

3i Infrastructure plc



Annual report and accounts 2021



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Chair's statement



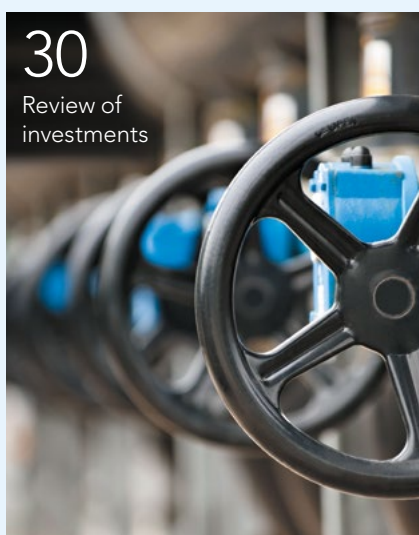
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Review from the Managing Partner



30

Review of investments



This Annual report and accounts contains Alternative Performance Measures ('APMs'), which are financial measures not defined in International Financial Reporting Standards ('IFRS'). These include Total return on opening net asset value ('NAV'), NAV per share, Total income and non-income cash, Investment value including commitments and Total portfolio return percentage. The definition of each of these measures is shown on page 62. The Total return for the year shown in the Performance highlights is the total comprehensive income for the year under IFRS. The Total return on opening NAV is a Key Performance Indicator ('KPI').

In addition to the APMs, the Annual report and accounts shows portfolio information including cash and other net assets held within intermediate unconsolidated holding companies.

A reconciliation of this portfolio information to the information presented in the Financial statements is shown on page 63. The Directors' statement on pages 106 to 109 for 3i Infrastructure plc ('3i Infrastructure', '3iIN' or the 'Company') for the year to 31 March 2021 has been drawn up in accordance with applicable English and Jersey law and the liabilities of the Company in connection with this statement shall be subject to the limitations and restrictions provided by such law.

This Annual report and accounts contains statements about the future outlook for 3i Infrastructure. Although the Directors believe their expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

The Company is managed by 3i Investments plc (the 'Investment Manager'). The Strategic report comprises pages 1 to 75.

Our purpose



Invest
responsibly

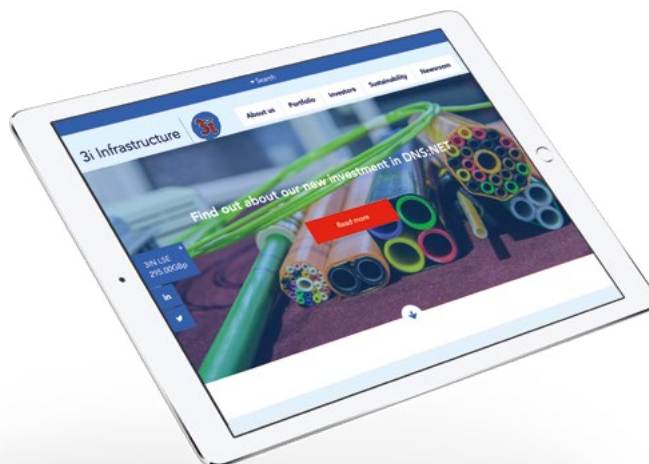


Sustainable
returns



Positive
impact

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



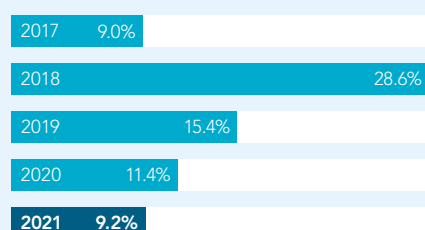
For further information
www.3i-infrastructure.com

Performance highlights

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

Total return on opening NAV

9.2%



Total return for the year

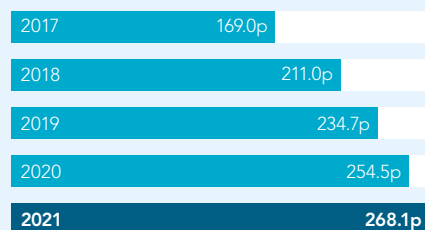
£206m

March 2020: £224m

NAV per share

268.1p

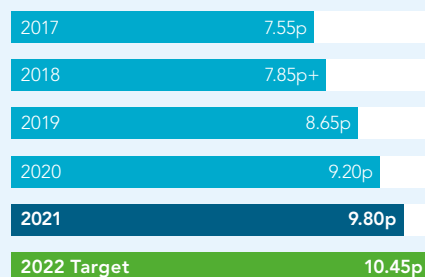
+5.3%



Full year dividend per share

9.8p

+6.5%



2022 Target dividend per share

+6.6%

+ Special dividend in 2018: 41.40p

At a glance

A well-diversified investment portfolio.

