10 May 2023

Results for the year to 31 March 2023

3i Infrastructure plc ('3i Infrastructure' or the 'Company') today announces a 14.7% return for the year, delivery of the FY23 dividend target of 11.15 pence and a 6.7% increase in the target dividend for FY24 to 11.90 pence per share.

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

"3i Infrastructure continues to deliver long-term sustainable returns. I am delighted to report that we achieved another year of outperformance, with a total return of 14.7% in the year ended 31 March 2023, well ahead of our target. We have increased the dividend per share in every year of the Company's existence."

Scott Moseley and Bernardo Sottomayor, Managing Partners, Co-Heads of European Infrastructure, 3i Investments plc, added:

"This was another strong year for the Company, materially exceeding its target return. We have carefully selected our portfolio, identifying infrastructure companies that benefit from long-term structural growth trends in their underlying markets. 3i Infrastructure is well positioned to continue to deliver attractive shareholder returns."

Performance highlights

Well ahead of our target return of 8-10% p.a.	**14.7%** Total return on opening NAV **£394m** Total return for the year **£3,101m** NAV **336.2p** NAV per share
Delivered FY23 dividend target, fully covered Setting higher target for FY24 dividend, up 6.7% year-on-year	**11.15p** Full year dividend per share for FY23 **11.90p** Target dividend per share for FY24

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

Notes to the preliminary announcement

Note 1
The statutory accounts for the year to 31 March 2023 have not yet been delivered to the Jersey Financial Services Commission. The statutory accounts for the year to 31 March 2022 have been delivered to the Jersey Financial Services Commission. The auditor's reports on the statutory accounts for these years are unqualified. This announcement does not constitute statutory accounts. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year to 31 March 2022.

Note 2
Subject to shareholder approval, the proposed final dividend is expected to be paid on 10 July 2023 to holders of ordinary shares on the register on 16 June 2023. The ex-dividend date for the final dividend will be on 15 June 2023.

Note 3
This report contains Alternative Performance Measures ('APMs'), which are financial measures not defined in International Financial Reporting Standards ('IFRS'). More information relating to APMs, including why we use them and the relevant definitions, can be found in the Company's 2023 Annual report and accounts and in the Financial review section.

Note 4
The preliminary announcement has been extracted from the Annual report and accounts 2023. The Annual report and accounts 2023 will be available on the Company's website today. Printed copies of the Annual report and accounts 2023 will be distributed to shareholders who have elected to receive printed copy communications on or soon after 22 May 2023.

Notes to editors

About 3i Infrastructure plc
3i Infrastructure plc is a Jersey-incorporated, closed-ended investment company, an approved UK Investment Trust, listed on the London Stock Exchange and regulated by the Jersey Financial Services Commission. The Company's purpose is to invest responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive influence on our portfolio companies and their stakeholders.

3i Investments plc, a wholly-owned subsidiary of 3i Group plc, is authorised and regulated in the UK by the Financial Conduct Authority and is the investment manager of 3i Infrastructure plc.

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

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

Our purpose

We invest responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive influence on our portfolio companies and their stakeholders.

Chair's statement

"Another excellent year, with confidence in the future."

Richard Laing
Chair, 3i Infrastructure

3i Infrastructure continues to deliver long-term sustainable returns, with another year of outperformance.

I am delighted to report that we achieved another year of outperformance, with a total return of 14.7% in the year ended 31 March 2023. That return is well ahead of our target to provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term. Our total return for the three years since March 2020, the Covid-19 and post-Covid period, was an impressive 13.7% per annum.

We have built a unique portfolio, which benefits from inflation linkage and is aligned with long-term megatrends. Our companies, supported by the engaged asset management approach of 3i, our Investment Manager, are generating attractive and accretive growth investment opportunities.

We made another step forward with our sustainability objectives this year, supported by the establishment of a dedicated environmental, social and governance ('ESG') team at the Investment Manager bringing greater focus and increased engagement with our portfolio companies.

I am grateful to shareholders and the Board of Directors for their support during the year, including during our equity raise in February 2023, as well as to the Investment Manager's team for their continued hard work under the leadership of Scott Moseley and Bernardo Sottomayor.

Our purpose

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

We invest across a broad range of infrastructure investment themes and highlight the strong growth prospects of our portfolio companies in this report. Our portfolio companies invest in, develop and actively manage essential infrastructure. Examples of how our portfolio companies have a positive influence are included in the Sustainability report in the Annual report and accounts 2023.

Performance

The Company generated a total return of £394 million in the year ended 31 March 2023, or 14.7% on opening NAV, ahead of our target of 8% to 10% per annum to be achieved over the medium term. This is discussed in more detail in the Review from the Managing Partners.

The NAV per share increased to 336.2 pence. Our share price has not kept pace with the growth in our NAV, which resulted in a Total Shareholder Return ('TSR') of negative 6.9% in the year, ahead of the FTSE 250, which returned negative 7.9% in the same period. Since IPO, the Company's annualised TSR is 11.7%, comparing favourably with the broader market (FTSE 250: 6.1% annualised over the same period).

Dividend

Following the payment of the interim dividend of 5.575 pence per share in January 2023, the Board is recommending a final dividend for the year of 5.575 pence per share, meeting our target for the year of 11.15 pence per share, 6.7% above last year's total dividend. We expect the final dividend to be paid on 10 July 2023.

Consistent with our progressive dividend policy, we are announcing a total dividend target for the year ending 31 March 2024 of 11.90 pence per share, representing an increase of 6.7%.

Corporate governance

The Company's 2022 Annual General Meeting ('AGM') was held on 7 July 2022. All resolutions were approved by shareholders, including the re-election of the existing Directors.

This year's AGM will be held on 6 July 2023. Further details are provided in the Notice of Meeting and on the Company's website, www.3i-infrastructure.com. In September, we were delighted to welcome Stephanie Hazell as a non-executive Director. Stephanie brings a broad strategic experience in the infrastructure sector from her previous roles at National Grid, Orange and Virgin Group.

Directors’ duties

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

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

Capital raise and liquidity

We were pleased with the results of our capital raise and would like to thank our shareholders for their continued support. The equity raise proceeds of £100 million were used to pay down part of the drawings on the revolving credit facility (‘RCF’) and partly used to fund the £28 million acquisition of Future Biogas. This provides additional flexibility to fund attractive discretionary growth opportunities in our portfolio.

We manage our balance sheet actively, seeking efficiency through low levels of uninvested cash with a range of funding options available to the Company for further investment as described in the Financial review.

Outlook

The past year has seen significant volatility in both equity and credit markets and in energy and power prices. Against this backdrop, the Company has remained disciplined in its investment approach, maintaining adequate liquidity and an appropriate level of gearing in the Company’s portfolio.

Our portfolio consists of resilient businesses providing essential services to their customers and the communities they serve, often benefitting from long-term sustainable trends. These businesses are generating discretionary growth opportunities that are accretive to our investment cases, leaving us well positioned to continue to build on our strong performance.

Richard Laing
Chair, 3i Infrastructure plc
9 May 2023

2007 to 2023

In the 16 years since the initial public offering (‘IPO’) the Company has delivered a total shareholder return of

11.7%

per annum

Review from the Managing Partners

"The Company's top quartile track record is the result of our deliberate strategy."

Scott Moseley and Bernardo Sottomayor
Managing Partners, Co-Heads of European Infrastructure
3i Investments plc

This was another strong year for the Company, materially exceeding its target return.

We delivered another strong total return of 14.7% this year.

Since 2015, when we adopted our current strategy of focusing on core-plus infrastructure investments, NAV per share including dividends has grown by 19% per annum. Since 3iN's inception in 2007, we have grown NAV per share including dividends by 14% per annum.

The Company's top quartile track record is the result of our deliberate strategy.

We have carefully selected our portfolio, identifying infrastructure companies that benefit from long-term structural growth trends in their underlying markets.

We work actively with the management teams at our portfolio companies to define and execute plans to capitalise on those growth dynamics. Growing markets provide the catalyst for us to continue to reinvest in our portfolio companies at returns that are likely to outperform 3iN's portfolio target.

Our portfolio companies' earnings are also typically positively correlated to inflation, as well as growing in real terms.

The resulting compounding growth dynamics, together with the resilience that our portfolio companies have displayed throughout the cycle, including during the recent Covid-19 pandemic, demonstrate that the Company offers shareholders very high quality risk-adjusted returns.

Our active management approach also ensured that we locked in attractive debt financing across the portfolio before the recent increases in financing costs. The average level of gearing within our portfolio companies is a relatively modest 33% of enterprise value and there are no material refinancing requirements within the portfolio before 2026.

These conservative levels of gearing within our portfolio companies, combined with strong operational cash generation, available credit in the RCF and the recent £100 million equity raise, ensures that our portfolio companies are well placed to finance these growth investment opportunities as they arise.

Sustainability

The importance of sustainability and meeting ESG standards continues to increase. This year we created a new team to lead ESG and sustainability initiatives across the portfolio. The additional focus that this new team brings helps us to engage on ESG topics in a more meaningful way, to maintain appropriate oversight over new and developing ESG legislation and to collate relevant data regarding the performance of the portfolio companies against certain sustainability indicators. Our companies are now reporting Scope 1 and 2 greenhouse gas ('GHG') emissions and considering opportunities to reduce these.

In the year ahead we plan to build on this progress by working with portfolio companies to measure Scope 3 GHG emissions, further develop Paris-aligned decarbonisation plans and where possible set science-based targets.

Investment and divestment activity

During the year we completed a number of transactions as shown in the table below:

Date	Activity
May 2022	Syndication of a 17% stake in ESVAGT for proceeds of £87 million
June 2022	Sale of the European Projects portfolio for £106 million
September 2022	Closing of the acquisition of c.100% stake in GCX for £318 million
October 2022	Further investment in TCR, acquiring the 48% stake owned by funds managed by DWS for £338 million
November 2022	Syndication of 28% of 3iN's stake in TCR for proceeds of £190 million
December 2022	Investment of a further £15 million to fund DNS:NET's fibre roll-out programme
February 2023	Investment of £28 million to acquire Future Biogas
March 2023	Investment of a further £30 million in Infinis to fund the development of its solar roll-out programme

Outlook

Our portfolio is generating strong earnings growth which we are confident is set to continue. Additionally, we continue to see strong demand for high quality infrastructure investments, such as those held by 3iN, amongst private market investors. Our active management strategy includes planning selectively to divest our portfolio companies at an optimal moment in time. The scarcity value of our assets and favourable growth positioning provide confidence in the outlook for continued value creation.

Scott Moseley and Bernardo Sottomayor
Managing Partners and Co-Heads of European Infrastructure, 3i Investments plc
9 May 2023

Our business model

An active investor

Unique offering for shareholders

The Company remains unique, providing public market investors with access to private infrastructure businesses across a variety of megatrends, sectors and geographies.

Origination approach

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

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

Asset management

We maintain a significant focus on active asset management and investment stewardship. We identify high calibre management teams and look to implement a clear business strategy. We help identify accretive growth opportunities to the portfolio companies, and actively help them to convert those, including executing add-on M&A opportunities and putting in place adequate capital structures and capex facilities to fund the associated investments.

We actively look to enhance the infrastructure characteristics of the businesses we acquire, ensuring that, where possible, capex is focused on immediate contracted revenue-generating assets, improving the infrastructure characteristics of the business to attract competitive financing, adding elements of service that create customer stickiness, and often implementing operational efficiency programmes to optimise EBITDA margins. All of this helps us position our businesses into the core infrastructure space, thus maximising the potential exit value.

We execute all of the above through ownership control, effective board presence and governance and by being involved directly in the companies' key workstreams.

Competition for new investment primarily comes from private infrastructure funds. Most other UK listed infrastructure funds typically target smaller investments in finite life contracted assets like operational and greenfield Public Private Partnership ('PPP') projects or operational renewable portfolios, which are outside our investment focus.

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

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

Enablers	Investment characteristics	How we create value	Value created	
			Financial	Non-financial
Investment Manager's team 3i Group network Engaged asset management Reputation and brand High ESG standards Robust policies and procedures Efficient balance sheet	Asset-intensive business Asset bases that are hard to replicate Provide essential services Established market position Good visibility of future cash flows An acceptable element of demand or market risk Opportunities for further growth Sustainability	Buy well Strong governance Optimise strategy Execute plan Realisation	14.7% Total return on time-weighted opening net asset value 11.15p Ordinary dividend per share 19% Asset IRR (since inception)	2 Further investments in portfolio companies to fund growth +9% Increase in installed renewable energy capacity 12 Portfolio companies reporting on greenhouse gas emissions

Characteristics we look for in new investments

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

The Investment Manager has a rigorous process for identifying, screening and selecting investments to pursue. We look for businesses that combine a base of strong cash flow resilience (eg. contracted revenues) with high through-cycle underlying market growth fundamentals and operational improvements and M&A opportunities, which allows us to deliver above target returns. Although investments may be made into a range of sectors, the Investment Manager typically focuses on identifying investments that meet most or all of the following criteria and are aligned with identified megatrends:

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

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

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

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

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

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

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

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

How we create value

We have a rigorous approach to identify the best investment opportunities and then actively manage our portfolio companies to drive sustainable growth and value creation.

Buy well	Strong governance	Optimise strategy
• Effective use of 3i's network • Comprehensive due diligence • Consistent with return/yield targets • Fits risk appetite	• Make immediate improvements • Appropriate board representation and composition • Incentivised and align management teams	• Agree strategic direction • Develop action plan • Right capital structure to fund growth plan
Execute plan	**Realisation**	
• Ongoing support • Monitor performance • Review further investment opportunities • Facilitate and execute M&A	• (Re)position business and enhance infrastructure characteristics to maximise exit value • Long-term view but will sell to maximise shareholder value	What we do is framed by our strategic priorities

What enables us to create value

Investment Manager's team
The Company is managed by an experienced and well-resourced team. The European infrastructure team was established by 3i Group plc ('3i Group') in 2005 and now comprises over 50 people, including over 30 investment professionals.

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

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

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

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

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

Strengthen portfolio company management teams	Invest in and develop companies to support a sustainable future	Grow our platform businesses through further investments

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

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

Dedicated ESG team
In FY23, the Investment Manager created a new team to lead ESG and sustainability initiatives across the portfolio. This will enable an acceleration of the delivery of the Company's ambitions around sustainability.

The new team's role is to ensure the Company's approach is right for the portfolio and to drive genuine ambition and progress at portfolio company level. Dedicated ESG resource enables us to identify, monitor and realise the value creation opportunities linked to sustainability for each portfolio company more effectively.

The team supports each portfolio company on its respective sustainability journey and consideration of the Company's objectives at portfolio company level. The team also leads ESG reporting for the Company and delivers the annual ESG review of the portfolio.

By interfacing with the Company's strategy, the team supports the Board to set the Sustainability strategy and objectives for the Company, and aligns with key stakeholders such as 3i Group, particularly on climate-related risks and opportunities.

Sustainability and ESG standards are discussed throughout this report. Please refer to Our approach, the Sustainability report in the Annual report and accounts 2023 and the Risk report.

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

Anna Dellis
Partner, 3i Investments plc

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

Efficient balance sheet
The Company's flexible funding model seeks to maintain an efficient balance sheet with sufficient liquidity to make new investments. In order to capitalise on discretionary growth opportunities in the portfolio, during the year we raised new equity of £100 million.

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

Our approach

The infrastructure market

Competitive landscape

2022 was another very strong year for fundraising in the unlisted infrastructure space, with over US$300 billion raised in the core, core-plus and value added segments. Fundraising has become more concentrated around successful managers, with fewer funds being raised but the average fund size rising. This makes competition for suitable larger equity investments more intense.

Macro environment

The past year has seen a structural shift in the macroeconomic environment with significant inflation, increases in interest rates and volatile equity markets. This has slowed down M&A activity and impacted stock market performance.

In this environment, demand for infrastructure assets typically increases due to the essential nature of the services they provide and downside protection as they can act as a hedge with revenues directly or indirectly linked to inflation.

Our portfolio companies benefit from direct contract indexation and strong market positions providing pricing power. This is partially offset by the increase in operational costs experienced by a number of those companies.

Central banks raised interest rates in response to rising inflation. The impact on our portfolio has been limited, with over 95% of our portfolio company debt either fixed rate or hedged at 31 March 2023, and with no material refinancing due before 2026.

These trends, and our response to them, are discussed in more detail within the Risk report.

