 8 May 2019.

Pursuant to the UK Support Services Agreement, the Company also pays 3i plc an annual fee for the provision of support services. Such remuneration is payable quarterly in arrears. The cost incurred for the year to 31 March 2016 was £0.8 million (2015: £0.8 million). The outstanding balance payable as at 31 March 2016 was £0.2 million (2015: £0.2 million).

Investment policy

The Company aims to build a diversified portfolio of equity investments in entities owning infrastructure businesses and assets. The Company seeks investment opportunities globally, but with a focus on Europe, North America and Asia.

The Company's equity investments will often comprise share capital and related shareholder loans (or other financial instruments that are not shares but that, in combination with shares, are similar in substance). The Company may also invest in junior or mezzanine debt in infrastructure businesses or assets.

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

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

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

No investment made by the Company will represent more than 25% of the Company's gross assets, including cash holdings, at the time of the making of the investment. It is expected that most individual investments will exceed £50 million. In some cases, the total amount required for an individual transaction may exceed the maximum amount that the Company is permitted to commit to a single investment. In such circumstances, the Company may consider entering into co-investment arrangements with 3i Group (or other investors who may also be significant shareholders), pursuant to which 3i Group and its subsidiaries (or such other investors) may co-invest on the same financial and economic terms as the Company. The suitability of any such co-investment arrangements will be assessed on a transaction-by-transaction basis and would be subject to Board approval. Depending on the size of the relevant investment and the identity of the relevant co-investor, such a co-investment arrangement may be subject to the related party transaction provisions contained in the Listing Rules and may therefore require shareholder consent.

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

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

Statement of Directors' responsibilities

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

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

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

The Directors of the Company and their functions are listed below. The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2016.

Board of Directors and their functions

Richard Laing
Non-executive Chairman and chairman of the Management Engagement Committee and of the Nomination Committee

Philip Austin, MBE
Non-executive Director, Senior Independent Director and chairman of the Remuneration Committee

Doug Bannister
Non-executive Director

Wendy Dorman
Non-executive Director

Ian Lobley
Non-executive Director

Paul Masterton
Non-executive Director

Steven Wilderspin
Non-executive Director and chairman of the Audit and Risk Committee

Portfolio valuation methodology

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

Basis of valuation

Investments are reported at the Directors' estimate of fair value at the reporting date 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 judgments, and will also consider the nature of the industry and market practice. Methodologies are applied consistently from period to period except where a change would result in a better estimation of fair value. Given the uncertainties inherent in estimating fair value, a degree of caution is applied in exercising judgments and making necessary estimates.

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 Group 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
- Cost less any fair value adjustments required

DCF

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

Proportionate share of net assets

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

Notes to the preliminary announcement

Note 1

The statutory accounts for the year to 31 March 2016 have not yet been delivered to the Jersey Financial Services Commission. The statutory accounts for the year to 31 March 2015 have been delivered to the Jersey Financial Services Commission. The auditors' reports on the statutory accounts for these years are unqualified. This announcement does not constitute statutory accounts. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year to 31 March 2015.

Note 2

Subject to shareholder approval, the proposed final dividend is expected to be paid on 11 July 2016 to holders of ordinary shares on the register on 20 May 2016. The ex-dividend date for final dividend will be on 19 May 2016.

Note 3

The preliminary announcement has been extracted from the Annual report and accounts 2016. The Annual report and accounts 2016 will be available on the Company's website today. Printed copies of the Annual report and accounts 2016 will be distributed to shareholders who have elected to receive printed copy communications on or soon after 27 May 2016.

Note 4

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