Portfolio value by investment including commitments*

Projects

Netherlands and France

Roads and social infrastructure projects

Attero

Netherlands

Energy recovery from waste and recycling

Valorem

France

Renewable energy development and operating company

DNS:NET

Germany

Fibre based communications networks and data centres

Oystercatcher

Luxembourg

Oil product storage terminals in Netherlands, Belgium, Malta and Singapore

ESVAGT

Denmark

Emergency rescue and response vessels and wind farm service operations vessels

Infinis

UK

Generator of electricity from captured landfill and mineral methane

Tampnet

Norway

Fibre based communications networks

Joulz

Netherlands

Energy infrastructure solutions and metering

Ionisos

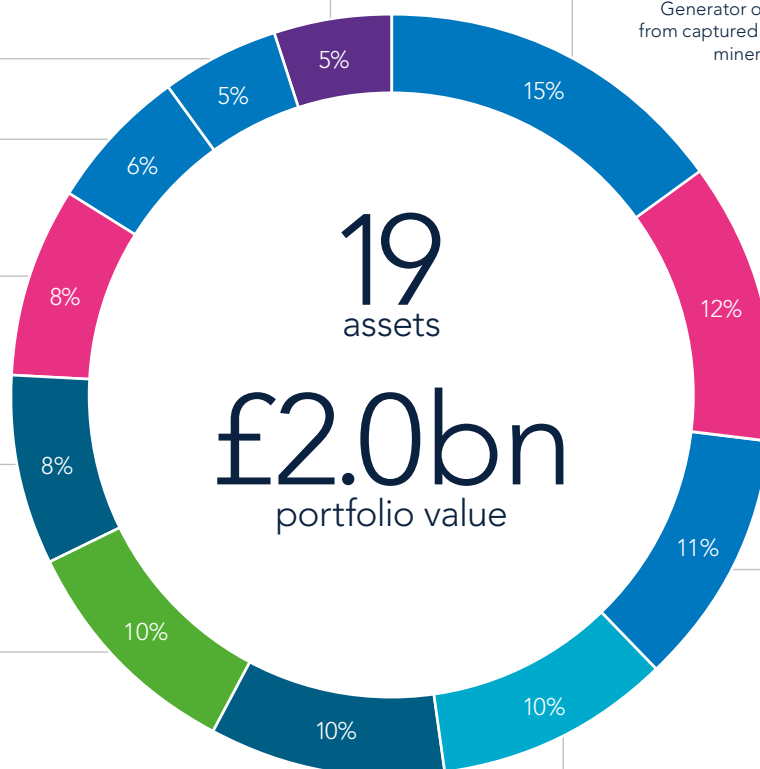
France

Cold sterilisation facilities

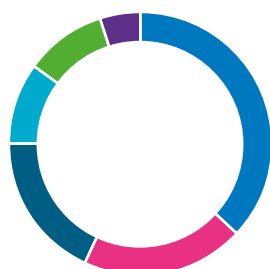
TCR

Belgium

Owner and lessor of airport ground support equipment

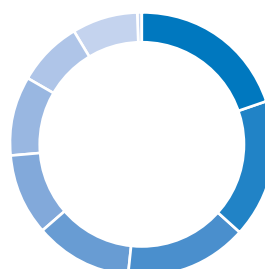


Portfolio value by sector*



Utilities	37%
Communications	20%
Transportation	18%
Healthcare	10%
Natural resources	10%
Social infrastructure	5%

Portfolio value by country*



Netherlands	20%
France	17%
UK	15%
Norway	12%
Belgium	10%
Denmark	10%
Luxembourg	8%
Germany	8%
India	<1%
India	<1%

* All charts at 31 March 2021 and include commitment to invest in DNS:NET made on 1 April 2021 (see page 23).

Chair's statement

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

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

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

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

Our purpose

We have updated our purpose, which is to invest responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive impact on our portfolio companies and their stakeholders. This is set out on page 1, and the key elements of our purpose are used to help structure this Strategic report.

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

Performance

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

“

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

Richard Laing
Chair, 3i Infrastructure plc
10 May 2021



New investment

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

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

Dividend

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

Corporate governance

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

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



In the 14 years since the initial public offering ('IPO') the Company has delivered an annualised total shareholder return of

12.5%
per annum

Five-year 3iN share price and FTSE 250 (to 31 March 2021, pence)



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

Directors' duties

The Directors have a duty to act honestly and in good faith with a view to the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In accordance with the AIC Code of Corporate Governance, the Board does this through understanding the views of the Company's key stakeholders and carefully considering how their interests and the matters set out in section 172 Companies Act 2006 of England and Wales have been considered in Board discussions and decision making. More detail can be found on pages 74 and 75.

Outlook

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

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

Richard Laing
Chair, 3i Infrastructure plc
10 May 2021

Responsible investing

Investing responsibly is a key element of our purpose.

Our approach

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

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

Our purpose



Invest
responsibly



Sustainable
returns



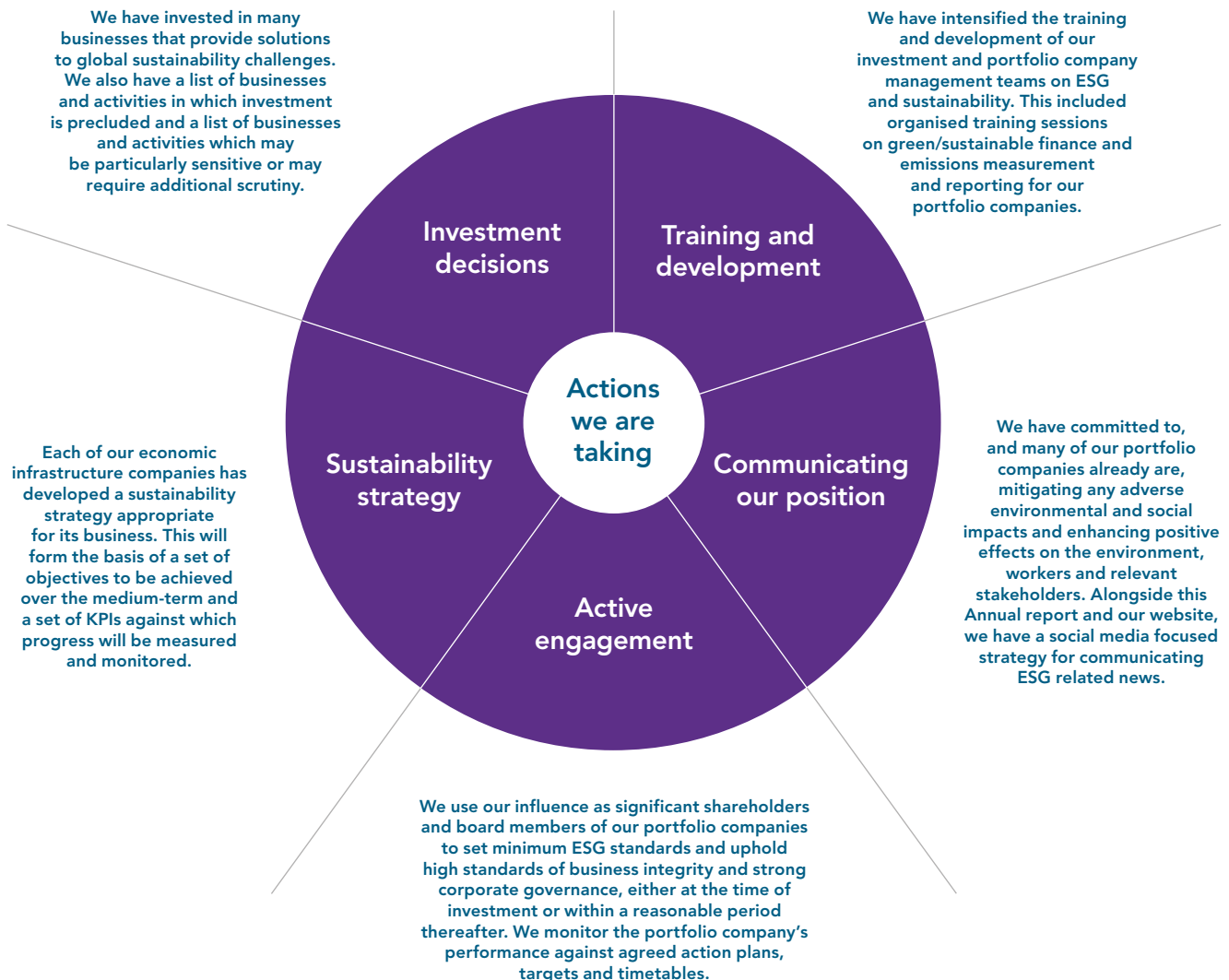
Positive
impact

Simply complying with local laws and regulations is not enough to meet global expectations, deliver value, mitigate adverse environmental and social impacts and enhance our reputation for high standards of business integrity and good corporate governance.