Interest rates	Credit	Inflation	Power prices
• Over 95% of portfolio company debt is fixed rate or hedged at 31 March 2023	• No material near-term refinancing risk in the portfolio • Nearly 90% of portfolio company debt matures beyond the next three financial years	• Portfolio returns positively correlated to inflation • Balanced mix of direct indexation and strong market positions provide pricing power	• Energy generating assets benefitted from the high and volatile power price environment

Megatrends

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

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

Investment themes

Renewable energy generation
There is increasing demand for energy generated from renewable sources such as wind and solar to support the energy transition. Our investments in Infinis, Attero, and Valorem all generate energy from a variety of renewable sources and their combined installed capacity has grown significantly during our ownership.

Electrification/energy transition
The transition towards a low-carbon economy is gathering pace. Rising electricity consumption is increasing the demand for related equipment and services such as those provided by Joulz, which has expanded its offering to include solar and EV charging products.

Shared resources
Developed economies are experiencing a shift towards a shared resources model. This can lead to significant cost savings for users of capital intensive assets and also reduce overall GHG emissions. In the case of TCR, which provides pooled ground support equipment at airports, this has reduced the amount of equipment required.

Waste treatment and recycling
There is a trend towards increasing levels of recycling driven by regulatory requirements and consumer preferences. Attero is one of the largest waste treatment and disposal companies in the Netherlands and is benefitting from this increased demand for its services.

Automation, digital operations and increasing connectivity
Technology is developing rapidly, changing operating models and digitalising industrial processes. Business is increasingly mobile and data driven, which requires increasing levels of connectivity through digital infrastructure. Our communications infrastructure investments, Tampnet, GCX and DNS:NET, are benefitting from this increased demand.

Demand for healthcare
Increasing life expectancy and an ageing population are increasing the demand for healthcare-related services and infrastructure. Our investment in Ionisos, which provides cold sterilisation services to the medical and pharmaceutical industries, is aligned to this trend.

Global trade and transport
Businesses are seeking to increase supply resilience and achieve long-term price stability by establishing deeper, more diversified supplier bases for goods and services. This can help mitigate disruptions from extreme weather events and other localised situations. Advario Singapore (Oystercatcher) supports its customers storing and blending the gasoline used to transport these goods.

Urbanisation and smart cities
Technology is increasingly being used to enhance the efficiency and safety of urban areas. SRL's products allow for greater control of traffic flows, which in turn reduces congestion around roadworks and improves safety.

We have a positive influence on our portfolio companies.

Our influence

As active owners we seek to ensure that our investee companies are run responsibly and that they can make a positive contribution to their employees, customers, suppliers and the local communities in which they operate. This includes supporting and empowering management teams to develop resilient business strategies.

We create a culture at our portfolio companies where the Company's expectation that management teams embed sustainability into their strategy is well known.

We facilitate and encourage the exchange of best practices by portfolio companies by connecting companies that are more advanced in certain sustainability initiatives with others who can benefit from their expertise.

We seek to manage material ESG risks and opportunities during the period of the Company's investment. This includes enhancing portfolio companies' corporate governance and reporting, and encouraging them to improve their performance over time on sustainability issues that are material to them, with a particular focus on health and safety, and climate change.

We require all our portfolio companies to measure their GHG emissions. We encourage them to identify decarbonisation strategies. This year, we asked an initial subset of our portfolio companies to develop GHG emission reduction targets that are aligned with the objectives of the Paris Agreement.

Our portfolio

Many infrastructure businesses have sustainability at their core, providing or enabling the provision of essential services to society, interconnectivity and the appropriate management of resources.

Whilst the Company does not pursue a sustainability-driven investment strategy, it does use its influence in the investments it makes, where appropriate, to seek to contribute positively to environmental and social sustainability objectives, such as transitioning to a low carbon and circular economy, enabling a healthy and safe society and fostering inclusive growth.

We believe such contributions, alongside good ESG performance of our portfolio, can protect and potentially enhance value for the Company's shareholders.

Sustainability in action

Examples of our portfolio companies' sustainability strategies

Contributing to a low-carbon future
- Invest in the production of clean energy
- Engage with suppliers on low-carbon innovation
- Support customers to decarbonise their operations
- Develop GHG emissions reduction strategies

Supporting safety and good health
- Adhere to high health and safety standards that protect employees
- Enable safe operations for customers
- Embed a safety culture across the organisation
- Contribute to high quality healthcare through Ionisos

Fostering inclusive growth
- Adhere to high governance and ethical work standards
- Be an employer of choice supported by a diverse and inclusive culture
- Create job opportunities and engage with local communities
- Support local and international connectivity through our telecommunication businesses

Our strategy

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

Strategic priorities

Maintaining a balanced portfolio	Delivering an attractive mix of income yield and capital growth for shareholders. Investing in a diversified portfolio in developed markets, with a focus on the UK and Europe.	15% **Largest single investment by value**
Disciplined approach to new investment	Focusing selectively on investments that are value-enhancing to the Company's portfolio and with returns consistent with our objectives.	£452m **New investments less amounts syndicated in the financial year**
Managing the portfolio intensively	Driving value from our portfolio through our engaged asset-management approach. Delivering growth through platform investments.	2 **Follow-on investments in portfolio companies** 2 **Portfolio companies refinanced**
Maintaining an efficient balance sheet	Minimising return dilution to shareholders from holding excessive cash, while retaining a good level of liquidity for future investment.	£404m **Total liquidity**
Sustainability a key driver of performance	Ensuring that our investment decisions and asset-management approach consider both the risks and opportunities presented by sustainability.	979MW, +9% **Installed renewable energy capacity, increase in year**

Our objectives and KPIs

Our objectives are to provide shareholders with:	Our KPIs		Rationale and definition	Performance over the year
a total return of 8% to 10% per annum, to be achieved over the medium term	**Total return** (% on opening NAV)		• Total return is how we measure the overall financial performance of the Company • Total return comprises the investment return from the portfolio and income from any cash balances, net of management and performance fees and operating and finance costs. It also includes foreign exchange movement and movement in the fair value of derivatives and taxes • Total return, measured as a percentage, is calculated against the opening NAV, net of the final dividend for the previous year, and adjusted (on a time-weighted average basis) to take into account any equity issued and capital returned in the year	• Total return of £394 million in the year, or 14.7% on time-weighted opening NAV and equity issued • The portfolio showed good resilience overall with strong performance in particular from TCR, Infinis and Tampnet • The hedging programme continues to reduce the volatility in NAV from exchange rate movements • Costs were managed in line with expectations
	2019	15.4%		
	2020	11.4%		
	2021	9.2%		
	2022	17.2%		
	2023	**14.7%**		
	Target	**8-10%**		
	Target To provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term. **Met or exceeded target for 2023 and every prior year shown**			
a progressive annual dividend per share	**Annual distribution** (pence per share)		• This measure reflects the dividends distributed to shareholders each year • The Company's business model is to generate returns from portfolio income and capital returns (through value growth and realised capital profits). Income, other portfolio company cash distributions and realised capital profits generated are used to meet the operating costs of the Company and to make distributions to shareholders • The dividend is measured on a pence per share basis, and is targeted to be progressive	• Proposed total dividend of 11.15 pence per share, or £101 million, is in line with the target set at the beginning of the year • Income generated from the portfolio and cash deposits, including non-income cash distributions and other income from portfolio companies, totalled £202 million for the year • Operating costs and finance costs used to assess dividend coverage totalled £66 million in the year • The dividend was fully covered for the year • Setting a total dividend target for FY24 of 11.90 pence per share, 6.7% higher than for FY23
	2019	8.65p		
	2020	9.20p		
	2021	9.80p		
	2022	10.45p		
	2023	**11.15p**		
	2024 Target	**11.90p**		
	Target Progressive dividend per share policy. FY24 dividend target of 11.90 pence per share. **Dividend per share increased every year since IPO**			

Our portfolio

New investment

Future Biogas

Investment rationale

- Future Biogas is one of the largest anaerobic digestion (‘AD’) plant developers and biogas producers in the UK, operating 11 AD plants on behalf of institutional investors under long-term contracts
- There is strong political support and growing corporate demand for domestically-produced biomethane, which, as a direct substitute for fossil natural gas, has an essential role to play in decarbonising some of the UK’s gas-dependent sectors such as heat, transport and manufacturing
- On a national scale, the use of biomethane (vs. natural gas) allows the existing gas infrastructure to help meet the UK government’s net zero and energy security targets without any change to the existing system
- Future Biogas will develop a new generation of unsubsidised AD plants and sell the resulting biomethane under long-term offtake agreements to corporate buyers
- In the longer term, Future Biogas intends to enter the nascent but high potential voluntary carbon offset market through carbon capture and storage
- Future Biogas has a highly experienced management team with a strong track record in the sector

Characteristics

Essential role in the UK’s decarbonisation agenda
Biomethane from AD is a ready-to-use and commercially viable solution for hard to decarbonise industrial sectors. It does not require any upgrade to the existing UK gas infrastructure. Energy produced by AD plants is carbon neutral, as the CO_2 released during the process matches the CO_2 absorbed from the atmosphere by the feedstock. In the future, carbon capture and storage could be introduced to make the process carbon negative.

Established market position
Future Biogas is one of the largest producers of biomethane in the nascent UK market and a highly experienced developer and operator of AD plants, with full-service capabilities in development, construction and operations.

Supply/demand of biomethane
The challenge to decarbonise industrial and manufacturing sectors, and the disparity in biomethane supply and demand, is expected to sustain a very strong market for green gas in the long term.

Acceptable element of gas price risk
Future Biogas is exposed to a degree of gas price volatility through its existing management contracts. However, new AD plants are core to our investment thesis and will be underpinned by long-term offtake agreements with corporates.

Sustainable farming practices
By promoting a regenerative farming approach, feedstock from energy crops can be sustainably integrated into agricultural systems. The circular process of returning digestate back to land can help replenish soil nutrients and carbon, and displaces demand for carbon-intensive artificial fertilisers.

Opportunities for growth
The investment in Future Biogas, whilst modest today, creates an opportunity for significant follow-on investment in new AD plant at attractive returns.

Portfolio review

The portfolio is generating strong growth momentum supported by long-term tailwinds. We are confident that it will continue to generate attractive further investment opportunities and is well positioned to deliver our target returns.

The Company's portfolio was valued at £3,641 million at 31 March 2023 (2022: £2,873 million) and delivered a total portfolio return in the year of £501 million, including income and allocated foreign exchange hedging (2022: £509 million).

Table 1 summarises the valuations and movements in the portfolio, as well as the return for each investment, for the year.

Table 1: Portfolio summary (31 March 2023, £m)

Portfolio assets	Directors' valuation 31 March 2022	Investment in the year	Divestment in the year	Accrued income movement	Value movement	Foreign exchange translation	**Directors' valuation 31 March 2023**	Allocated foreign exchange hedging	Underlying portfolio income in the year	Portfolio total return in the year[1]
TCR	279	352[2,4]	(190)[3]	4	86	6	**537**	(2)	18	**108**
ESVAGT	548	44[2]	(87)[3]	(2)	7	(25)	**485**	22	46	**50**
Infinis	332	30[5]	(9)[6]	2	52	–	**407**	–	16	**68**
GCX	–	318[4]	–	19	–	(14)	**323**	15	18	**19**
Ionisos	237	–	–	9	43	9	**298**	(7)	9	**54**
Tampnet	241	6[2]	–	–	52	(7)	**292**	13	6	**64**
Joulz	241	6[2]	–	–	30	10	**287**	(7)	6	**39**
Oystercatcher	230	–	(12)[6]	–	17	19	**254**	(14)	4	**26**
SRL	200	18[2]	(1)[6]	–	2	–	**219**	–	19	**21**
Valorem	144	–	–	–	38	6	**188**	(4)	4	**44**
DNS:NET	202	22[2,5]	–	–	(54)	9	**179**	(6)	8	**(43)**
Attero	116	–	(23)[6]	–	47	4	**144**	(3)	1	**49**
Future Biogas	–	28[4]	–	–	–	–	**28**	–	–	**–**
Economic infrastructure portfolio	**2,770**	**824**	**(322)**	**32**	**320**	**17**	**3,641**	**7**	**155**	**499**
Projects	103	–	(104)	(1)	–	2	–	(1)	1	**2**
Total portfolio reported in the Financial statements	**2,873**	**824**	**(426)**	**31**	**320**	**19**	**3,641**	**6**	**156**	**501**

1 This comprises the aggregate of value movement, foreign exchange translation, allocated foreign exchange hedging and underlying portfolio income in the year.
2 Capitalised interest totalling £95 million across the portfolio.
3 Syndication of investments in ESVAGT (£87 million) and TCR (£190 million).
4 New acquisitions of GCX (£318 million), Future Biogas (£28 million) and further stake in TCR (£338 million).
5 Follow-on investments in Infinis (£30 million) and DNS:NET (£15 million).
6 Shareholder loan/share premium repayment (non-income cash).

The total portfolio return in the year of £501 million was 15.1% (2022: £509 million, 19.8%) of the aggregate of the opening value of the portfolio and investments less amounts syndicated in the year (excluding capitalised interest), which totalled £3,325 million.

Performance was strong across the portfolio, driven by outperformance from a number of portfolio companies, but particularly TCR, Tampnet, Ionisos, Attero and Valorem, each of which continues to benefit from positive underlying growth trends. The other portfolio companies performed in line with expectations, with the exception of DNS:NET, which continues to face challenges with its fibre network roll out.

Table 2 shows the portfolio return in the year for each asset as a percentage of the aggregate of the opening value of the asset and investments in, and syndication of, the asset in the year (excluding capitalised interest). Note that this measure does not time-weight for investments and syndications in the year and includes foreign exchange movements net of hedging.

Table 2: Portfolio return by asset (year to 31 March 2023, %)

Total portfolio return	**15.1**
TCR	25.3
ESVAGT	10.9
Infinis	18.9
GCX*	6.0
Ionisos	22.8
Tampnet	26.4
Joulz	16.4
Oystercatcher	11.1
SRL	10.3
DNS:NET	(19.6)
Valorem	30.5
Attero	42.1
Future Biogas*	0.6
Projects**	1.9

* GCX acquired in August 2022 and Future Biogas acquired in February 2023 and return not annualised.

** Divested in June 2022 and return not annualised.

Movements in portfolio value

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

The portfolio generated a value gain of £320 million in the year, alongside income of £156 million.

Table 3: Reconciliation of the movement in portfolio value (year to 31 March 2023, £m)

Opening portfolio value at 1 April 2022	**2,873**
Investment[1]	824
Divestment/capital repaid	(426)
Value movement	320
Exchange movement[2]	19
Accrued income movement	31
Closing portfolio value at 31 March 2023	**3,641**

1 Includes capitalised interest.
2 Excludes movement in the foreign exchange hedging programme (see Table 12 in the Financial review).

Portfolio activity

Our renewable energy generating companies, Infinis, Valorem and Attero, performed strongly in the year and have made substantial progress in developing their pipelines of new projects towards and into operation. This is reflected in an overall increase in installed capacity from 898MW to 979MW over the year, as shown in the Sustainability report in the Annual report and accounts 2023.

Infinis had a very strong year, generating a value gain of £52 million driven by higher forecast future power prices and price volatility which benefitted the power response assets in particular. Its power response assets experienced higher running hours driven by the UK's power generation capacity constraints.

Infinis made significant progress in further establishing a 1.5GW solar energy generation and battery storage pipeline across various stages of development.

In March 2023, we invested a further £30 million of equity to support the development of this pipeline, with the remainder of the funding coming from the company's own cash generation and debt facilities.

Valorem materially outperformed the prior year despite the French government's 90% windfall tax. Its closed capacity now totals 778MW of wind and solar projects including new projects in France and Finland and its first project in Greece. It has a healthy 5.7GW pipeline of wind and solar projects in Europe as well as long-term feed-in tariffs unaffected by the windfall tax. The market fundamentals in France and the EU for renewable developers remains strong, particularly due to recent availability issues experienced by the French nuclear power sector and France's renewables development targets. French solar and wind auction tariffs increased by c.25% in 2022 versus 2021.

Attero also benefitted from high power prices although its hedging strategy insulates it from short-term price volatility. Despite waste supply volumes being slightly lower than expectations due to lower economic activity, the company outperformed the prior year due to the higher electricity price outlook and good availability at its EfW plants.

The £47 million value increase in Attero is due to several waste supply contracts recontracted at increased gate fees and for longer periods, as well as the higher longer-term electricity price outlook.

Preparations for a potential divestment of Attero are at an advanced stage. Any sale proceeds are expected to contribute towards partially repaying drawings on the Company's RCF.

TCR materially outperformed expectations, increasing in value by £86 million, due to a number of significant contract wins and extensions, higher utilisation rates of the fleet, and stronger than expected repair and maintenance activity.

This outperformance reflects a sustained rebound of air traffic levels as well as an increased post-pandemic demand for its full-service rental model globally. TCR added over 35 airports to its portfolio in 2022 and its off-lease rate has reverted to pre-Covid-19 levels.