It is vital that we seek to identify all material ESG risks and opportunities through our due diligence at the point we invest and manage those risks and opportunities effectively during the period of 3iN's investment. We are keen to invest in opportunities that seek to have a positive impact on global sustainability challenges and to contribute to making the world more sustainable. We make a limited number of investments each year, allowing us to be very selective in our approach to new investment.

A+

The Investment Manager's scores for the 2020 UNPRI assessment report were A for Strategy and Governance, and A+ for Infrastructure.



Positive impact

In conversation with
Anna Dellis on the
positive impact we make.

Why is sustainability important to 3i Infrastructure?

Anna: Sustainability is important to us for two reasons. Firstly, being sustainable is the right thing to do. We want our portfolio companies to be run responsibly and to have a positive impact on the environment and on the communities in which they operate.

Secondly, it is important because we are long-term investors and you have to operate with sustainability in mind if you want a company to be successful over the long-term. We know that customers value sustainability, and it impacts who they give their business to. We are increasingly seeing that employees want to work in businesses where sustainability matters.

What are the first things you look to do when you acquire a company?

Anna: We will have a long list of things we want to do in our 100-day plan, but at the top of the list we will always have health and safety and governance.

At the first board meeting, one of the first topics we will discuss is health and safety. It is really important to set the tone that this is the number one priority under our ownership and we want to ensure that it will be on the agenda at every subsequent board meeting.

We will also look at governance and identify what we need to change and what gaps we may need to fill. This will include thinking about the appropriate board structure, considering the need to appoint a non-executive chair, checking if we need to update or add to corporate policies and, really importantly, investing a lot of time in getting the board reporting fit for purpose.

Our purpose



Invest
responsibly



Sustainable
returns



Positive
impact

How do you look to improve the sustainability of the businesses you invest in?

Anna: At 3i Infrastructure we look to create a culture where there is an ambition to improve our businesses and to make them more sustainable. We want our investment teams, as well as our management teams, to proactively look for opportunities to do this.

These can be opportunities that relate to what the business actually does. For example Infinis, which was focused on generating electricity from landfill gas, is now also moving into solar energy production. And ESVAGT, which was created to support the oil and gas sector, is now playing an important role in supporting the offshore wind sector.

The opportunities can also relate to how it runs its business. TCR leases ground handling equipment to airports, airlines and ground handlers and is increasing the proportion of its fleet that is powered by electricity to reduce emissions.

What benefits do you bring to your portfolio companies to help them be more sustainable?

Anna: We empower our management teams to make their companies more sustainable. They know we value them spending time and resources on sustainability initiatives.

We also support our portfolio companies to help them achieve their sustainability goals. We give them access to a network of advisers and industry experts and we can also connect them with other portfolio company management teams.

A great example of this is when we hosted a Carbon Roundtable for over 20 of 3i's portfolio companies across Infrastructure and Private Equity. At this event, we shared best practice around carbon measurement and how to reduce carbon footprints.

These insights will help our portfolio companies define and deliver on their own sustainability strategies, which we know, in turn, will drive value for our shareholders.



“

We actively look for opportunities to make a difference.

Anna Dellis
Partner, 3i Investments plc

Our markets

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

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

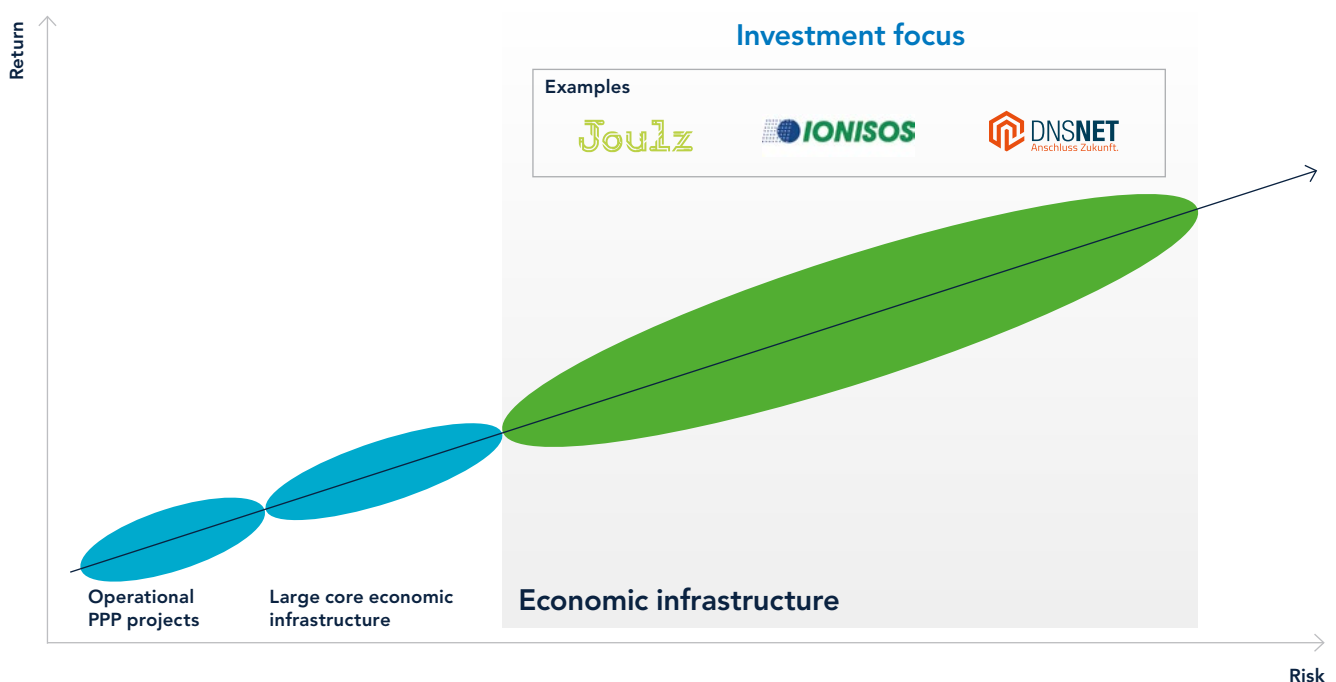
During the year we spent considerable time on asset management, focusing on the need to deliver essential services, the health and safety of portfolio company employees, customers and suppliers, and managing liquidity. The Company benefitted from having a diversified portfolio with appropriate levels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
















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

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

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

Market segmentation and investment focus



Megatrend	Investment theme	Our portfolio
Sustainable transition – low carbon and circular economy	Renewable energy generation	   
	Electrification/energy transition	 
	Shared resources	
	Waste treatment and recycling	
Digitalisation and technology disruption	Automation and digital operations	 
	Increasing connectivity	 
Demographic change	Demand for healthcare	
Globalisation	Global trade and transport	 

Megatrends

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

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

Outlook

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

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

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

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

Our markets

The characteristics we look for in new infrastructure investments

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

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


Asset intensive business:

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


Good visibility of future cash flows:

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


Asset bases that are hard to replicate:

Assets that require time and significant capital or technical expertise to develop, with low risk of technological disruption


An acceptable element of demand or market risk:

Businesses that have downside protection, but the opportunity for outperformance


Provide essential services:

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


Opportunities for further growth:

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


Established market position:

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


Sustainability:

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

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

£100m–£300m

Typical equity investment

9%–14%

Typical range of returns per annum

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

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

Examples of the sectors in which we invest and the market dynamics are shown on the next page.