In November 2022, TCR completed the bolt-on acquisition of Adaptalift, an Australian-headquartered ground service equipment lessor, adding incremental contracted EBITDA at an attractive valuation with strong expected synergies.

TCR successfully raised additional debt from existing and new lenders to support its next growth phase.

ESVAGT and Joulz, which indirectly contribute to the energy transition, have performed well and are benefitting from the tailwinds in this sector.

ESVAGT had a good year, benefitting from contract rates in excess of our expectations and high utilisation levels. Inflation is generally positive for ESVAGT due to its index-linked contracts, although cost inflation, in particular fuel costs, accelerated in the year.

In January 2023, ESVAGT's joint venture in the United States, CREST, won its first SOV contract in the US offshore wind market. The 15-year SOV contract is with Siemens Gamesa, servicing the Coastal Virginia Offshore Windfarm, the largest offshore wind project in the US (2.6GW), and was an important milestone in ESVAGT's growth ambitions, representing an incremental step up in earnings.

The pipeline for further new SOVs in the North Sea and the rapidly accelerating US wind market is strong and we expect a number of tenders will take place over the next 12 months.

ESVAGT's ERRV segment continued to see good momentum due to the improved oil and gas markets, attractive supply/demand dynamics and an increased focus on security of supply in Europe.

Joulz performed ahead of expectations due to strong growth in the order book, including for its large integrated Energy Transition Solutions. The business made considerable progress diversifying its supplier base to mitigate the risk of delays previously experienced in completing new installations, primarily due to key hardware suppliers struggling to keep up with rising demand.

The company's long-term contracts are directly linked to inflation, and this provided good protection for higher operating and capital costs.

In December 2022, Joulz successfully raised debt financing, which was utilised to replenish its revolving credit facility, supporting the funding of further growth opportunities. As part of a planned transition, a new CEO joined the business in March 2023.

Our communications infrastructure investments, Tampnet, GCX and DNS:NET, are taking advantage of the acceleration in digitalisation trends.

Tampnet performed well in the year, increasing in value by £52 million, driven by higher forecast revenues due to the signing of new private network contracts, identification of new potential growth opportunities and extended life assumptions resulting from higher energy prices and the increased focus on security of energy supply by governments in Europe and the US. It exceeded budgeted revenue and EBITDA targets due to increased offshore activity on the back of improved sentiment in the energy markets and stronger demand for bandwidth upgrades.

Tampnet is progressing a number of new fibre projects in the North Sea and the Gulf of Mexico and signed a number of important new contracts in both regions. The company is also in discussions with several carbon capture and storage projects in the North Sea which are located within Tampnet's existing network. The digitisation proposition offered by Tampnet (combining low-latency connectivity with services such as Private Networks) is continuing to prove popular with customers, and we expect to see an acceleration of the short-term penetration of digitisation projects.

GCX had a good year with strong growth in lease revenues, although indefeasible right of use sales are behind schedule. The business secured a significant managed services contract during the year and is experiencing increasing demand for bandwidth capacity across its network. The business is evaluating a number of opportunities to expand its subsea network as well as the development of terrestrial assets. GCX and Tampnet announced a strategically important partnership which supports the increasing network connectivity demands of the data centre market in the Nordics.

DNS:NET continues to experience delays in the roll out of its fibre network in the Berlin area and specifically in connecting and activating customers. We have updated the forecasts to reflect more conservative roll-out assumptions, which has led to a £54 million value decrease in the year.

Operational performance was below expectations as delays to connect and activate new homes persist, which we see as an industry-wide challenge. The delivery of a network built by a local authority to be transferred to DNS:NET under concession contract is also running behind schedule.

During the year, we invested a further £15 million to support the business's roll out and have worked with the company to optimise its business model and strengthen the management team in order to minimise and recover the roll out delays. A new CFO was appointed in January 2023. He is overseeing the implementation of a new ERP system and other initiatives. Hiring to further strengthen the management team is also underway, aimed at providing the bandwidth and experience to accelerate the network roll out.

Ionisos delivered meaningful growth against prior year due to strong volume growth, notably in the medical and pharmaceutical segments, resulting in a £43 million gain in value.

In order to meet growing demand, Ionisos progressed various expansion opportunities, including extending existing sterilisation facilities, acquiring the Daniken E-Beam plant in Switzerland, and a new greenfield EO plant in Kleve, Germany, which became operational in January 2023. In a capacity constrained market, these initiatives will increase Ionisos's ability to address and meet strong underlying demand growth for sterilisation, whilst diversifying its technology mix and expanding the geographic footprint from which it will service its medical and pharmaceutical client base.

Oystercatcher performed well in the year. Advario Singapore Limited's ('ADS') customer activity levels were high and all available capacity was let. This was despite a backdrop of a backwardation market structure for petroleum products. Our positive medium-term outlook remains unchanged given the terminal is the premier gasoline blending terminal in Singapore and the wider region.

A strategic transition to some green fuel storage is progressing well. In 2022, a first agreement was signed with a customer to start storing and blending sustainable aviation fuel ('SAF') at ADS. The project to convert existing storage to accommodate SAF is on track and is expected to be operational in mid-2023. We believe this gives ADS a first mover advantage for SAF-related business in Singapore.

SRL performed broadly in line with plan during the financial year. Whilst higher than in the previous year, activity levels were slightly lower than expected due to delays in capital expenditure programmes in the public sector and construction sectors resulting in fewer days on hire than forecast. The Investment Manager is working closely with management to professionalise account management processes and optimise fleet utilisation and build.

Summary of portfolio valuation methodology

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

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

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

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

In determining a DCF valuation, we consider and reflect changes to the two principal inputs, being forecast cash flows from the investment and discount rates.

We consider both the macroeconomic environment and investment-specific value drivers when deriving a balanced base case of cash flows and selecting an appropriate discount rate.

Inflation in the UK and Europe has risen sharply which has put pressure on supply chain and employee costs.

The portfolio is positively correlated to inflation, but the ability to pass cost inflation to customers varies by portfolio company so we take a granular approach to modelling the effects of inflation.

Higher longer-term power prices have positively affected the valuation of our energy generating portfolio companies, although the majority of our power price exposure was hedged in the short to medium term.

Future power price projections are taken from independent forecasters and changes in these assumptions will affect the future value of these investments. Recently introduced taxes on renewable electricity generators vary in their applicability and we have considered their impact on each company individually, based on their circumstances.

Table 4: Components of value movement (year to 31 March 2023, £m)

Value movement component	Value movement in the year	Description
Planned growth	175	Net value movement resulting from the passage of time, consistent with the discount rate and cash flow assumptions at the beginning of the year less distributions received and capitalised interest in the year.
Other asset performance	99	Net value movement arising from actual performance in the year and changes to future cash flow projections, including financing assumptions and changes to regulatory assumptions.
Discount rate movement	(6)	Value movement relating to changes in the discount rate applied to the portfolio cash flows.
Macroeconomic assumptions	52	Value movement relating to changes to macroeconomic out-turn or assumptions, eg. power prices, inflation, interest rates and taxation rates. This includes changes to regulatory returns that are directly linked to macroeconomic variables.
Total value movement before exchange	320	
Foreign exchange retranslation	19	Movement in value due to currency translation to year-end date.
Total value movement	339	

TCR operates in the aviation sector, which has been severely affected by travel restrictions over the past three years.

The value of TCR assumes a full recovery in air traffic to pre-Covid-19 levels in 2024, consistent with the assumptions made in the prior year.

As a ‘through-the-cycle’ investor with a strong balance sheet, we consider valuations in the context of the longer-term value of the investments. This includes consideration of climate change risk and stranded asset risk. Factors considered include physical risk, litigation risk linked to climate change and transition risk (for example, assumptions on the timing and extent of decommissioning of North Sea oil fields, which affects Tampnet and ESVAGT).

We take a granular approach to these risks, for example each relevant offshore oil and gas field has been assessed individually to forecast the market over the long term and a low terminal value has been assumed at the end of the forecast period.

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

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

A number of our portfolio companies are set to benefit from these long-term megatrends and, in the base case for each of our valuations, we take a balanced view of potential factors that we estimate are as likely to result in underperformance as outperformance.

Discount rate

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 and the position as at March 2023. The weighted average discount rate increased over the course of FY23 due to the evolution of the portfolio mix following the realisation of the European Projects portfolio and the completion of the GCX and Future Biogas acquisitions.

The range of discount rates used in individual valuations at 31 March 2023 is also shown, which is broadly consistent with the prior year.

During the year, we witnessed an increase in risk-free rates across Europe as central banks took action in response to higher inflation. Given the significant risk premium included in our long-term discount rates and the continued appetite for high-quality infrastructure businesses, rising risk-free rates did not impact the discount rates used to value our portfolio companies at 31 March 2023.

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

March 08	12.4
March 09	13.8
March 10	12.5
March 11	13.2
March 12	12.6
March 13	12.0
March 14	11.8
March 15	10.2
March 16	9.9
March 17	10.0
March 18	10.5
March 19	10.8
March 20	11.3
March 21	10.8
March 22	10.9
March 23	11.3
March 23 range	10.0 to 13.2

Portfolio company debt

Our portfolio companies are funded by long-term senior-secured debt alongside equity from the Company and other shareholders. Valorem also uses project financing in its portfolio of renewable energy projects. There were no mezzanine or junior debt structures within our portfolio at 31 March 2023 (2022: none).

In recent years, the Investment Manager proactively refinanced facilities across the portfolio, extending the term of the debt and securing low fixed rates or hedged interest rates.

When considering the appropriate quantum of debt for a portfolio company, we typically look for an investment grade level of risk. Some portfolio companies have an investment grade credit rating from a credit rating agency. Table 6 below shows the average loan-to-value (‘LTV’) ratio across the portfolio as well as the portfolio value analysed across a range of loan-to-value levels. The average loan-to-value ratio is 33% (2022: 34%) with all portfolio companies below a ratio of 40% at 31 March 2023 (2022: below 45%).

Table 6: Portfolio company leverage* (3iN value at 31 March 2023)

Net debt/Enterprise value ('LTV')	3iN value
<25%	£473m
26-30%	£907m
31-35%	£1,089m
36-40%	£956m
Average LTV[1]	33%

1 LTV is calculated as the aggregate Net Debt to Enterprise Value ratio of the individual portfolio companies.
* This analysis excludes Future Biogas, which was acquired in February 2023, and Valorem, which is financed at the project level. Project financing typically employs higher levels of gearing.

Investment track record

As shown in Table 7, since its launch in 2007, 3i Infrastructure has built a portfolio that has provided:

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

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

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

The value created through this robust investment performance has been crystallised in a number of instances through well-managed realisations, shown as 'Realised assets' in Table 7.

While the Company is structured to hold investments over the long term, it has sold assets where compelling offers will generate additional shareholder value.

Portfolio asset returns in Table 7 include an allocation of foreign exchange hedging where applicable.

Table 7: Portfolio asset returns throughout holding period (since inception, £m)

	Money multiple	IRR	Total cost	Value including accrued income	Proceeds on disposals/ capital returns	Cash income
Existing portfolio (Total return)						
ESVAGT	1.5x		329	485	-	-
Infinis	1.7x		352	407	88	99
TCR	1.9x		304	537	4	24
Tampnet	1.6x		187	292	-	13
Joulz	1.6x		195	287	2	24
Ionisos	1.7x		186	298	-	10
Oystercatcher	3.2x		139	254	47	146
DNS:NET	0.9x		205	179	-	6
SRL	1.2x		191	219	1	2
Valorem	2.6x		81	188	-	22
Attero	2.2x		88	144	25	28
Future Biogas	1.0x		28	28	-	-
GCX	1.0x		318	323	-	-
Realised assets (Total return)						
WIG (realised December 2019)	1.7x	27%	265	-	431	21
XLT (realised March 2019)	5.9x	40%	63	-	332	38
Elenia (realised February 2018)	4.5x	31%	195	-	766	106
AWG (realised February 2018)	3.3x	16%	173	-	410	154
Eversholt (realised April 2015)	3.3x	41%	151	-	391	114
Projects (realised assets)	1.9x	22%	289	-	446	103
Others[1]	1.2x	8%	138	-	145	24
India Fund	0.6x	(6%)	108	-	61	-

Portfolio asset returns include allocation of foreign exchange hedging where applicable. Dates of asset realisations refer to completion dates.
1 Others includes junior debt portfolio, T2C and Novera.

Asset IRR to 31 March 2023
19%
Since inception

Financial review

“We continued to deliver on our objectives, with strong NAV growth and an increased dividend.”

James Dawes
CFO, Infrastructure

The Company delivered strong NAV growth and continues to grow its dividend per share.

Key financial measures (year to 31 March)	2023	2022
Total return[1]	**£394m**	£404m
NAV	**£3,101m**	£2,704m
NAV per share	**336.2p**	303.3p
Total income	**£158m**	£133m
Total income and non-income cash	**£202m**	£143m
Portfolio asset value	**£3,641m**	£2,873m
Cash balances	**£5m**	£17m
Total liquidity[2]	**£404m**	£786m

1 IFRS Total comprehensive income for the year.
2 Includes cash balances of £5 million (2022: £17 million) and £399 million (2022: £769 million) undrawn balances available under the Company’s total revolving credit facility of £900 million.

The Company delivered another year of outperformance, with the portfolio generating strong capital growth and income materially higher than the prior year. The dividend was well covered by net income this year. The target dividend for FY24 of 11.90 pence per share is an increase of 6.7% over FY23.

Total net investment in the year was £452 million, including the closing of the investments in GCX, TCR and Future Biogas, the syndication of a portion of the investments in ESVAGT and TCR and further investments in DNS:NET and Infinis. The Company maintained low levels of uninvested cash throughout the year and actively managed its liquidity position through its £900 million RCF facility and a £100 million capital raise in February 2023.

Returns

Total return

The Company generated a total return for the year of £394 million, representing a 14.7% return on time-weighted opening NAV and equity issued net of the prior year final dividend (2022: £404 million, 17.2%). This performance is significantly ahead of the target return of 8% to 10% per annum to be achieved over the medium term.

This outperformance was driven by strong performance across the portfolio, particularly from TCR, Tampnet, Valorem, Attero and Ionisos, partially offset by underperformance from DNS:NET. Changes in the valuation of the Company’s portfolio assets are described in the Movements in portfolio value section of the Portfolio review. The investment cases of our portfolio companies reflected in the valuations at 31 March 2023 are fully funded, with the exception of the DNS:NET fibre roll out. Our companies continue to generate discretionary growth opportunities that are accretive to our investment cases.

Total income and non-income cash of £202 million in the year was significantly higher than last year, due to income from new investments in GCX, ESVAGT, TCR and SRL (2022: £143 million).

Non-income cash receipts reflect distributions from underlying portfolio companies, which would usually be income to the Company, but which are distributed as a repayment of investment for a variety of reasons. Whilst non-income cash does not form part of the total return shown in Table 8, it is included when considering dividend coverage.

An analysis of the elements of the total return for the year is shown in Table 8.

Table 8: Summary total return (year to 31 March, £m)

	2023	2022
Capital return (excluding exchange)	**320**	375
Foreign exchange movement in portfolio	**19**	9
Capital return (including exchange)	**339**	384
Movement in fair value of derivatives and exchange on EUR borrowings	**6**	(2)
Net capital return	**345**	382
Total income	**158**	133
Costs[1]	**(109)**	(111)
Total return	**394**	404

1 Includes non-portfolio related exchange gain of £2 million (2022: loss of £3 million).

Table 9: Reconciliation of the movement in NAV (year to 31 March 2023, £m)

Opening NAV at 1 April 2022[1]	**2,657**
Equity raised in February 2023	100
Adjusted opening NAV	**2,757**
Capital return	320
Net foreign exchange movement[2]	25
Total income	158
Net costs including management fees[3]	(109)
NAV before distributions	**3,151**
Distribution to shareholders	(50)
Closing NAV at 31 March 2023	**3,101**

1 Opening NAV of £2,704 million net of final dividend of £47 million for the prior year.
2 Foreign exchange movements are described in Table 12.
3 Includes non-portfolio related exchange gain of £2 million.

Capital return

The capital return is the largest element of the total return. The portfolio generated a value gain of £320 million in the year to 31 March 2023 (2022: £375 million), as shown in Table 9. There was a positive contribution across the majority of the portfolio and the largest contributors were TCR (£86 million), Infinis (£52 million) and Tampnet (£52 million). The only negative contribution was from DNS:NET (£54 million). These value movements are described in the Portfolio review section.

Income

The portfolio generated income of £156 million in the year (2022: £127 million). Of this amount, £1 million was through dividends (2022: £24 million) and £155 million through interest on shareholder loans (2022: £103 million). An additional £2 million of interest was accrued on the vendor loan notes issued in lieu of WIG proceeds (2022: £6 million) together with a further £0.5 million of interest receivable on deposits (2022: £0.1 million).

Total income and non-income cash is shown in Table 10.

Table 10: Total income and non-income cash (year to 31 March, £m)

	2023	2022
Total income	**158**	133
Non-income cash	**44**	10
Total	**202**	143

A strong income contribution from the new investments in GCX and SRL and higher non-income cash receipts, particularly from Attero, offset the reduction in income from the divestment of the European Projects portfolio. A breakdown of portfolio income is provided in Table 13, together with an explanation of the change from prior year.

Interest income from the portfolio was significantly higher than prior year due to the new investments in GCX, SRL, TCR and ESVAGT. Dividend income was lower than prior year due to a high level of dividend income from Tampnet in the prior year as liquidity preserved during the pandemic was released.

Foreign exchange impact

The portfolio is diversified by currency as shown in Table 11. We aim to deliver steady NAV growth for shareholders, and the foreign exchange hedging programme helps us to do this by reducing our exposure to fluctuations in the foreign exchange markets.

Portfolio foreign exchange movements, after accounting for the hedging programme, increased the net capital return by £25 million (2022: increased by £7 million).

Table 11: Portfolio value by currency (at 31 March 2023)

EUR	52%
GBP	18%
DKK	13%
USD	9%
NOK	8%

As shown in Table 12, the reported foreign exchange gain on investments of £19 million (2022: £9 million) included a gain of £13 million from the Company's exposure to the US dollar, largely through Tampnet, which was not hedged in the first half of the year. This was accompanied by a £6 million gain on the hedging programme (2022: loss of £2 million). The positive hedge benefit resulted from favourable interest rate differentials on the euro hedging programme.

Table 12: Impact of foreign exchange ('FX') movements on portfolio value (year to 31 March 2023, £m)

	Hedged assets (EUR/SGD/DKK/NOK/USD)	Unhedged assets for part of the year (USD)
FX gain before hedging	6	13
FX gain after hedging	12	13

Table 13: Breakdown of portfolio income (year to 31 March, £m)

	Dividend (FY23)	**Interest (FY23)**	Dividend (FY22)	Interest (FY22)	**Comments**
ESVAGT	**–**	**46**	–	28	Further investment in FY22
Tampnet	**–**	**6**	17	5	FY22 release of liquidity retained
Infinis	**–**	**16**	–	17	
TCR	**–**	**18**	–	13	Further investment in October 2022
Ionisos	**–**	**9**	–	9	
SRL	**–**	**19**	–	7	Full year of ownership
Joulz	**–**	**6**	–	6	
Oystercatcher	**–**	**4**	–	5	
Attero	**–**	**1**	4	1	Additional non-income cash of £23m
DNS:NET	**–**	**8**	–	4	Further investment in FY22 and FY23
Valorem	**1**	**3**	1	3	
GCX	**–**	**18**	–	–	New investment in FY23
Projects Portfolio	**–**	**1**	2	5	Divestment in June 2022

Costs

Management and performance fees

During the year to 31 March 2023, the Company incurred management fees of £47 million (2022: £43 million), including transaction fees of £3 million (2022: £10 million). The fees, payable to 3i plc, consist of a tiered management fee, and a one-off transaction fee of 1.2% payable in respect of new investments. The management fee tiers range from 1.4%, reducing to 1.2% for any proportion of gross investment value above £2.25 billion.

An annual performance fee is also payable by the Company, amounting to 20% of returns above a hurdle of 8% of the total return. This performance fee is payable in three equal annual instalments, with the second and third instalments only payable if certain future performance conditions are met. This hurdle was exceeded for the year ended 31 March 2023, resulting in a performance fee payable to 3i plc in respect of the year ended 31 March 2023 of £45 million (2022: £54 million).

The first instalment, of £15 million, will be paid in May 2023 along with the second instalment of £18 million relating to the previous year's performance fee and the third instalment of £2 million relating to the FY21 performance fee.

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

Fees payable

Fees payable on investment activities include costs for transactions that did not reach, or have yet to reach, completion and the reversal of costs for transactions that have successfully reached completion and were subsequently borne by the portfolio company. For the year to 31 March 2023, fees payable totalled less than £1 million (2022: £3 million).

Other operating and finance costs

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £3 million in the year (2022: £3 million).

Finance costs of £16 million (2022: £5 million) in the year comprised arrangement and commitment fees for the Company's £900 million RCF and interest on drawings. Finance costs were higher than in FY22 due to an increase in interest rates and a greater average drawn balance.

Ongoing charges ratio

The ongoing charges ratio measures annual operating costs, as disclosed in Table 14 below, against the average NAV over the reporting period.

The Company's ongoing charges ratio is calculated in accordance with the Association of Investment Companies ('AIC') recommended methodology and was 1.64% for the year to 31 March 2023 (2022: 1.41%). The ongoing charges ratio is higher in periods where new investment levels are high and new equity is raised or capital is returned to shareholders. Realisation of assets reduces the ongoing charges ratio. The cost items that contributed to the ongoing charges ratio are shown below.

The AIC methodology does not include transaction fees, performance fees or finance costs. However, the AIC recommends that the impact of performance fees on the ongoing charges ratio is noted, where performance fees are payable. The ratio including the performance fee was 3.19% (2022: 3.52%). The total return of 14.7% for the year is after deducting this performance fee and ongoing charges.

Table 14: Ongoing charges (year to 31 March, £m)

	2023	2022
Investment Manager's fee	**44.6**	32.6
Auditor's fee	**0.8**	0.6
Directors' fees and expenses	**0.5**	0.5
Other ongoing costs	**1.9**	2.4
Total ongoing charges	**47.7**	36.1
Ongoing charges ratio	**1.64%**	1.41%

Balance sheet

The NAV at 31 March 2023 was £3,101 million (2022: £2,704 million). The principal components of the NAV are the portfolio assets, cash holdings, the fair value of derivative financial instruments, borrowings under the RCF and other net assets and liabilities. A summary balance sheet is shown in Table 15.

At 31 March 2023, the Company's net assets after the deduction of the proposed final dividend were £3,050 million (2022: £2,657 million).

Table 15: Summary balance sheet (at 31 March, £m)

	2023	2022
Portfolio assets	**3,641**	2,873
Cash balances	**5**	17
Derivative financial instruments	**39**	8
Borrowings	**(501)**	(231)
Other net (liabilities)/assets	**(83)**	37
NAV	**3,101**	2,704

Cash and other assets

Cash balances at 31 March 2023 totalled £5 million (2022: £17 million).

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

Other net assets and liabilities predominantly comprise a performance fee accrual of £83 million (2022: £64 million), including amounts relating to prior year fees.

The movement from March 2022 is due to an increase in the performance fee payable of £45 million, following the outperformance in the period. £26 million of prior year performance fees were paid during the period. The vendor loan note of £98 million, included as an asset within other net assets at March 2022, was redeemed in July 2022.

Borrowings

The Company increased the commitments under its RCF in July 2022 from £700 million to £900 million in order to maintain a good level and maturity of liquidity for further investment whilst minimising returns dilution from holding excessive cash balances. This is a three-year facility, with a maturity date of November 2025. A further one-year extension option is available under the facility agreement. At 31 March 2023, the total amount drawn was £501 million.

An additional credit facility of £300 million available at the beginning of this financial year, with a maturity of less than one year, was cancelled in July 2022 at the same time as the commitments under the RCF were increased.

Capital raise

In February 2023, the Company successfully completed a capital raise, with net proceeds of £100 million, by way of a placing of ordinary shares in the capital of the Company at 330 pence per share. The placing price represented a discount of approximately 3.4% to the share price immediately prior to the announcement of the placing. A total of 30,915,990 new ordinary shares were admitted to trading on the London Stock Exchange main market for listed securities on 14 February 2023. The Company now has a total of 922,350,000 shares in issue, an increase of 3.5%. Soft pre-emption was followed where possible in allocating the shares.

NAV per share

The total NAV per share at 31 March 2023 was 336.2 pence (2022: 303.3 pence). This reduces to 330.6 pence (2022: 298.1 pence) after the payment of the final dividend of 5.575 pence (2022: 5.225 pence). There are no dilutive securities in issue.

Dividend and dividend cover

The Board has proposed a dividend for the year of 11.15 pence per share, or £101 million in aggregate (2022: 10.45 pence; £93 million). This is in line with the Company's target announced in May last year.

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

Table 16 shows the calculation of dividend coverage and dividend reserves. The dividend was fully covered for the year with a surplus of £35 million (2022: no surplus).

The retained amount available for distribution, following the payment of the final dividend, the realised profit over cost relating to the sale of the European Projects portfolio and the performance fee will be £814 million (2022: £794 million). This is a substantial surplus, which is available to support the Company's progressive dividend policy, particularly should dividends not be fully covered by income in a future year.

A shortfall could arise, for example, due to holding substantial uninvested cash or through lower distributions being received from portfolio companies in order to preserve liquidity.

Table 16: Dividend cover (year to 31 March, £m)

	2023	2022
Total income, other income and non-income cash	**202**	143
Operating costs, including management fees	**(66)**	(50)
Dividends paid and proposed	**(101)**	(93)
Dividend surplus for the year	**35**	–
Dividend reserves brought forward from prior year	**794**	868
Realised gain/(loss) over cost on disposed assets	**30**	(20)
Performance fees	**(45)**	(54)
Dividend reserves carried forward	**814**	794

Table 17 shows that the Company has consistently covered the dividend over the last five years.

Table 17: Dividend cover (five years to 31 March 2023, £m)

	Net income[1]	**Dividend**
Mar 2019	165	70
Mar 2020	105	82
Mar 2021	87	87
Mar 2022	93	93
Mar 2023	136	101

1 Net income is Total income, other income and non-income cash less operating costs.

Sensitivities

The sensitivity of the portfolio to key inputs to our valuations is shown in Table 18 and described in more detail in Note 7 to the accounts. The portfolio valuations are positively correlated to inflation. The longer-term inflation assumptions beyond two years remain consistent with central bank targets, eg. UK CPI at 2%.

The sensitivities shown in Table 18 are indicative and are considered in isolation, holding all other assumptions constant. Timing and quantum of price increases will vary across the portfolio and the sensitivity may differ from that modelled. Changing the inflation rate assumption may necessitate consequential changes to other assumptions used in the valuation of each asset.

Table 18: Portfolio sensitivities (year to 31 March 2023)

Sensitivity	**-1% (£m)**	**-1% (%)**	**+1% (£m)**	**+1% (%)**
Discount rate	343	9.4	(296)	(8.1)
Inflation (for two years)	(52)	(1.4)	47	1.3
Interest rate	175	4.8	(182)	(5.0)

Alternative Performance Measures ('APMs')

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

The APMs are consistent with those disclosed in prior years but this year we have added two new APMs, Total liquidity and Portfolio debt to enterprise value. The Directors monitor total liquidity to assess the Company's ability to make further investments, the efficiency of the balance sheet, and short-term viability. Portfolio debt to enterprise value is monitored to assess the underlying gearing of portfolio companies, the consequential risk in the forecast cashflows of those companies and the ability of portfolio companies to fund capital expenditure from their own resources.

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

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

APM	Purpose	Calculation	Reconciliation to IFRS
Total return on opening NAV	A measure of the overall financial performance of the Company. For further information see the KPI section.	It is calculated as the total return of £394 million, as shown in the Statement of comprehensive income, as a percentage of the opening NAV of £2,704 million net of the final dividend for the previous year of £47 million, adjusted on a time-weighted basis for the receipt of the £100 million capital raise on 14 February 2023. An adjustment to increase the opening NAV by £13 million is required for this time weighting.	The calculation uses IFRS measures.
NAV per share	A measure of the NAV per share in the Company.	It is calculated as the NAV divided by the total number of shares in issue at the balance sheet date.	The calculation uses IFRS measures and is set out in Note 14 to the accounts.
Total income and non-income cash	A measure of the income and other cash receipts by the Company which support the payment of expenses and dividends.	It is calculated as the total income from the underlying portfolio and other assets plus non-income cash being the repayment of shareholder loans not resulting from the disposal of an underlying portfolio asset.	Total income uses the IFRS measures Investment income and Interest receivable. The non-income cash, being the proceeds from partial realisations of investments, are shown in the Cash flow statement. The realisation proceeds which result from a partial sale of an underlying portfolio asset are not included within non-income cash.
Investment value including commitments	A measure of the size of the investment portfolio including the value of further contracted future investments committed by the Company.	It is calculated as the portfolio asset value plus the amount of the contracted commitment. At 31 March 2023, the Company had no investment commitments.	The portfolio asset value is the 'Investments at fair value through profit or loss' reported under IFRS. The value of future commitments is set out in Note 16 to the accounts.
Total portfolio return percentage	A measure of the financial performance of the portfolio.	It is calculated as the total portfolio return in the year of £501 million, as shown in Table 1, as a percentage of the sum of the opening value of the portfolio and investments less amounts syndicated in the year (excluding capitalised interest) of £3,325 million.	The calculation uses capital return (including exchange), movement in fair value of derivatives, underlying portfolio income, opening portfolio value and investment in the year. The reconciliation of all these items to IFRS is shown in Table 1, including in the footnotes.

APM	Purpose	Calculation	Reconciliation to IFRS
Total liquidity	A measure of the Company's ability to make further investments and meet its short-term obligations.	It is calculated as the cash balance of £5 million plus the undrawn balance available under the Company's revolving credit facility of £399 million.	The calculation uses the cash balance, which is an IFRS measure and undrawn balances available under the Company's revolving credit facility, which are described in Note 11 to the accounts.
Portfolio debt to enterprise value	A measure of underlying indebtedness of the portfolio companies.	It is calculated as total debt as a percentage of the enterprise value of the portfolio companies, and does not include indebtedness of the Company.	The calculation is a portfolio company measure and therefore cannot be reconciled to the Company's accounts under IFRS.

Risk report

“Thoughtful risk management is a cornerstone of our risk governance framework.”

Wendy Dorman
Chair, Audit and Risk Committee

This was the second year of a three-year cycle of risk reviews, whereby the Audit and Risk Committee (the ‘Committee’), alongside the Investment Manager, conducted a thorough review to identify and consider the impact and likelihood of the key, principal and emerging risks facing the Company today.

Against the backdrop of the current geopolitical and macroeconomic environment, the Company has continued to perform strongly, supported by our risk management framework and process, which enables appropriate and responsive decision making.

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

Our risk review process follows a three-year cycle, whereby once every three years we carry out a detailed review involving each Director independently assessing the risks facing the Company, then collating and comparing the results, which we refer to as the ‘blank sheet of paper exercise’. This was performed last year as it was the first year of the cycle.

This year, a number of risks were reassessed to reflect developments in the year, and the list of emerging risks was refreshed. The Committee updated the risk register and risk matrix as a result of the analysis conducted during the year, and considered the alignment of the principal risks identified to the Company’s strategic objectives.

Approach to risk governance

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

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

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

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

There were no significant changes to the overall approach to risk governance or its operation in FY23, but we continued to refine our framework for risk management where appropriate.

Risk framework

Risk-related reporting

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

Risk appetite

The Committee discusses the Company's risk appetite annually and this year concluded that it remained broadly stable. As an investment company, the Company seeks to take investment risk. The appetite for investment risk is described previously in the Our business model section, and in the Investment policy towards the end of this document. Investments are made subject to the Investment Manager's Responsible Investment policy, which addresses an important element of our appetite for investment risk. Given the strong competition for new investments, investment discipline remains a key consideration.

The target risk-adjusted objective of delivering 8% to 10% return per annum over the medium term remains consistent with our current portfolio investment cases, including our recent new investments. It is expected that, as the portfolio expands, the range of expected returns in individual investment cases may also expand to include higher risk/return 'value add' cases and lower risk/return 'core' investments. We recognise that this has the potential to result in greater volatility in returns on an individual asset basis.

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

The key tools used by the Committee to define the Company's risk appetite and to determine the appetite for key risks are the risk register and the risk matrix.

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

Risk review process

The Company's risk review process includes the monitoring of key strategic and financial metrics considered to be indicators of potential changes in its risk profile. The review takes place three times a year, with the last review in April 2023, and includes, but is not limited to, the following:

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

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

Risk categorisation

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

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

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

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

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

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

As the Company is an investment company, the stressed scenarios reflect reduced cash flows from the Company's investment portfolio, such that debt covenants are breached and liabilities not met.