Utilities

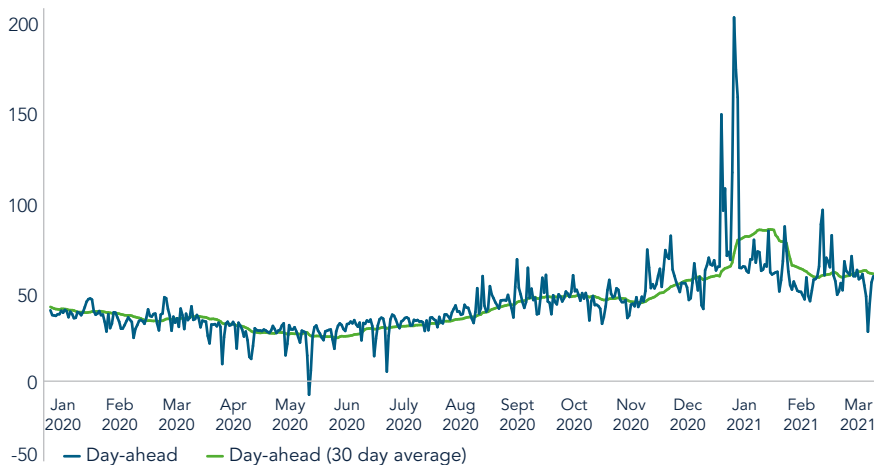
During the early stages of the Covid-19 pandemic we saw a fall in electricity demand of more than 10% in the UK, but this recovered during the second half of the year, despite the reimposition of stay-at-home measures.

In the second half of the year we also saw a structurally higher level of day-ahead price volatility, which we attribute to the ongoing shift in

the UK's generation mix away from baseload capacity to intermittent renewables and the poor availability of traditional thermal generation.

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

UK Electricity prices (£/MWh)



Transport/Logistics

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

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

2

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

Communications



€182m

Commitment to invest in DNS:NET

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

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

Our business model

Our purpose



Invest
responsibly



Sustainable
returns



Positive
impact

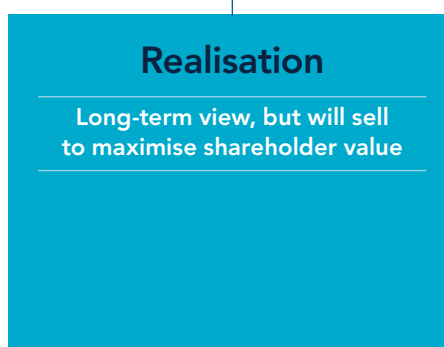
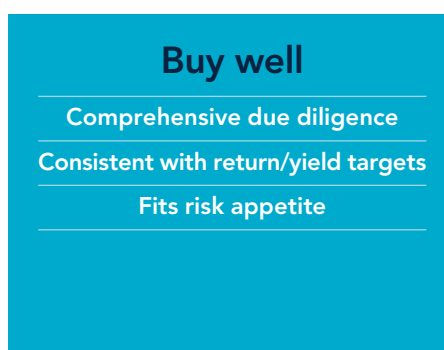
We invest responsibly in infrastructure to create long-term value for stakeholders.

What we need to create value

1. Investment Manager's team
2. 3i network
3. Engaged asset management
4. Reputation and brand
5. Robust policies and procedures
6. High ESG standards
7. Efficient balance sheet

How we create value

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



Value created

Financial

9.2%

Total return on opening net asset value

13.7%

Portfolio return

9.8p

Ordinary dividend per share

Non-financial

4

New bolt-on investments signed

5

Portfolio CFO appointments

+4%

Increase in installed renewable energy capacity

100%

All economic infrastructure companies have developed a sustainability strategy

Strong governance

Make immediate improvements

Board representation

Right capital structure

Incentivise management

Define strategy

Agree strategic direction

Develop action plan

Focus on ESG

Execute plan

Ongoing support and advice

Monitor performance

Review further investment

Facilitate M&A

We manage the portfolio actively to ensure alignment with the Company's risk appetite.

Our business model

What we need to create value

3i Infrastructure relies on the expertise of the Investment Manager to source, execute and manage investments, by using its extensive network.

1. Investment Manager's team

The Company is managed by an experienced and well-resourced team. The European infrastructure team was established by 3i Group in 2005 and now comprises 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, legal, operations and strategy teams.



2. 3i Group network



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

3. Engaged asset management

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

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

Examples of this engaged asset management approach can be found on our website, [3i-infrastructure.com](https://www.3i-infrastructure.com).

Strengthen
portfolio company
management
teams

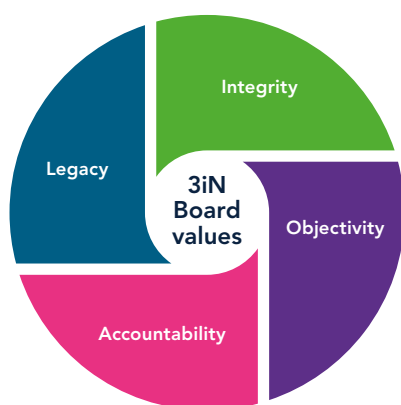
Invest in
and develop
companies
to support
a sustainable
future

Growing our
platform
businesses
through
acquisitions

4. 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 earned the trust of shareholders, other investors and investee companies, and to recruit and develop employees who share their values and ambitions for the future. This has been achieved through upholding the highest standards of governance, at the Investment Manager, the Company and in investee companies.

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.



Integrity	The Board acts with honesty, dedication and consistency, with the courage to do the right thing in every situation. The Board manages its relationships based on trust and respect.
Objectivity	The Board applies a fair, transparent and balanced approach to decision making. The Board values diversity of opinion and encourages different perspectives to bring constructive challenge as it discharges its responsibilities.
Accountability	The Board acts in the interest of all stakeholders of the Company, ensuring that obligations to shareholders are understood and met. It is mindful of its responsibility to act as a good steward of its portfolio and of the influence and impact that the Company can have on society, the communities in which it operates and the environment.
Legacy	The Board seeks to develop a company and portfolio that delivers long-term, sustainable value for our shareholders and society.