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

Review during the year

In October 2022, the Committee reassessed the identified key risks and considered any update to the list of emerging risks currently facing the Company. This involved a 'blank sheet of paper' exercise where each Director, and several members of the Investment Manager's team, identified the top emerging risks facing the Company, and discussed changes to the impact and likelihood of the principal risks.

In December 2022, the Investment Manager analysed the data collected and identified the emerging and principal risks facing the Company, scoring the principal risks for impact and likelihood (within a three-year period and beyond a three-year period). In January 2023, the results of the principal risk scoring were considered and assessed by the Committee and additional changes made. In April 2023, the Committee reviewed the updated risk register and risk matrix and the Company's appetite for each of the key risks.

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

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

We are confident that the portfolio remains defensive and resilient, and in a position to benefit from accretive but discretionary growth opportunities as highlighted in the Investment Manager's review. We believe the current appetite for risk is appropriate.

Risk register review process

October 2022
Directors identify potential emerging or new key risks facing the Company
December 2022
Analysis and interpretation of responses
January 2023
Impact and likelihood of the identified risks considered
April 2023
Risk register and risk matrix updated

Emerging risks

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

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

As part of the ongoing risk identification and management of the Company, the Committee considers whether these emerging risks should be added to the Company's risk register. The risk register is a 'live' document that is reviewed and updated regularly by the Committee as new risks emerge and existing risks change. Examples of emerging risks that were considered during the year include the impact of energy price caps, UK political change, escalation of the conflict in Ukraine, divergence between the UK and the EU regulation increasing friction over trade in goods and services, and escalating regulatory reporting requirements, including climate-related reporting requirements. In some cases, emerging risks may already be considered within a broader identified key risk, such as market and economic risk.

Key risks

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

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

Market and economic risk was considered the top risk facing the Company and was considered to have increased during the year. This includes the consequences of sanctions on Russia and Russian companies, increased commodity and energy prices, rising inflation and interest rates, supply chain constraints and a heightened risk of recession.

Following the high level of new investment, the management of liquidity risk is considered to have increased.

The risk of an inappropriate rate of investment and loss of senior Investment Manager staff is considered to have increased this year, given this liquidity risk.

These changes are reflected in the Principal risks and mitigations table.

Fraud and cyber risk

We remain vigilant to cyber- and other IT-related issues which could result in disruption to the Company, loss of data and/or reputational damage. The Investment Manager has a robust fraud risk assessment and anti-fraud programme in place. The latter includes fraud prevention work by their Internal Audit team, mandatory training to maintain vigilance and awareness, and provision of an independent reporting service or ‘hotline’ accessible by all staff. The Investment Manager’s cyber security programme also aims to identify and mitigate the risks of third-party frauds, for example ransomware and phishing attacks, through the use of IT security tools and regular staff training. There is also a detailed business continuity and disaster recovery plan, should a significant event occur. The Company asks its service providers to inform it of any significant cyber events that they experience.

Environmental sustainability and climate risk

Environmental sustainability and ESG are an increasingly important focus amongst our shareholders and in the wider market.

Climate risk includes the short- to medium-term impacts, including transitional changes (for example, regulation and financial) as well as the long-term emerging risk of climate change (for example, flooding events). Failure to identify and mitigate risks at this stage could result in a reduction in the attractiveness of our assets, reputational damage and a reduction in value of our portfolio in the future.

Although there is still much uncertainty around the extent and timing of the impact of climate change, government and societal action, and future regulations, we recognise that climate-related risk is a key risk as well as an investment theme for the Company. We have separated climate-related risk into two distinct but related risks.

Climate regulation risk addresses the regulatory risk to the Company and the portfolio associated with the transition to a low-carbon economy. Climate risk addresses the physical and transition risks from climate change on the portfolio.

ESG and sustainability is increasingly important in the context of our strategic and investment objectives. Further information on work done in relation to ESG reporting, including climate-related disclosures, and our approach to climate-related risk and opportunities can be found in our Sustainability report. All of the companies in our portfolio recognise the importance of considering climate change and of evolving a sustainable business model. As discussed in the Sustainability report, the physical and transition climate-related risks are also seen as opportunities for all companies in our portfolio.

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

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

Principal risks and mitigations

External

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

Operational

Principal risk	Risk description	Risk mitigation
Loss of senior Investment Manager staff **Risk exposure movement in the year** Increased **Link to Strategic priorities** Maintain balanced portfolio Sustainability key driver	• Members of the deal team at the Investment Manager leave, and 'deal-doing' and portfolio management capability in the short to medium term is restricted	• Performance-linked compensation packages, including an element of deferred remuneration • Notice periods within employment contracts • Strength and depth of the senior team and strength of the 3i Group brand • Careful management and robust planning of senior management transition

Strategic

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

Investment

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

Development of significant key risks in the year

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

External risks – market and competition

In the face of rising interest rates and macroeconomic uncertainty, infrastructure assets have proven relatively resilient when compared to the dislocation in other markets, but a difficult GDP environment remains a key risk for the Company. Infrastructure's fundamental characteristics as an asset class anchored by predictable, long-term revenue streams that are often linked to inflation have positioned the sector well to withstand recessionary risk and volatile markets.

The urgency of tackling climate change has also made investment in some sectors, such as those with a focus on energy transition, relatively insulated from macro headwinds. As a result, the European infrastructure market continues to experience strong demand for new investments. Private funds with a core-plus infrastructure focused mandate have significant amounts of dry powder and these are the Company's primary competition for new investment. Fundraising has increased at a faster pace than the number of funds raised, resulting in larger fund sizes creating intense competition for suitable infrastructure targets. There remains a risk that pricing does change for core-plus infrastructure in the medium term, but at this point we are not seeing any upward pressure on discount rates for core-plus infrastructure investments as these tend to have greater discount rate headroom to risk-free rates and strong inflation protection features. In this environment, the Investment Manager continues to leverage its network and skills to look for investments that can deliver attractive and sustainable risk-adjusted returns to the Company's shareholders.

Inflation in the UK and Europe has risen sharply in the year, driven by rising energy costs, supply chain bottlenecks, labour and raw material shortages and the reopening of economies from pandemic-related lockdowns. The portfolio is positively correlated to inflation as most portfolio companies have revenues at least partially linked to inflation, although higher inflation may also result in increased costs and supply chain disruption and, should it persist, is generally bad for economies as a whole. Sensitivities to macroeconomic assumptions are discussed in the Financial review and in Note 7 to the accounts.

Central bank base rates increased during the year in response to higher inflation and, although there is evidence, particularly in Europe, that this is bringing inflation back towards target levels, there is a risk that inflation will return to a level either above or below our long-term assumptions. There are no material refinancing requirements in the portfolio until 2026 and over 95% of long-term debt facilities are either hedged or fixed rate at 31 March 2023. This mitigates the risk from further near-term interest rate rises.

The Company is exposed to movements in sterling exchange rates against a number of currencies, most significantly the euro.

The Company operates a hedging programme which substantially offsets volatility in returns from exchange rate movements. The Board monitors the effectiveness of the Company's hedging policy on a regular basis.

The valuation of our portfolio companies that generate electricity is affected by the evolution of long-term power price forecasts and by fluctuations in the spot power price. Medium-term power price forecasts have also increased considerably during the year, driven by gas supply concerns, record carbon prices, low wind levels and higher commodity prices, particularly for gas. This has benefitted those portfolio companies that generate electricity and typically sell it on a forward basis in order to avoid spot market volatility: Infinis, Attero and Valorem.

Sanctions on Russia and Russian companies, together with the recovery from the Covid-19 pandemic, led to an increase in oil prices, peaking in June 2022.

Since then prices have come down, due to a softer economic environment and reduced trans-shipment volumes, but the market continues to be backwardated. For Oystercatcher, this may maintain some short-term downward pressure on pricing of contract renewals.

Ionisos is a provider of cold sterilisation and ionising radiation treatment services to the medical, pharmaceutical, plastics and cosmetics industries. Gamma radiation, one of the three methods of cold sterilisation used, relies on the radioactive decay of Cobalt-60, a scarce resource. Although a worldwide shortage of Cobalt-60 is expected until 2028, resulting from increased demand and the permanent closure of a large Russian reactor, Ionisos is in a good position to maintain its capacity as it has recently expanded its supplier base and is in advanced discussions with one supplier for a five-year supply agreement.

During the past three years, TCR was affected by air traffic movements and passenger numbers being substantially below the levels seen before the Covid-19 pandemic.

We are pleased with the performance of TCR over the duration of the pandemic and the strong performance this year and we have maintained our assumption of a return to pre-pandemic levels of air travel by 2024.

DNS:NET is being affected by the industry-wide challenge of rolling out a FTTH network in Germany due to the complexity of the construction process and difficulty in obtaining permits for construction, alongside cost inflation. The German government is planning to accelerate the roll out through a simpler and digitalised approval process.

External risks – regulatory and tax

The Company's investments in Infinis, Valorem and Attero are exposed to electricity market regulation risk in their respective countries. On 1 January 2023, the UK government introduced a levy or price cap on extraordinary returns from electricity generation (the 'EGL').

The EGL is an exceptional and time-limited measure that is due to expire in 2028.

The French and Dutch governments introduced taxes on merchant revenues above a price cap for 2023. The effect of current and proposed legislation is reflected in the valuations of these portfolio companies.

Strategic risks

The Company manages its balance sheet and liquidity position actively, seeking to maintain adequate liquidity to pursue new investment opportunities, while not diluting shareholder returns by holding surplus cash balances. At 31 March 2023 there was £5 million available in cash, with drawings of £501 million under the RCF. During the year the Company raised a further £100 million through an equity placing and extended the maturity of its RCF facility to November 2025.

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

Investment risks

As part of our investment due diligence and active portfolio management, the Investment Manager uses specialist cyber security advisers to ensure that our companies remain vigilant and continue to focus on effective operations of controls against possible cyber-attacks. Some of our portfolio companies do experience fraud attempts, some of which are successful, but none have had a material impact on any of our companies.

Operational risks

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

Resilience statement

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

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

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

Short-term resilience

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

The resilience of key suppliers, including the Investment Manager, is considered annually or more frequently if appropriate. The Audit and Risk Committee is provided with relevant extracts of reports from the Investment Manager’s internal audit team, which includes an annual report on the Investment Manager’s European infrastructure investment team. Further detail is included in the Governance section of the Annual report and accounts 2023.

The Directors manage the Company’s liquidity actively, reviewing reports on current and forecast liquidity from the Investment Manager, alongside recommendations for seeking additional liquidity when appropriate. The Directors approved the issue of new equity during the year, raising £100 million net of issue costs, and the extension of the RCF to £900 million of commitments. Further discussion on the RCF can be found in the Financial review.

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

Going concern

The Company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and in the Financial statements and related Notes to our Annual report and accounts to 31 March 2023. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in the Financial statements and related Notes to the accounts.

In addition, Note 9 to the accounts includes the Company’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Directors have made an assessment of going concern, taking into account the Company’s cash and liquidity position, current performance and outlook, which considered the impact of the higher inflationary and interest rate environment, using the information available up to the date of issue of these Financial statements.

The Company has liquid financial resources and a strong investment portfolio providing a predictable income yield and an expectation of medium-term capital growth.

The Company manages and monitors liquidity regularly, ensuring that it is sufficient.

At 31 March 2023, liquidity remained strong at £404 million (2022: £786 million). Liquidity comprised cash and deposits of £5 million (2022: £17 million) and undrawn facilities of £399 million (2022: £769 million). The £900 million revolving credit facility matures beyond 12 months of the date of this report.

The Company had no contracted investment commitment at 31 March 2023. However, the Company expects to make follow-on investments in portfolio companies to fund growth opportunities.

The Company had ongoing charges of £48 million in the year to 31 March 2023, detailed in Table 14 in the Financial review, which are indicative of the ongoing run rate in the short term. In addition, the FY23 performance fee of £45 million (2022: £54 million) is due in three equal instalments with the first instalment payable in the next 12 months along with the second instalment of FY22's performance fee and the third instalment of FY21's performance fee, and a proposed final dividend for FY23 of £51 million which is expected to be paid in July.

Although not a commitment, the Company has announced a dividend target for FY24 of 11.90 pence per share. Income and non-income cash is expected to be received from the portfolio investments during the coming year, some of which will be required to support the payment of this dividend target and the Company's other financial commitments.

The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2023. After making the assessment on going concern, the Directors considered it appropriate to prepare the Financial statements of the Company on a going concern basis.

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

Medium-term resilience

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

The Directors consider that a three-year period to March 2026 is an appropriate period to review for assessing the Company's viability. This reflects greater predictability of the Company's cash flows over that time period and increased uncertainty surrounding economic, political and regulatory changes over the longer term.

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

Viability statement

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

The Directors have assessed the viability of the Company over a three-year period to March 2026. The Directors have taken account of the current position of the Company, including its liquidity position, with £5 million of cash and £399 million of undrawn credit facilities, and the principal risks it faces, which are documented in this Risk report.

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

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

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

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

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to March 2026.

Long-term resilience

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

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

The characteristics that we look for in infrastructure investments, support the long-term resilience of the Company. The performance of the portfolio through the Covid-19 pandemic provided good evidence of this.

The underlying megatrends supporting the longer-term resilience of each portfolio company are identified in the Our approach section.

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

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

Directors' duties

Section 172 statement

The Company adheres to the AIC Code of Corporate Governance (the 'AIC Code') and it is the intention of the AIC Code that the matters set out in section 172 of the Companies Act 2006 ('s172') are reported on to the extent they do not conflict with Jersey law.

We recognise that our business can only grow and prosper by acting in the long-term interests of our key stakeholders and that a good understanding of the key issues affecting stakeholders should be an integral part of the Board's decision-making process. The insights that the Board gains through the stakeholder engagement mechanisms it has in place form an important part of the context for all the Board's discussions and decision-making processes.

As an externally managed investment trust, the Company has no employees or customers and its key stakeholders are its shareholders, third-party professional advisers and service providers (most notably the Investment Manager), portfolio companies, communities in which the Company operates, lenders, and government and regulatory bodies.

Day-to-day engagement with our stakeholders is principally managed by the Investment Manager although, where appropriate, the Directors have direct touchpoints with stakeholders during the year.

Throughout this Annual report we provide examples of how the Directors promote the success of the Company for the benefit of its members in line with our purpose and our strategy, while taking into account the likely consequences of decisions in the long term, the need to build relationships with stakeholders, and ensuring that business is conducted responsibly. The governance section of the Annual report and accounts 2023, sets out the Company's stakeholders and how the Board considered matters under s172 during its deliberations.

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

Pursuant to s172, a Director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members, and in doing so have regard (amongst other matters) to:

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

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

The interests of the Company's employees
Whilst we do not have any employees, our purpose includes the intention to have a positive influence on our portfolio companies and their stakeholders, which includes the employees of those portfolio companies.

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

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

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

Read more in our Annual report and accounts 2023, available on our website

Accounts and other information

Statement of comprehensive income

For the year to 31 March

	Notes	**Year to 31 March 2023 £m**	Year to 31 March 2022 £m
Net gains on investments	7	339	384
Investment income	7	156	127
Fees payable on investment activities		-	(3)
Interest receivable		2	6
Investment return		497	514
Movement in the fair value of derivative financial instruments	5	18	(2)
Management and performance fees payable	2	(92)	(97)
Operating expenses	3	(3)	(3)
Finance costs	4	(16)	(5)
Exchange movements		(10)	(3)
Profit before tax		394	404
Income taxes	6	–	–
Profit after tax and profit for the year		394	404
Total comprehensive income for the year		394	404
Earnings per share			
Basic and diluted (pence)	14	44.0	45.3

Statement of changes in equity

For the year to 31 March

For the year to 31 March 2023	Notes	**Stated capital account £m**	**Retained reserves[1] £m**	**Capital reserve[1] £m**	**Revenue reserve[1] £m**	**Total shareholders' equity £m**
Opening balance at 1 April 2022		**779**	**1,282**	**643**	**–**	**2,704**
Issue of shares		**100**	**–**	**–**	**–**	**100**
Total comprehensive income for the year		**–**	**–**	**316**	**78**	**394**
Dividends paid to shareholders of the Company during the year	15	**–**	**–**	**(19)**	**(78)**	**(97)**
Closing balance at 31 March 2023		**879**	**1,282**	**940**	**–**	**3,101**

For the year to 31 March 2022	Notes	Stated capital account £m	Retained reserves[1] £m	Capital reserve[1] £m	Revenue reserve[1] £m	Total shareholders' equity £m
Opening balance at 1 April 2021		779	1,282	330	(1)	2,390
Total comprehensive income for the year		–	–	324	80	404
Dividends paid to shareholders of the Company during the year	15	–	–	(11)	(79)	(90)
Closing balance at 31 March 2022		779	1,282	643	–	2,704

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

Balance sheet

As at 31 March

	Notes	2023 £m	2022 £m
Assets			
Non-current assets			
Investments at fair value through profit or loss	7	**3,641**	2,873
Derivative financial instruments	10	**29**	6
Total non-current assets		**3,670**	2,879
Current assets			
Derivative financial instruments	10	**28**	20
Trade and other receivables	8	**4**	104
Cash and cash equivalents		**5**	17
Total current assets		**37**	141
Total assets		**3,707**	3,020
Liabilities			
Non-current liabilities			
Derivative financial instruments	10	**(10)**	(6)
Trade and other payables	12	**(48)**	(38)
Loans and borrowings	11	**(501)**	(231)
Total non-current liabilities		**(559)**	(275)
Current liabilities			
Derivative financial instruments	10	**(8)**	(12)
Trade and other payables	12	**(39)**	(29)
Total current liabilities		**(47)**	(41)
Total liabilities		**(606)**	(316)
Net assets		**3,101**	2,704
Equity			
Stated capital account	13	**879**	779
Retained reserves		**1,282**	1,282
Capital reserve		**940**	643
Revenue reserve		**–**	–
Total equity		**3,101**	2,704
Net asset value per share			
Basic and diluted (pence)	14	**336.2**	303.3

The Financial statements and related Notes were approved and authorised for issue by the Board of Directors on 9 May 2023 and signed on its behalf by:

Richard Laing
Chair

Cash flow statement

For the year to 31 March

	Year to 31 March 2023 £m	Year to 31 March 2022 £m
Cash flow from operating activities		
Purchase of investments	**(729)**	(761)
Proceeds from other financial assets	**98**	12
Proceeds from partial realisations of investments	**322**	140
Proceeds from full realisations of investments	**104**	8
Investment income[1]	**30**	54
Fees rebated/(paid) on investment activities	**1**	(4)
Operating expenses paid	**(3)**	(4)
Interest received	**3**	-
Management and performance fees paid	**(72)**	(50)
Amounts (paid)/received on the settlement of derivative contracts	**(13)**	27
Net cash flow from operating activities	**(259)**	(578)
Cash flow from financing activities		
Fees and interest paid on financing activities	**(16)**	(6)
Proceeds from issue of share capital	**102**	–
Share issue expenses	**(2)**	–
Dividends paid	**(97)**	(90)
Drawdown of revolving credit facility	**2,188**	955
Repayment of revolving credit facility	**(1,918)**	(724)
Net cash flow from financing activities	**257**	135
Change in cash and cash equivalents	**(2)**	(443)
Cash and cash equivalents at the beginning of the year	**17**	462
Effect of exchange rate movement	**(10)**	(2)
Cash and cash equivalents at the end of the year	**5**	17

1 Investment income includes dividends of £1 million (2022: £24 million) and interest of £29 million (2022: £30 million).

Reconciliation of net cash flow to movement in net debt

For the year to 31 March

	Notes	**Year to 31 March 2023 £m**	Year to 31 March 2022 £m
Change in cash and cash equivalents		**(2)**	(443)
Drawdown of revolving credit facility	11	**(2,188)**	(955)
Repayment of revolving credit facility	11	**1,918**	724
Change in net debt resulting from cash flows		**(272)**	(674)
Movement in net debt		**(272)**	(674)
Net (debt)/cash at the beginning of the year		**(214)**	462
Effect of exchange rate movement		**(10)**	(2)
Net debt at the end of the year		**(496)**	(214)

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

Significant accounting policies

Corporate information

3i Infrastructure plc (the ‘Company’) is a company incorporated in Jersey, Channel Islands. The Financial statements for the year to 31 March 2023 comprise the Financial statements of the Company as defined in IFRS 10 Consolidated Financial Statements.

The Financial statements were authorised for issue by the Board of Directors on 9 May 2023.

Statement of compliance

These Financial statements have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards (‘IFRS’) and International Accounting Standards.

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

Basis of preparation

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

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

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

Going concern

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

- the analysis of the adequacy of the Company’s liquidity, solvency and capital position. The Company manages and monitors liquidity regularly, ensuring it is adequate and sufficient. At 31 March 2023, liquidity remained strong at £404 million (2022: £786 million). Liquidity comprised cash and deposits of £5 million (2022: £17 million) and undrawn revolving credit facilities of £399 million (2022: £769 million) with a maturity date of November 2025. Income and non-income cash is expected to be received from the portfolio investments during the coming year, a portion of which will be required to support the payment of the dividend target and the Company’s other financial commitments;
- uncertainty around the valuation of the Company’s assets as set out in the Key sources of estimation uncertainties section. The valuation policy and process was consistent with prior years. This year a key focus of the portfolio valuations at 31 March 2023 was an assessment of the impact of the macroeconomic environment on the operational and financial performance of each portfolio company. In particular this focused on increasing inflationary pressures, rising interest rates and the impact on the cost of debt, volatility in power prices and ongoing geopolitical uncertainties. We have incorporated into our cash flow forecasts a balanced view of future income receipts and expenses; and
- the Company’s financial commitments. The Company had no investment commitments at 31 March 2023. The Company had ongoing charges of £48 million in the year to 31 March 2023, detailed in Table 14 in the Financial review, which are indicative of the ongoing run rate in the short term. The Company has a FY23 performance fee accrual of £45 million, a third of which is payable within the next 12 months. The Company has a FY22 performance fee accrual of £36 million relating to the second and third instalments of the FY22 fee, the second instalment being due within the next 12 months, an accrual of £2 million relating to the third instalment of the FY21 fee due within the next 12 months and a proposed final dividend for FY23 of £51 million. In addition, while not a commitment at 31 March 2023, the Company has a dividend target for FY24 of 11.90 pence per share.

In addition to the considerations listed above there are a number of actions within management control to enhance available liquidity. These include the timing of certain income receipts from the portfolio and the level and timing of new investments or realisations.

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

Key judgements

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

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

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

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

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

The Company meets the criteria as follows:

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

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

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

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

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

During the year, the Company set up three wholly owned subsidiary entities for the new investment in Future Biogas. The Directors have assessed whether any of these entities provide investment-related services and have concluded that they should not be consolidated and that they should all be held at fair value through profit or loss.

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

Key sources of estimation uncertainties

Valuation of the investment portfolio

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

The majority of assets in the investment portfolio are valued on a discounted cash flow basis which requires assumptions to be made regarding future cash flows, terminal value and the discount rate to be applied to these cash flows. The methodology for deriving the fair value of the investment portfolio, including the key estimates, is set out in the Portfolio valuation methodology section. Refer to Note 7 for further details of the valuation techniques, significant inputs to those techniques and sensitivity of the fair value of these investments to the assumptions that have been made.

The discount rate applied to the cash flows in each investment portfolio company is a key source of estimation uncertainty. The acquisition discount rate is adjusted to reflect changes in company-specific risks to the deliverability of future cash flows and is calibrated against secondary market information and other available data points, including comparable transactions. The discount rates applied to the investment portfolio at 31 March 2023 range from 10.0% to 13.2% (2022: 10.0% to 13.2%) and the weighted average discount rate applied to the investment portfolio is 11.3% (2022: 10.9%). The increase in the year is due to the evolution of the portfolio mix following the realisation of the European Projects portfolio and the completion of the GCX and Future Biogas acquisitions. In the prior year, the Projects portfolio was valued on a sales basis and was removed from the discount rate range.

The cash flows on which the discounted cash flow valuation is based are derived from detailed financial models. These incorporate a number of assumptions with respect to individual portfolio companies, including: forecast new business wins or new orders; cost-cutting initiatives; liquidity and timing of debtor payments; timing of non-committed capital expenditure and construction activity; the terms of future debt refinancing; and macroeconomic assumptions such as inflation and energy prices. Future power price projections are taken from independent forecasters, and changes in these assumptions will affect the future value of our energy-generating portfolio companies.

The Summary of portfolio valuation methodology section provides further details on some of the assumptions that have been made in deriving a balanced base case of cash flows.

The terminal value attributes a residual value to the portfolio company at the end of the projected discrete cash flow period based on market comparables. The terminal value assumptions consider climate change risk and stranded asset risk. The valuation of each asset has significant estimation in relation to asset specific items but there is also consideration given to the impact of wider megatrends such as the transition to a lower-carbon economy and climate change.

The effects of climate change, including extreme weather patterns or rising sea levels in the longer term could impact the valuation of the assets in the portfolio in different ways. The Summary of portfolio valuation methodology section earlier in this document provides further details on some of the assumptions that have been made in deriving terminal values and some of the risk factors considered in the cash flow forecasts.

New and amended standards adopted for the current year

Standards and amendments to standards applicable to the Company that became effective during the year and were adopted by the Company on 1 April 2022 are listed below:

Amendments to IFRS 17 Insurance contracts (1 January 2023)

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (1 January 2023)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (1 January 2023)

Annual Improvement to IFRS Standards 2018-2020 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (1 January 2023)

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (1 January 2023)

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (1 January 2022)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts (1 January 2022)

Amendments to IFRS 3 Business Combinations (1 January 2022)

Standards and amendments issued but not yet effective

As at 31 March 2023, the following new or amended standards, which have not been applied in these Financial statements, had been issued by the International Accounting Standards Board ('IASB') but are yet to become effective:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (1 January 2024)

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (1 January 2024)

Non-current Liabilities with Covenants (Amendments to IAS 1) (1 January 2024)

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

A Classification

(i) Subsidiaries – Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity. In accordance with the exception under IFRS 10 Consolidated Financial Statements, the Company only consolidates subsidiaries in the Financial statements if they are deemed to perform investment-related services and do not meet the definition of an investment entity. Investments in subsidiaries that do not meet this definition are accounted for as Investments at fair value through profit or loss with changes in fair value recognised in the Statement of comprehensive income in the year. The Directors have assessed all entities within the structure and concluded that there are no subsidiaries of the Company that provide investment-related services or activities.

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

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

B Exchange differences

Transactions entered into by the Company in a currency other than its functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated to the functional currency at the exchange rate ruling at the balance sheet date.

Foreign exchange differences arising on translation to the functional currency are recognised in the Statement of comprehensive income. Foreign exchange differences relating to investments held at fair value through profit or loss are shown within the line Net gains on investments. Foreign exchange differences relating to other assets and liabilities are shown within the line Exchange movements.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency using exchange rates ruling at the date the fair value was determined with the associated foreign exchange difference being recognised within the unrealised gain or loss on revaluation of the asset or liability.

C Investment portfolio

Recognition and measurement – Investments are recognised and de-recognised on a date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investment.

The Company manages its investments with a view to profiting from the receipt of investment income and obtaining capital appreciation from changes in the fair value of investments. Therefore, all unquoted investments are measured at fair value through profit or loss upon initial recognition and subsequently carried in the Balance sheet at fair value, applying the Company's valuation policy. Acquisition-related costs are accounted for as expenses when incurred.

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

Income

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

The following specific recognition criteria must be met before the income is recognised:

- dividends from equity investments are recognised in the Statement of comprehensive income when the Company's rights to receive payment have been established. Special dividends are credited to capital or revenue according to their circumstances;
- interest income from loans that are measured at fair value through profit or loss is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value or principal amount. The remaining changes in the fair value movement of the loans are recognised separately in the line Net gains on investments in the Statement of comprehensive income;
- distributions from investments in Limited Partnerships are recognised in the Statement of comprehensive income when the Company's rights as a Limited Partner to receive payment have been established; and
- fees receivable represent amounts earned from investee companies on completion of underlying investment transactions and are recognised on an accruals basis once entitlement to the revenue has been established.

D Fees

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

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

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

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

E Treasury assets and liabilities

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

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

(ii) Bank loans, loan notes and borrowings – Loans and borrowings are initially recognised at the fair value of the consideration received, net of issue costs associated with the borrowings. Where issue costs are incurred in relation to arranging debt finance facilities these are capitalised and disclosed within Trade and other receivables and amortised over the life of the loan.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

(iii) Derivative financial instruments – Derivative financial instruments are used to manage the risk associated with foreign currency fluctuations in the valuation of the investment portfolio. This is achieved by the use of forward foreign currency contracts. Such instruments are used for the sole purpose of efficient portfolio management. All derivative financial instruments are held at fair value through profit or loss.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently remeasured to the fair value at each reporting date. All changes in the fair value of derivative financial instruments are taken to the Statement of comprehensive income.

The maturity profile of derivative contracts is measured relative to the financial contract settlement date of each contract and the derivative contracts are disclosed in the Financial statements as either current or non-current accordingly.

F Other assets

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

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

G Other liabilities

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the financial reporting date. Such liabilities are short-term in nature, the carrying value of these liabilities is considered to be approximate to their fair value.

H Equity and reserves

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

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

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

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

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

(iii) Dividends payable – Dividends on ordinary shares are recognised in the period in which the Company's obligation to make the dividend payment arises. For the period to 15 October 2018, dividends were deducted from Retained reserves. For subsequent periods, dividends are deducted first from the Revenue reserve and then from the Capital reserve if required.

| Income taxes

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the Statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

The tax currently payable is based on the taxable profit for the year. This may differ from the profit included in the Statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

Notes to the accounts

1 Operating segments

The Directors review information on a regular basis that is analysed by portfolio segment; being Economic infrastructure businesses, the Projects portfolio and the India Fund. In prior years they also analysed the portfolio by geography. Since the India Fund reached the end of its life and moved into liquidation and because some of the investments such as GCX, TCR, ESVAGT and Tampnet operate in multiple jurisdictions, this geographic distinction is no longer relevant and is therefore no longer reported. These segments are reviewed for the purpose of resource allocation and the assessment of their performance. In accordance with IFRS 8, the segmental information provided below uses these segments for the analysis of results as it is the most closely aligned with IFRS reporting requirements. The Company is an investment holding company and does not consider itself to have any customers.

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

For the year to 31 March 2023	Economic infrastructure businesses £m	Projects portfolio £m	India Fund £m	Unallocated[1] £m	Total £m
Investment return	**492**	**3**	**–**	**2**	**497**
Profit/(loss) before tax	**511**	**2**	**–**	**(119)**	**394**
For the year to 31 March 2022					
Investment return	486	18	5	5	514
Profit/(loss) before tax	483	19	5	(103)	404
As at 31 March 2023					
Assets	**3,698**	**–**	**–**	**9**	**3,707**
Liabilities	**(18)**	**–**	**–**	**(588)**	**(606)**
Net assets/(liabilities)	**3,680**	**–**	**–**	**(579)**	**3,101**
As at 31 March 2022					
Assets	2,796	105	–	119	3,020
Liabilities	(18)	(1)	–	(297)	(316)
Net assets/(liabilities)	2,778	104	–	(178)	2,704

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

During the year, the Company generated 99% (2022: 95%) of its investment return from investments in Economic infrastructure businesses, 1% (2022: 4%) from investments in Projects and none (2021: 1%) from its investment in the India Fund. Given the nature of the Company's operations, the Company is not considered to be exposed to any operational seasonality or cyclicality that would impact the financial results of the Company during the year or the financial position of the Company at 31 March 2023.

2 Management and performance fees payable

	Year to 31 March 2023 £m	Year to 31 March 2022 £m
Management fee	**47**	43
Performance fee	**45**	54
	92	97

Total management and performance fees payable by the Company for the year to 31 March 2023 were £92 million (2022: £97 million). Note 18 provides further details on the calculation of the management fee and performance fee.

3 Operating expenses

Operating expenses include the following amounts:

	Year to 31 March 2023 £m	Year to 31 March 2022 £m
Audit fees	**0.6**	0.6
Directors' fees and expenses	**0.5**	0.5

In addition to the fees described above, audit fees of £0.05 million (2022: £0.05 million) are payable by unconsolidated subsidiary entities for the year to 31 March 2023 to the Company's auditor.

Services provided by the Company's auditor

During the year, the Company obtained the following services from the Company's auditor.

Audit services		Year to 31 March 2023 £m	Year to 31 March 2022 £m
Statutory audit[1]	Company	0.52	0.40
	UK and Jersey unconsolidated subsidiaries[2]	0.05	0.05
		0.57	0.45

1 Amounts exclude VAT.

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

Non-audit services

Deloitte LLP and their associates provided non-audit services for fees totalling £95,891 for the year to 31 March 2023 (2022: £104,635). This related to agreed-upon procedures work in respect of the management and performance fees £8,316 (2022: £7,560), agreed-upon procedures work in respect of Sustainability KPIs for the RCF reporting £27,000 (2022: £27,000) and the review of the interim financial statements £60,575 (2022: £55,575). In line with the Company's policy, Deloitte LLP provided non-audit services to certain investee companies. The fees for these services are ordinarily borne by the underlying investee companies or unconsolidated subsidiaries, and therefore are not included in the expenses of the Company. Details on how such non-audit services are monitored and approved can be found in the Governance section of the Annual report and accounts 2023.