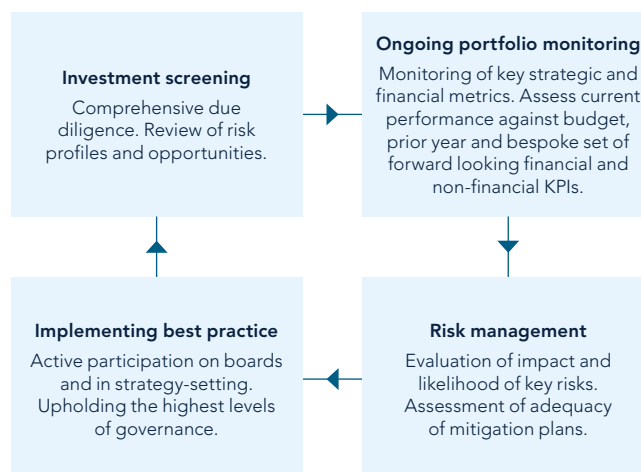


We are respected in the marketplace both for our strong investment performance and for acting responsibly.

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

5. Robust policies and procedures

Established investment and asset management processes are supported by a comprehensive set of best practice policies including governance, cyber security and modern slavery.



6. High ESG standards



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

Sustainability and ESG standards are discussed throughout this report. Please refer to Responsible investing on page 6, Positive impact on page 7, Sustainability case studies on pages 32 and 38, the Sustainability report on pages 45 to 51 and the Risk report on page 67.

7. Efficient balance sheet

The Company's flexible funding model seeks to maintain an efficient balance sheet with sufficient liquidity to make new investments.

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

Our strategy, objectives and KPIs

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

Strategic priorities



Maintaining a balanced portfolio

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

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

15%

Largest single investment by value

 **Read more**
Pages 34 to 44



Disciplined approach to new investment

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

£209m

New investments or commitments*

 **Read more**
Page 23



Managing the portfolio intensively

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

Delivering growth through platform investments.

2

Bolt-on acquisitions by our platform investments

 **Read more**
Pages 34 to 44



Maintaining an efficient balance sheet

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

£597m

Total liquidity less investment commitments*

 **Read more**
Page 59



Sustainability a key driver of performance

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

1,028MW

Installed renewable energy capacity

 **Read more**
Page 48

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

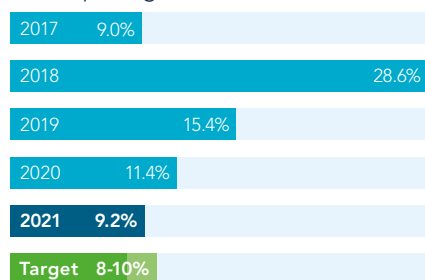
Our objectives are to provide shareholders with:

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

a progressive annual dividend per share

Our KPIs

Total return % on opening NAV



Target

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



Met or exceeded target
for every year shown

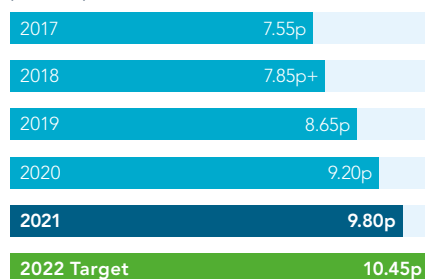
Rationale and definition

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

Performance over the year

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

Annual distribution pence per share



+ Special dividend (2018: 41.40p)

Target

Progressive dividend per share policy.

FY21 full year dividend target of 9.80 pence per share.



Dividend per share increased
every year since IPO

Rationale and definition

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

Performance over the year

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





Investment Manager's review

Review from the Managing Partner

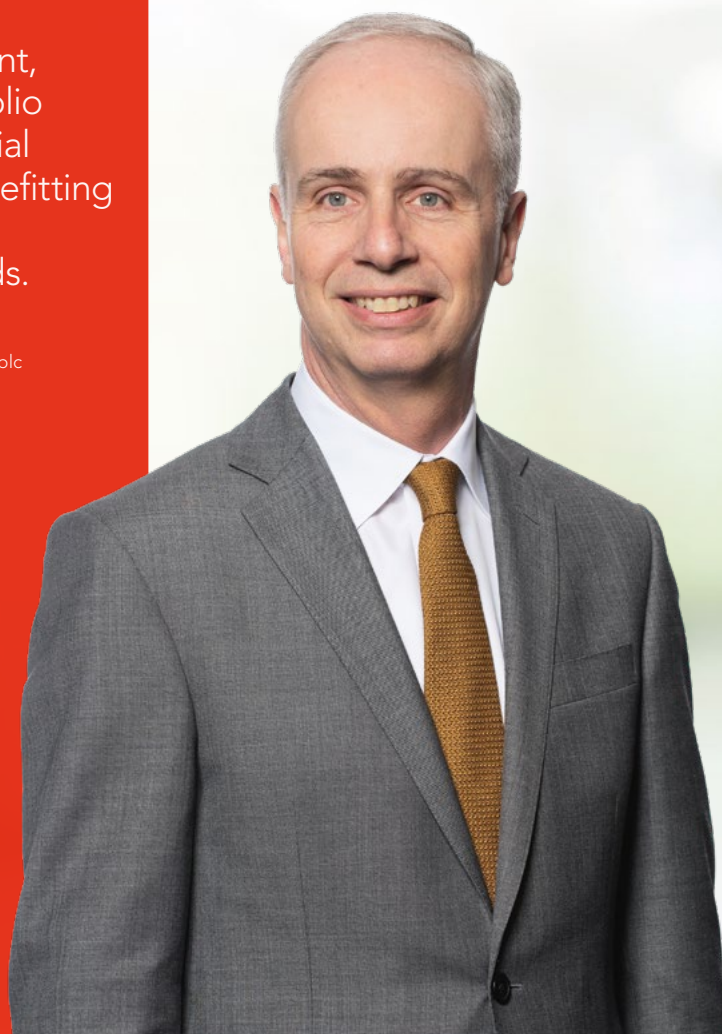
The portfolio continued to be resilient during the Covid-19 pandemic, outperforming the expectations we set a year ago. We were pleased to announce a new investment in DNS:NET, a successful independent telecommunications provider and our first sizeable investment in Germany. Competition for new investments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

“

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

Phil White

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



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

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

Portfolio review

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

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

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

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

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

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

Review from the Managing Partner

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

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

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

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

Investment activity

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

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

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

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

Sustainability

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

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

Outlook

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

Phil White

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

New investment



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

Committed

€182m



Equity stake

60%

Investment rationale

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

Characteristics

-  **Asset intensive business that is hard to replicate**
The existing FTTC network passes 135,000 homes with 35,000 household subscriptions.
-  **Good visibility on future cash flows**
DNS:NET will invest substantially to grow its network in the coming years, but will provide a healthy yield once the planned roll-out is complete.
-  **Provides essential services**
FTTH is the only technology capable of delivering future proof, low latency and high bandwidth broadband services reliably to households.
-  **Acceptable element of demand risk**
DNS:NET benefits from an existing network, local presence and brand, which gives it a first mover advantage over other players.
-  **Established market position**
DNS:NET is the leading independent provider of FTTC in Berlin and surrounding areas, which puts it in a unique position to lead the FTTH roll-out in the region.
-  **Opportunities for further growth**
The FTTH market in Germany is projected to grow at 30% per annum in the period to 2025.