4 Finance costs

	Year to 31 March 2023 £m	Year to 31 March 2022 £m
Finance costs associated with the debt facilities	**14**	3
Professional fees payable associated with the arrangement of debt financing	**2**	2
	16	5

The finance costs associated with the debt facilities have increased for the year to 31 March 2023 as a result of higher average drawings, increased SONIA and EURIBOR rates and increases in the total available facilities. The average monthly drawn position during the year was £368 million (2022: £80 million) and the average monthly total available facilities was £562 million (2022: £508 million).

5 Movement in the fair value of derivative financial instruments

	Year to 31 March 2023 £m	Year to 31 March 2022 £m
Movement in the fair value of forward foreign exchange contracts	**18**	(2)

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

6 Income taxes

	Year to 31 March 2023 £m	Year to 31 March 2022 £m
Current taxes		
Current year	**–**	–
Total income tax charge in the Statement of comprehensive income	**–**	–

Reconciliation of income taxes in the Statement of comprehensive income

The tax charge for the year is different from the standard rate of corporation tax in the UK, currently 19% (2022: 19%), and the differences are explained below:

	Year to 31 March 2023 £m	Year to 31 March 2022 £m
Profit before tax	**394**	404
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2022: 19%)	**75**	77
Effects of:		
Non-taxable capital profits due to UK approved investment trust company status	**(67)**	(70)
Non-taxable dividend income	**–**	(5)
Dividends designated as interest distributions	**(9)**	(3)
Temporary differences on which deferred tax is not recognised	**1**	1
Total income tax charge in the Statement of comprehensive income	**–**	–

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

Under the UK Finance Act 2021, the UK corporation tax rate will increase for large companies from the current rate of 19% to 25% with effect from 1 April 2023. Should the Company recognise any deferred tax assets and liabilities, a rate of 19% or 25% would be used depending on when the assets and liabilities are expected to be crystallised.

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

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

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

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

The table below shows the classification of financial instruments held at fair value into the fair value hierarchy at 31 March 2023. For all other assets and liabilities, their carrying value approximates to fair value. During the year ended 31 March 2023, there were no transfers of financial instruments between levels of the fair value hierarchy (2022: none).

Trade and other receivables in the Balance sheet includes £4 million of deferred finance costs relating to the arrangement fee for the revolving credit facility and additional facilities (2022: £2 million). This has been excluded from the table below as it is not categorised as a financial instrument.

Financial instruments classification

	As at 31 March 2023			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Investments at fair value through profit or loss	**–**	**–**	**3,641**	**3,641**
Trade and other receivables	**–**	**–**	**–**	**–**
Derivative financial instruments	**–**	**57**	**–**	**57**
	–	**57**	**3,641**	**3,698**
Financial liabilities				
Derivative financial instruments	**–**	**(18)**	**–**	**(18)**
	–	**(18)**	**–**	**(18)**

	As at 31 March 2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	2,873	2,873
Trade and other receivables	–	102	–	102
Derivative financial instruments	–	26	–	26
	–	128	2,873	3,001
Financial liabilities				
Derivative financial instruments	–	(18)	–	(18)
	–	(18)	–	(18)

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

Level 3 fair value reconciliation	**As at 31 March 2023 £m**	As at 31 March 2022 £m
Opening fair value	**2,873**	1,804
Additions	**824**	816
Disposal proceeds and repayment	**(426)**	(148)
Movement in accrued income	**31**	17
Fair value movement (including exchange movements)	**339**	384
Closing fair value	**3,641**	2,873

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

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

Investment income of £156 million (2022: £127 million) comprises dividend income of £1 million (2022: £24 million) and interest of £155 million (2022: £103 million).

Unquoted investments

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

The Company's policy is to fair value both the equity and shareholder debt investments in infrastructure assets together where they will be managed and valued as a single investment, were invested at the same time and cannot be realised separately. The Directors consider that equity and debt share the same characteristics and risks and they are therefore treated as a single unit of account for valuation purposes and a single class for disclosure purposes. As at 31 March 2023, the fair value of unquoted investments was £3,641 million (2022: £2,873 million). Individual portfolio asset valuations are shown in the Portfolio summary.

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

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

A discussion of discount rates applied can be found in the Summary of portfolio valuation methodology section. Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £296 million (2022: £258 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £343 million (2022: £297 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 CPI inflation rate assumption across all jurisdictions is 2.0% (2022: 2.0%). The long-term RPI assumption for the UK is 2.5% (2022: 2.5%). The impact of increasing the short-term inflation rate assumption by 1% for the next two years would increase the value of the portfolio by £47 million (2022: £43 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 £52 million (2022: £46 million). The timing and quantum of price increases will vary across the portfolio and the sensitivity may differ from that modelled. Changing the inflation rate assumption may result in consequential changes to other assumptions used in the valuation of each asset.

The valuations are sensitive to changes in interest rates, which may result from: (i) unhedged existing borrowings within portfolio companies; (ii) interest rates on uncommitted future borrowings assumed within the asset valuations; and (iii) cash deposits held by portfolio companies. These comprise a wide range of interest rates from short-term deposit rates to longer-term borrowing rates across a broad range of debt products. Increasing the cost of borrowing assumption for unhedged borrowings and any future uncommitted borrowing and the cash deposit rates used in the valuation of each asset by 1% would reduce the value of the portfolio by £182 million (2022: £158 million). Decreasing the interest rate assumption for unhedged borrowings used in the valuation of each asset by 1% would increase the value of the portfolio by £175 million (2022: £156 million). This calculation does not take account of any offsetting variances which may be expected to prevail if interest rates changed, including the impact of inflation discussed above.

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

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

8 Trade and other receivables

	Year to 31 March 2023 £m	Year to 31 March 2022 £m
Current assets		
Vendor loan notes	**-**	100
Other receivables including prepayments	**-**	2
Capitalised finance costs	**4**	2
	4	104

9 Financial risk management

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

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

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

Capital structure

The Company has a continuing commitment to capital efficiency. The capital structure of the Company consists of cash held on deposit and in AAA-rated money market funds, borrowing facilities and shareholders' equity. The Company's Articles require its outstanding borrowings, including any financial guarantees to support subsequent obligations, to be limited to 50% of the gross assets of the Company. The type and maturity of the Company's borrowings are analysed in Note 11 and the Company's equity is analysed into its various components in the Statement of changes in equity. Capital is managed so as to maximise the return to shareholders, while maintaining a strong capital base that ensures that the Company can operate effectively in the marketplace and sustain future development of the business. The Board is responsible for regularly monitoring capital requirements to ensure that the Company is maintaining sufficient capital to meet its future investment needs.

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

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

Credit risk

The Company is subject to credit risk on the debt component of its unquoted investments, cash, deposits, derivative contracts and receivables. The maximum exposure to credit risk as a result of counterparty default equates to the current carrying value of these financial assets. Throughout the year and the prior year, the Company's cash and deposits were held with a variety of counterparties, principally in AAA-rated money market funds. The counterparties selected for the derivative financial instruments were all banks with a minimum of a BBB+ credit rating with at least one major rating agency.

The credit quality of unquoted investments, which are held at fair value and include debt and equity elements, is based on the financial performance of the individual portfolio companies. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements. This incorporates the impact from macroeconomic factors such as inflation and interest rate rises and the volatility in energy prices. The performance of underlying investments is monitored by the Board to assess future recoverability.

For those assets and income entitlements that are not past due, it is believed that the risk of default is small and capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the investment. If the portfolio company has failed and there is no expectation to recover any residual value from the investment, the Company's policy is to record an impairment for the full amount of the loan. When the net present value of the future cash flows predicted to arise from the asset, discounted using the effective interest rate method, implies non-recovery of all or part of the Company's investment, a fair value movement is recorded equal to the valuation shortfall.

As at 31 March 2023, the Company had no loans or receivables or debt investments considered past due (2022: nil).

The Company actively manages counterparty risk. Counterparty limits are set and closely monitored by the Board and a regular review of counterparties is undertaken by the Investment Manager and reported to the Board. As at 31 March 2023, the Company did not consider itself to have a significant exposure to any one counterparty and held deposits and derivative contracts with a number of different counterparties to reduce counterparty risk (2022: same).

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

Liquidity risk

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

2023	**Payable on demand £m**	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Total £m**
Liabilities					
Loans and borrowings[1]	**–**	**(26)**	**(26)**	**(517)**	**(569)**
Trade and other payables	**(4)**	**(35)**	**(33)**	**(15)**	**(87)**
Derivative contracts	**–**	**(4)**	**(6)**	**(8)**	**(18)**
Financial commitments[2]	**–**	**–**	**–**	**–**	**–**
Total undiscounted financial liabilities	**(4)**	**(65)**	**(65)**	**(540)**	**(674)**

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

2022	Payable on demand £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total £m
Liabilities					
Loans and borrowings[1]	–	(7)	(5)	(234)	(246)
Trade and other payables	(4)	(26)	(20)	(18)	(68)
Derivative contracts	–	(12)	(3)	(3)	(18)
Financial commitments[2]	(302)	–	–	–	(302)
Total undiscounted financial liabilities	(306)	(45)	(28)	(255)	(634)

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

The derivative contracts liability shown is the net cash flow expected to be paid on settlement. In order to manage the contractual liquidity risk the Company has free cash and debt facilities in place.

Market risk

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

(i) Interest rate risk

Further information on how interest rate risk is managed is provided in the Risk report.

An increase of 100 basis points in interest rates over 12 months (2022: 100 basis points) would lead to an approximate decrease in net assets and net profit of the Company of £5 million (2022: £2 million). This exposure relates principally to changes in interest payable on the drawn RCF balance at the year end. The average cash balance of the Company, which is more representative of the cash balance during the year, was £29 million (2022: £269 million) and the weighted-average interest earned was 1.62% (2022: 0.04%).

In addition, the Company has indirect exposure to interest rates through changes to the financial performance of portfolio companies caused by interest rate fluctuations as disclosed in Note 7. This risk is considered a component of market risk described in section (iii). The Company does not hold any fixed rate debt investments or borrowings and is therefore not exposed to fair value interest rate risk.

(ii) Currency risk

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

	As at 31 March 2023					
	Sterling[1] £m	**Euro £m**	**NOK £m**	**DKK £m**	**US dollar £m**	**Total £m**
Net assets	**506**	**1,486**	**293**	**489**	**327**	**3,101**
Sensitivity analysis						
Assuming a 10% appreciation in sterling against the euro, NOK, DKK and US dollar exchange rates:						
Impact of exchange movements on net profit and net assets	**159**	**(135)**	**(27)**	**(44)**	**(30)**	**(77)**

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

	As at 31 March 2022					
	Sterling[1] £m	Euro £m	NOK £m	DKK £m	US dollar £m	Total £m
Net assets	456	1,457	243	548	–	2,704
Sensitivity analysis						
Assuming a 10% appreciation in sterling against the euro, NOK, DKK and US dollar exchange rates:						
Impact of exchange movements on net profit and net assets	139	(132)	(22)	(50)	–	(65)

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

The impact of an equivalent depreciation in sterling against the euro, NOK, DKK and US dollar exchange rates has the inverse impact on net profit and net assets from that shown above. The risk exposure at the year end is considered to be representative of this year as a whole.

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

	As at 31 March 2023 Investments at fair value £m	As at 31 March 2022 Investments at fair value £m
Increase in net profit and net assets	**364**	287

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

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

(iv) Fair values
The fair value of the investment portfolio is described in detail in the Portfolio valuation methodology section and in Note 7. The fair values of the remaining financial assets and liabilities approximate to their carrying values (2022: same).

The sensitivity analysis in respect of the interest rate, currency and market price risks is considered to be representative of the Company's exposure to financial risks throughout the period to which they relate (2022: same).

10 **Derivative financial instruments**

	As at 31 March 2023 £m	As at 31 March 2022 £m
Non-current assets		
Forward foreign exchange contracts	**29**	6
Current assets		
Forward foreign exchange contracts	**28**	20
Non-current liabilities		
Forward foreign exchange contracts	**(10)**	(6)
Current liabilities		
Forward foreign exchange contracts	**(8)**	(12)

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

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

As at 31 March 2023, the notional amount of the forward foreign exchange contracts held by the Company was £1,982 million (2022: £1,555 million).

11 Loans and borrowings

The Company increased the commitments under its revolving credit facility ('RCF') in July 2022 from £700 million to £900 million. An additional facility of £300 million available at the beginning of the financial year, with a maturity of less than one year, was cancelled in July 2022. In September 2022, the maturity of the RCF was extended to 3 November 2025. The Company has the right to extend the RCF by a further year provided that existing lenders consent.

The RCF is secured by a floating charge over the bank accounts of the Company. Interest is payable at SONIA or EURIBOR plus a fixed margin on the drawn amount. This fixed margin is subject to a small adjustment annually based upon performance against agreed sustainability metrics. As at 31 March 2023, the Company had £501 million of drawings under the RCF (March 2022: £231 million). The RCF has one financial covenant, a loan-to-value ratio.

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

12 Trade and other payables

	As at 31 March 2023 £m	As at 31 March 2022 £m
Non-current liabilities		
Performance fee	**48**	38
Current liabilities		
Management and performance fees	**37**	27
Accruals and other creditors	**2**	2
	87	67

The carrying value of all liabilities is representative of fair value (2022: same).

13 Issued capital

	As at 31 March 2023		As at 31 March 2022	
	Number	**£m**	Number	£m
Authorised, issued and fully paid				
Opening balance	**891,434,010**	**1,496**	891,434,010	1,496
Issue of ordinary shares	**30,915,990**	**102**	–	–
Closing balance	**922,350,000**	**1,598**	891,434,010	1,496

Reconciliation to Stated capital account

	As at 31 March 2023	As at 31 March 2022
	£m	£m
Proceeds from issue of ordinary shares	**1,598**	1,496
Transfer to retained reserves on 20 December 2007	**(693)**	(693)
Cost of issue of ordinary shares	**(26)**	(24)
Stated capital account closing balance	**879**	779

On 14 February 2023, 30.9 million shares were admitted for trading further to the equity placing at an issue price of 330.0 pence per share or an aggregate amount of £102 million. Issue costs of £2 million arising from this offer have been offset against the stated capital account. Therefore, as at 31 March 2023, the residual value on the stated capital account was £879 million (2022: £779 million).

14 Per share information

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

	Year to 31 March 2023	Year to 31 March 2022
Earnings per share (pence)		
Basic and diluted	**44.0**	45.3
Earnings (£m)		
Profit after tax for the year	**394**	404
Number of shares (million)		
Weighted average number of shares in issue	**895.2**	
Number of shares at the end of the year	**922.4**	891.4

	As at 31 March 2023	As at 31 March 2022
Net assets per share (pence)		
Basic and diluted	**336.2**	303.3
Net assets (£m)		
Net assets	**3,101**	2,704

15 Dividends

	Year to 31 March 2023		Year to 31 March 2022	
Declared and paid during the year	**Pence per share**	**£m**	Pence per share	£m
Interim dividend paid on ordinary shares	**5.575**	**50**	5.225	46
Prior year final dividend paid on ordinary shares	**5.225**	**47**	4.900	44
	10.800	**97**	10.125	90

The Company proposes paying a final dividend of 5.575 pence per share (2022: 5.225 pence) which will be payable to those shareholders that are on the register on 16 June 2023. On the basis of the shares in issue at year end, this would equate to a total final dividend of £51 million (2022: £47 million).

The final dividend is subject to approval by shareholders at the AGM in July 2023 and has therefore not been accrued in these Financial statements.

16 Commitments

	As at 31 March 2023 £m	As at 31 March 2022 £m
Unquoted investments	**-**	302

During the year, the Company invested in GCX and, as a result, the prior year commitment of US$398 million (£302 million) was extinguished.

17 Contingent liabilities

As at 31 March 2023, the Company had no contingent liabilities (2022: nil).

18 Related parties

Transactions between 3i Infrastructure and 3i Group
3i Group plc ('3i Group') holds 29.2% (2022: 30.2%) of the ordinary shares of the Company. This classifies 3i Group as a 'substantial shareholder' of the Company as defined by the Listing Rules. During the year, 3i Group received dividends of £29 million (2022: £27 million) from the Company.

In 2007 the Company committed US$250 million to the India Fund to invest in the Indian infrastructure market. 3i Group also committed US$250 million to the India Fund. The India Fund has reached the end of its life and moved into liquidation and the outstanding commitment is no longer callable. Therefore, no commitments were drawn down by the India Fund from the Company during the year (2022: nil).