Our portfolio

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

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

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

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

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

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

1 This comprises the aggregate of value movement, foreign exchange translation, allocated foreign exchange hedging and underlying portfolio income in the year.

2 Shareholder loan repaid.

3 Capitalised interest.

4 Follow-on investment in TCR of £4 million, ESVAGT of £15 million and Projects of £23 million.

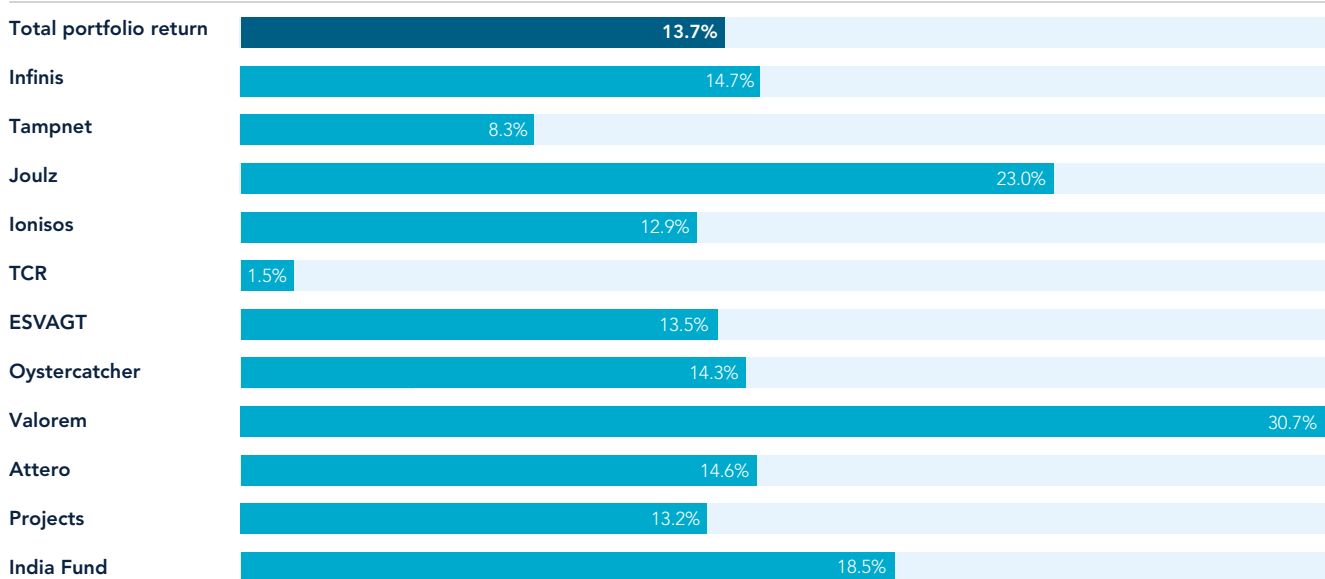
5 Deferred consideration of £1 million was received from the sale of WODS.

6 Income statement adjustments explained in Table 7 and Balance sheet adjustments explained in Table 8 in the Financial review on page 63.

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

Chart 1 below shows the portfolio return in the year for each asset as a percentage of the aggregate of the opening value of the asset and investments in the asset in the year (excluding capitalised interest).

Chart 1: Portfolio return by asset (year to 31 March 2021)



Movements in portfolio value

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

Economic infrastructure portfolio

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

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

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

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

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

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

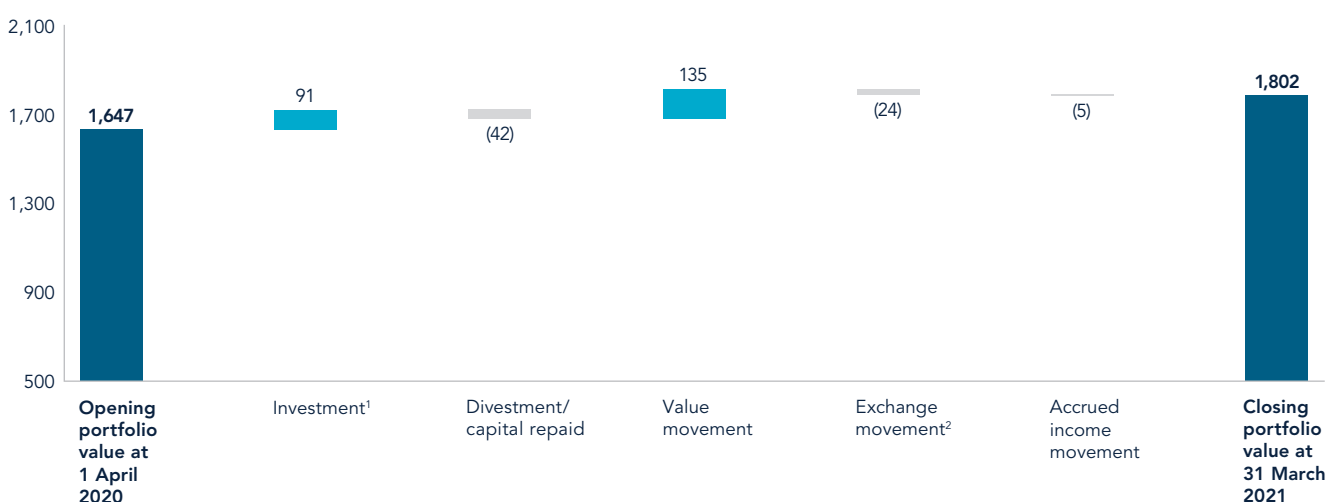
Joulz saw a £36 million gain reflecting the refinancing completed on better terms than originally anticipated and the limited impact that Covid-19 has had on the business to date.

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

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

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

Chart 2: Reconciliation of the movement in portfolio value (year to 31 March 2021, £m)



¹ Includes capitalised interest.

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

Projects portfolio

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

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

India Fund

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

Summary of portfolio valuation methodology

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

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

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

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

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

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

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

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

Table 2: Components of value movement (year to 31 March 2021, £m)

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

Movements in portfolio value

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

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

Discount rate

Chart 3 below shows the movement in the weighted average discount rate applied to the portfolio at the end of each year since the Company's inception and the position as at March 2021. During the year, the weighted average discount rate decreased following the reversal of most of the premia that were added last year as a result of the Covid-19 pandemic and volatility in public markets; and a reduction in discount rates

for the Projects portfolio to bring them into line with evidence from recent transaction activity in that sector.