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

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

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

For the year to 31 March 2023, £47 million (2022: £43 million) was payable, including one-off transaction fees payable in respect of new investments, and advance payments of £45 million were made resulting in an amount due to 3i plc of £2 million at 31 March 2023 (2022: £1 million). In consideration of the provision of support services under the IMA, the Company pays the Investment Manager an annual fixed fee. The cost for the support services incurred for the year to 31 March 2023 was £1 million (2022: £1 million). There was no outstanding balance payable as at 31 March 2023 (2022: nil).

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

The performance hurdle requirement was exceeded for the year to 31 March 2023 and therefore a performance fee of £45 million was recognised (2022: £54 million). The outstanding balance payable as at 31 March 2023 was £83 million (2022: £64 million), which includes the second instalment of the FY22 fee and the third instalment of the FY21 fee.

Year	**Performance fee (£m)**	**Outstanding balance at 31 March (£m)**	**Payable in FY24 (£m)**
FY23	45	45	15
FY22	54	36	18
FY21	7	2	2

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

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

- **Payments for third-party services:** The Company may retain the services of third-party consultants; typically this is for an independent director or other investment management specialist expertise. The amount paid varies in accordance with the nature of the service and the length of the service period and is usually, but not always, paid or reimbursed by the portfolio companies. The payment may involve a flat fee, retainer or success fee. Such payments, where borne by the Company, are included within Operating expenses. In some circumstances, the AIFM may retain the services of third-party consultants which are paid for by the AIFM and not recharged to the Company.
- **Payments for services from 3i companies:** Other 3i companies may provide investment advisory and other services to the AIFM or other 3i companies and receive payment for such service.

19 Unconsolidated subsidiaries and related undertakings

Name	Place of incorporation and operation	Ownership interest
Investment holding companies:		
3i Tampnet Holdings Limited	UK	100%
3iN Attero Holdco Limited	UK	100%
3i Amalthea Topco Limited	UK	100%
3i Green Gas Limited (formerly 3i LFG Topco Limited)	Jersey	100%
3i Infrastructure (Luxembourg) S.à r.l.	Luxembourg	100%
3i Infrastructure (Luxembourg) Holdings S.à r.l.	Luxembourg	100%
3i India Infrastructure Fund A LP	UK	100%
3i ERRV Denmark Limited (Dissolved in the year)	Jersey	100%
ERRV Luxembourg Holdings S.à r.l. (Dissolved in the year)	Luxembourg	100%
DNS:NET Group:		
DNS Holdings GmbH	Germany	64%
DNS Bidco GmbH	Germany	64%
DNS:NET Internet Service GmbH	Germany	64%
DNS:NET Netzgesellschaft I Verwalkungs GmbH	Germany	64%
DNS:NET Netzgesellschaft I GmbH & Co. KG	Germany	64%
DNS:NET Breitband Internet GmbH	Germany	64%
Antennen-Schulze GmbH	Germany	64%
ESVAGT Group:		
ERRV Holdings ApS	Denmark	83%
ERRV ApS	Denmark	83%
ESVAGT A/S	Denmark	83%
ESVAGT Holdings Inc	USA	83%
ESVAGT Norge AS	Norway	83%
ESVAGT Holdings Ltd	UK	83%
ESVAGT UK Ltd	UK	83%
Future Biogas Group:		
Future Biogas Holdco Limited	UK	81%
Future Biogas Midco Limited	UK	81%
Future Biogas Bidco Limited	UK	81%
Future Biogas Group Limited	UK	81%
Future Biogas Limited	UK	81%
Future Biogas Systems Limited	UK	81%
F3B Limited	UK	81%
Moor Bio-Energy Limited	UK	81%
Fern Farming Limited	UK	81%
FB Feedstocks Limited	UK	81%
GCX Group:		
GCX Topco Limited	UK	98%
GCX Midco Limited	UK	98%
GCX Bidco Limited	UK	98%
GCX Holdings Limited	Bermuda	98%
GCX Global Limited	Bermuda	98%
FLAG Telecom Limited	Bermuda	98%
FLAG Telecom Asia Limited	Hong Kong	98%
FLAG Telecom UK Limited	UK	98%
GCX India Services Limited	India	98%
FLAG Atlantic France SAS	France	98%

Name	Place of incorporation and operation	Ownership interest
FLAG Telecom Deutschland GmbH	Germany	98%
FLAG Atlantic UK Limited	UK	98%
FLAG Telecom Nederland B.V.	The Netherlands	98%
FLAG Telecom Singapore Pte Limited	Singapore	98%
GCXG India Private Limited	India	98%
FLAG Telecom Taiwan Limited	Taiwan	59%
FLAG Telecom Development Limited	Bermuda	98%
FLAG Telecom Hellas AE	Greece	98%
FLAG Telecom Development Services Company LLC	Egypt	98%
FLAG Telecom Network Services DAC	Ireland	98%
FLAG Telecom Ireland DAC	Ireland	98%
FLAG Telecom Ireland Network DAC	Ireland	98%
FLAG Telecom Network USA Limited	USA	98%
FLAG Telecom Espana Network SAU	Spain	98%
FLAG Telecom Japan Limited	Japan	98%
GCX Managed Services Limited	Bermuda	98%
Vanco Group Limited	UK	98%
Vanco UK Limited	UK	98%
Vanco Global Limited	UK	98%
Vanco International Limited	UK	98%
Vanco ROW Limited	UK	98%
Vanco GmbH	Germany	98%
Vanco SAS	France	98%
Vanco (Asia Pacific) Pte Limited	Singapore	98%
Vanco SpZoo	Poland	98%
Vanco NV	Belgium	98%
Euronet Spain SA	Spain	98%
Vanco Switzerland A.G.	Switzerland	98%
Vanco Sweden AB	Sweden	98%
Vanco Srl	Italy	98%
Net Direct SA (Proprietary) Limited	South Africa	98%
Vanco (Shanghai) Co. Ltd	China	98%
Vanco Japan KK	Japan	98%
Vanco Australasia Pty Limited	Australia	98%
Vanco BV	The Netherlands	98%
Vanco Deutschland GmbH	Germany	98%
VNO Direct Limited	UK	98%
Vanco US, LLC	USA	98%
Vanco Solutions Inc.	USA	98%
Yipes Holdings, Inc.	USA	98%
Reliance Globalcom Services Inc.	USA	98%
YTV Inc.	USA	98%
Infinis Group:		
Infinis Energy Group Holdings Limited	UK	100%
Infinis Energy Management Limited	UK	100%
Infinis Limited	UK	100%
Infinis (Re-Gen) Limited	UK	100%
Novera Energy (Holdings 2) Limited	UK	100%
Novera Energy Generation No. 1 Limited	UK	100%
Novera Energy Operating Services Limited	UK	100%
Gengas Limited	UK	100%
Bidston Methane Limited	UK	100%

Name	Place of incorporation and operation	Ownership interest
Novera Energy Generation No. 2 Limited	UK	100%
Renewable Power Generation Limited	UK	100%
Novera Energy Generation No. 3 Limited	UK	100%
Mayton Wood Energy Limited	UK	100%
Costessey Energy Limited	UK	100%
Infinis Alternative Energies Limited	UK	100%
Infinis Energy Services Limited	UK	100%
Novera Energy Services UK Limited	UK	100%
Infinis China (Investments) Limited	UK	100%
Infinis Energy Storage Limited	UK	100%
Infinis (Shoreside) Limited	UK	100%
Barbican Holdco Limited	UK	100%
Barbican Bidco Limited	UK	100%
Alkane Energy Limited	UK	100%
Alkane Energy UK Limited	UK	100%
Seven Star Natural Gas Limited	UK	100%
Regent Park Energy Limited	UK	100%
Leven Power Limited	UK	100%
Rhymney Power Limited	UK	100%
Alkane Energy CM Holdings Limited	UK	100%
Alkane Energy CM Limited	UK	100%
Infinis Solar Holdings Limited	UK	100%
Infinis Solar Developments Limited	UK	100%
Durham Solar 1 Limited	UK	100%
Infinis Solar Limited	UK	100%
ND Solar Enterprise Limited	UK	100%
Aura Power Solar UK6 Limited	UK	100%
Ionisos Group:		
Epione Holdco SAS	France	96%
Epione Bidco SAS	France	96%
Financière 3TA SAS	France	96%
Financière 3TB SAS	France	96%
Ionisos Holdco SAS	France	96%
Ionisos Bidco SAS	France	96%
Ionisos Mutual Services SAS	France	96%
Ionisos SAS	France	96%
Ionisos GmbH	Germany	96%
Ionmed Esterilizacion SA	Spain	96%
Scandinavian Clinics Estonia OÜ	Estonia	96%
Steril Milano Srl	Italy	96%
Joulz Group:		
Joulz Holdco B.V.	The Netherlands	99%
Joulz Manco B.V.	The Netherlands	83%
Joulz Bidco B.V.	The Netherlands	99%
Joulz Diensten B.V.	The Netherlands	99%
Joulz Meetbedrijf B.V.	The Netherlands	99%
Joulz Infradiensten B.V.	The Netherlands	99%
Joulz Laadoplossingen B.V.	The Netherlands	99%
Zonel Energy Group Holding B.V.	The Netherlands	99%
Zonel Energy Systems B.V.	The Netherlands	99%
Zonel Energy West B.V.	The Netherlands	99%

Name	Place of incorporation and operation	Ownership interest
Zonel Energy Services B.V.	The Netherlands	99%
ZonWind Administration and Development Company B.V.	The Netherlands	99%
Dutch Durables Energy 2 B.V.	The Netherlands	99%
Dutch Durables Energy 5 B.V.	The Netherlands	99%
Dutch Durables Energy 6 B.V.	The Netherlands	99%
Oystercatcher Group:		
Oystercatcher Holdco Limited	UK	100%
Oystercatcher Luxco 1 S.à r.l.	Luxembourg	100%
Oystercatcher Luxco 2 S.à r.l.	Luxembourg	100%
SRL Traffic Systems Group:		
Amalthea Holdco Limited	UK	92%
Amalthea Midco Limited	UK	92%
Amalthea Bidco Limited	UK	92%
Jupiter Bidco Limited	UK	92%
SRL Traffic Systems Limited	UK	92%
SRL GmbH	Germany	92%
SRL Traffic Systems Limited	Ireland	92%
TCR Group:		
3i Envol Limited	Jersey	72%
Envol Holdings Limited	Jersey	69%
Envol Midco Limited	UK	69%
Envol Investments Limited	UK	69%
TCR Group Shared Services SDN, BHD.	Malaysia	69%
TCR New Zealand Limited	New Zealand	69%
TCR APAC (Singapore) Pte Limited	Singapore	69%
TCR Ground Support Equipment Canada Inc.	Canada	69%
DCL Aviation Group Inc.	Canada	69%
TCR GSE Singapore Pte Limited	Singapore	69%
TCR AD LLC	UAE	69%
TCR Middle East LLC	Saudi Arabia	69%
TCR CapVest S.A.	Belgium	69%
TCR GSE Australia PLY Limited	Australia	69%
EEM Solution PLY Limited	Australia	69%
Adaptalift GSE Pty Limited	Australia	69%
Adaptalift GSE Singapore Pte Limited	Singapore	69%
TCR Solution SDN, BHD.	Malaysia	69%
TCR International USA, Inc.	USA	69%
TCR Americas LLC	USA	69%
TCR International N.V.	Belgium	69%
Trailer Construction & Repairing Netherland (TCR) B.V.	Netherlands	69%
TCR Belgium N.V.	Belgium	69%
TCR France SAS	France	69%
Aerobatterie SAS	France	69%
Aerolima IMMS Sarl	Luxembourg	69%
Aerolima Ingénerie SAS	France	69%
TCR UK Limited	UK	69%
Technical Maintenance Solutions UK Limited	UK	69%
TCR-GmbH Trailer, Construction, Repairing and Equipment Rental	Germany	69%
Trailer Construction & Repairing Ireland Limited	Ireland	69%
TCR Italia S.p.A.	Italy	69%

Name	Place of incorporation and operation	Ownership interest
TCR Norway AS	Norway	69%
TCR Sweden AB	Sweden	69%
TCR Denmark ApS	Denmark	69%
TCR Finland OY	Finland	69%
Trailer Construction and Repairing Iberica S.A.U.	Spain	69%
Dormant entities:		
3i WIG Limited	Jersey	100%
3i Osprey LP	UK	69%

The list above comprises the unconsolidated subsidiary undertakings of the Company as at 31 March 2023.

There are no current commitments or intentions to provide financial or other support to any of the unconsolidated subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support except for those disclosed in Note 16 (2022: none). No such financial or other support was provided during the year (2022: none).

Investment policy (unaudited)

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

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

Most of the Company's investments are in unquoted companies. However, the Company may also invest in entities owning infrastructure businesses and assets whose shares or other instruments are listed on any stock exchange, irrespective of whether they cease to be listed after completion of the investment, if the Directors judge that such an investment is consistent with the Company's investment objectives.

The Company will, in any case, invest no more than 15% of its total gross assets in other investment companies or investment trusts which are listed on the Official List.

The Company may also consider investing in other fund structures (in the event that it considers, on receipt of advice from the Investment Manager, that that is the most appropriate and effective means of investing), which may be advised or managed either by the Investment Manager or a third party. If the Company invests in another fund advised or managed by 3i Group, the relevant proportion of any advisory or management fees payable by the investee fund to 3i plc will be deducted from the annual management fee payable under the Investment Management Agreement and the relevant proportion of any performance fee will be deducted from the annual performance fee, if payable, under the Investment Management Agreement.

For the avoidance of doubt, there will be no similar set-off arrangement where any such fund is advised or managed by a third party.

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

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

Depending on the size of the relevant investment and the identity of the relevant co-investor, such a co-investment arrangement may be subject to the related party transaction provisions contained in the Listing Rules and may therefore require shareholder consent.

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

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

Statement of Directors' responsibilities

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

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

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

The Directors of the Company and their functions are listed below. The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2023.

Richard Laing
Chair
9 May 2023

Board of Directors and their functions

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

Doug Bannister
Non-executive Director.

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

Stephanie Hazell
Non-executive Director.

Samantha Hoe-Richardson
Non-executive Director.

Ian Lobley
Non-executive Director.

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

Portfolio valuation methodology (unaudited)

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

Basis of valuation

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

General

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

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

Quoted investments

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

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

- Discounted Cash Flow ('DCF');
- Proportionate share of net assets;
- Sales basis; and
- Cost less any fair value adjustments required.

DCF

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

Proportionate share of net assets

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

Sales basis

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

Cost less fair value adjustment

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

Glossary

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

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

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

Asset IRR refers to the internal rate of return of the existing and realised portfolio since the inception of the Company. The asset IRR to 31 March 2023 is 19% (2022: 19%). This calculation incorporates the cost of each investment, cash income, proceeds on disposal, capital returns, valuation as at 31 March 2023, including accrued income and an allocation of foreign exchange hedging.

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

Board The Board of Directors of the Company.

Capex refers to capital expenditure which is money a company uses to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. Capex is often used to undertake new projects or investments by a company which add some future economic benefit to the operation.

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

Company 3i Infrastructure plc.

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

E-Beam refers to electron beams, a method of sterilisation used by Ionisos.

EO refers to ethylene oxide, a method of sterilisation used by Ionisos.

ERRV is an Emergency Rescue and Response Vessel.

ESG refers to environmental, social and governance.

External auditor The independent auditor, Deloitte LLP.

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

FTTC refers to fibre-to-the-cabinet. This describes the fibre-optic cable in place from the local telephone exchange to a distribution point, commonly called a roadside cabinet.

FTTH refers to fibre-to-the-home. This describes the fibre-optic connection to individual homes or buildings.

FY15, FY18, FY19, FY21, FY22, FY23, FY24 refers to the financial years to 31 March 2015, 31 March 2018, 31 March 2019, 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024, respectively.

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

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

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

IRR refers to the internal rate of retrun and is a metric used to estimate the profitability of investments.

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

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

Net annualised return is the annualised growth rate in NAV per share to 31 March 2023, including ordinary and special dividends paid. The net annualised return since the inception of the Company to 31 March 2023 was 14% (2022: 14%) and since the change in strategy in FY16 to 31 March 2023 was 19% (2022: 19%).

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

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

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

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

Paris Agreement is an international treaty on climate change, adopted in 2015

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

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

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

Revolving credit facility ('RCF') A £900 million facility provided by the Company's lenders with a maturity date in November 2025.

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

SOV is a service operation vessel.

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

Sustainability KPIs Sustainability metrics in relation to the sustainability-linked revolving credit facility. The facility includes targets across ESG themes aligned with our purpose.

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

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

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

For further information see our website
www.3i-infrastructure.com