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

Investment track record

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

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

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

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

The value created through this robust investment performance was crystallised in a number of instances through well-managed realisations, shown as 'Realised assets' in Chart 4. While the Company is structured to hold investments over the long term, it has sold assets where compelling offers have generated additional shareholder value. This was the case with WIG in 2019 which generated an IRR of 27%, Eversholt Rail in 2015 and XLT in 2019 which both generated IRRs in excess of 40% and Elenia and AWG in 2018, which generated IRRs of 31% and 16% respectively.

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

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

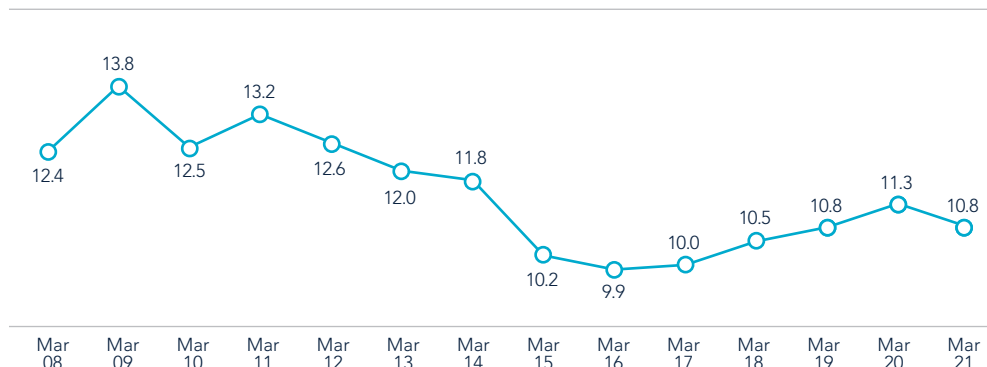


Chart 4: Portfolio asset returns throughout holding period (since inception, £m)

Existing portfolio (Total return)

Multiple

1.4x

1.2x

1.2x

1.1x

1.4x

1.2x

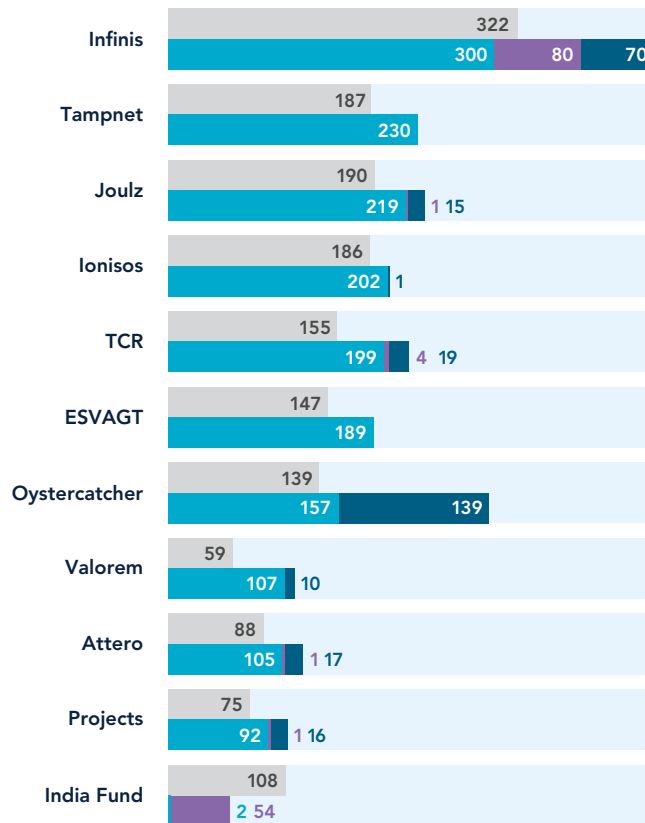
2.1x

2.0x

1.4x

1.5x

0.5x


Asset IRR to
31 March 2021

18%

since inception

Realised assets (Total return)

Multiple

1.7x

5.9x

4.5x

3.3x

3.3x

1.9x

1.2x

IRR

27%

40%

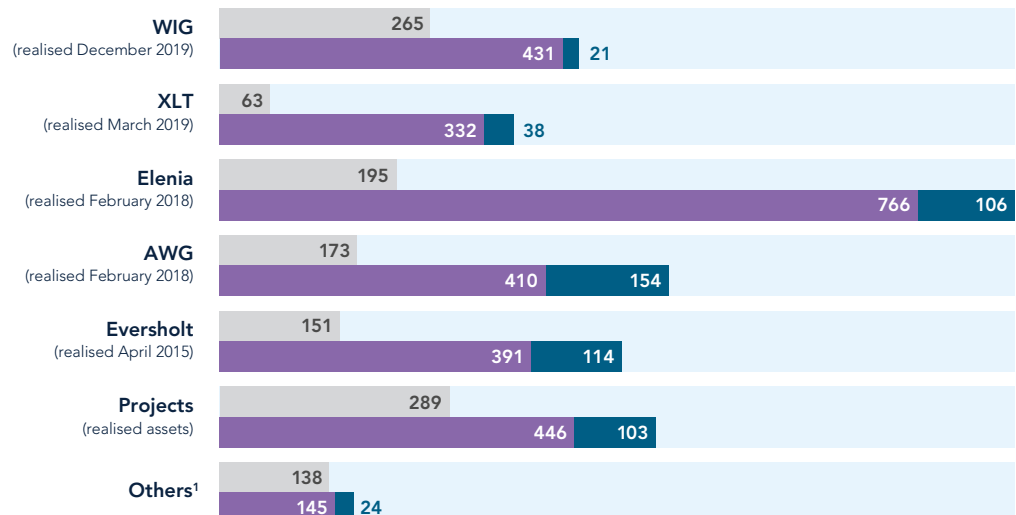
31%

16%

41%

22%

8%



● Total cost ● Value including accrued income

● Proceeds on disposals/capital returns ● Cash income

Portfolio asset returns include allocation of FX hedging where applicable.

Dates of asset realisations refer to completion dates.

¹ Others includes junior debt portfolio, T2C and Novera.



Review of investments and Sustainability



Case study – Infinis Generating a Low Carbon future

Infinis is the leading UK generator of low carbon power from captured methane. It is already delivering a positive impact on climate change through the capture of a greenhouse gas and use of that resource to generate green electricity. Infinis's strategy to deliver its vision of 'generating a low carbon future' is through growth into a more diversified and clean energy portfolio, focused on its core expertise and operating platform, to create long-term and sustainable value.

In the year to March 2021, Infinis captured 300,000 tonnes of methane, preventing more than an equivalent of 6.5 million tonnes of carbon dioxide ('CO₂') escaping into the atmosphere. This critical environmental management role is recognised by the regulator, Ofgem, with Renewable Obligation Certificates earned on the majority of exported electricity.

Infinis operates from 148 sites geographically dispersed across the UK. As an embedded generator, its sites provide power into the local distribution networks which are close to end-user demand providing a more sustainable source of power, avoiding both the electrical losses, and associated charges, from use of the national transmission network.

Infinis's best in class operational model and its significant investment in state-of-the art IT systems has enabled all sites to be monitored and controlled remotely to deliver optimal performance. This resilient operational model, a disciplined approach to risk management, and the vital role the business plays in supplying 24/7 baseload power, have delivered predictable and stable earnings over the period of our ownership.

Infinis is already having a positive effect on the environment and as part of its sustainability strategy the management team has developed sustainability goals, committing to further reducing its direct carbon emissions, while also continuing to build on its strong relationships with the local communities around its sites.

These sustainability goals have been communicated across the organisation and all employees are actively encouraged to present their thoughts and initiatives for operational improvements with a positive environmental impact.

Infinis is committed to:

- Removing inefficient and carbon-intensive generation assets, diesel and propane generators from the business by the end of 2021;
- Delivering >200MW of installed solar capacity by 2023;
- Installing behind the meter electric charging points at strategic site locations by 2025 to enable charging of fleet vehicles; and
- Transitioning its diesel vehicle fleet to all electric before 2027.

Infinis's positive environmental impact, and continued focus on sustainability, has positioned it well to benefit from the evolution of the UK energy sector and to find further opportunities for profitable growth.



Read more
www.infinis.com



Our purpose



Invest
responsibly



Sustainable
returns



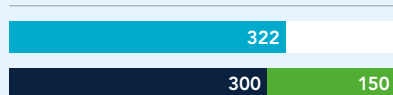
Positive
impact



Review of investments



Performance (£m)



- Total cost
- Closing value
- Cash distributions

Ownership
100%

Date invested
December 2016

Management team HQ
Northampton, UK

Country
UK

Currency
GBP

Sector
Utilities

Developments in the year

Infinis performed well through the Covid-19 crisis, operationally and financially, exceeding budget in each of its main divisions: captured landfill methane, capture mineral methane and power response. Its cash flow generation continues to support the Company's yield.

The baseload power price environment has improved over the last six months driven by rising gas and carbon prices. Peak power prices were also more volatile, which benefitted Infinis's power response assets in the year.

Good progress has been made in developing a new solar division that will create energy parks by co-locating subsidy-free solar, and potentially energy storage, on existing sites where Infinis already operates. The team working on solar development now comprises six employees including a new Head of Solar, recruited in November 2020. The first 7MW site at Ling Hall is now operational and a further 75MW are in the planning process with construction expected to commence in FY22.

In January, Infinis completed a refinancing on favourable terms, extending the maturity of its debt facilities and thereby establishing a platform to fund future solar growth.

Sustainability

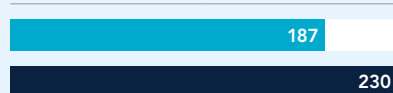
Infinis continues to demonstrate a strong health and safety record and commitment to the safety and well-being of its employees and stakeholders. These high standards were recognised through the retention of the RoSPA President's Gold Award for the 12th consecutive year.

Infinis also progressed its sustainability agenda, publishing a sustainability strategy that it developed within the framework of the United Nations Sustainable Development Goals ('SDGs') and reporting on certain carbon footprint and exposure metrics, taking account of the TCFD recommendations.





Performance (£m)



- Total cost
- Closing value

Ownership
45%

Date invested
March 2019

Management team HQ
Stavanger, Norway

Country
Norway and USA

Currency
NOK

Sector
Communications

Developments in the year

Tampnet's core business in the North Sea was stable in 2020 with customers continuing to upgrade their bandwidth requirements as new technologies are introduced to improve efficiency and extend hydrocarbon field lives. However, the oil price decline triggered by Covid-19 had a negative impact on Tampnet's exploration-linked revenues and brought forward some decommissioning of offshore platforms. In addition, some new fibre connection projects and roaming installations were postponed due to pandemic-related operational restrictions.

The key highlight of the year was the acquisition of a 1,200km offshore fibre cable system in the Gulf of Mexico from BP, which completed at the end of March 2021. This acquisition is an important milestone which will allow Tampnet to replicate its fibre-led North Sea business model in the Gulf of Mexico.

Sustainability

Tampnet has established a sustainability strategy focused on making a positive contribution to the underlying oil and gas industry. A major environmental benefit of Tampnet's services is that they enable producers to use existing resources more efficiently, to reduce emissions through lower manning and to achieve better health and safety through remote operations. Beyond this, Tampnet is developing initiatives to provide offshore wind projects with fixed and roaming connectivity.



Review of investments

Joulz

Performance (£m)



- Total cost
- Closing value
- Cash distributions

Ownership
99%

Date invested
April 2019

Management team HQ
Delft, Netherlands

Country
Netherlands

Currency
EUR

Sector
Utilities

Developments in the year

Joulz performed broadly in line with expectations during the year, and Covid-19 has had limited commercial and financial impact on the business to date. The carve-out from Stedin was completed in March 2021 and Joulz is now a fully independent business.

Joulz's strategy is to build on its customer base and its position at the heart of customers' critical electrical infrastructure, and to develop into a leading integrated energy transition solutions provider. Since our acquisition, Joulz is delivering on this strategy through both in-house offer development and targeted M&A. In March 2020, Joulz acquired Greenflux's electric vehicle ('EV') charging business, and in March 2021 the company agreed to acquire Zonel, a roof top solar developer.

In line with this strategy, the company is seeing increasing customer interest in integrated solutions – involving technologies such as solar, batteries, EV charging, transformers, meters – which help customers achieve their energy transition objectives and also mitigate grid capacity constraints affecting their sites.

Sustainability

Joulz's sustainability strategy is built around the UN's SDGs that the business shares with its customers (Clean Energy, Sustainable Growth and Investing in Infrastructure) and those that are more directly related to the business itself (Health and Safety and Training/Education). During the year the business also completed the implementation of ISO14001 (Environmental management systems).





Performance (£m)



- Total cost
- Closing value
- Cash distributions

Ownership
96%

Date invested
September 2019

Management team HQ
Dagneux, France

Country
France, Spain, Italy, Germany, Estonia

Currency
EUR

Sector
Healthcare

Developments in the year

Overall, Ionisos outperformed expectations during the year. The business demonstrated its resilience during the Covid-19 pandemic. Volumes treated during the first lockdown were negatively affected, in particular due to lower demand for surgical goods (notably prosthetics), cosmetics and veterinary products, but overall activity recovered substantially through the second half of the year despite the resurgence of Covid-19 cases and further restrictions imposed by governments across Europe.

Over the medium term, we expect that increased testing, a focus on sterilisation, and potentially a certain degree of relocation of pharma and medical equipment manufacturing to Europe, will have a positive impact on Ionisos.

In February, Ionisos discovered serious shortcomings in the safety of operations in its Italian subsidiary, Steril Milano. Operations were stopped immediately and the regulatory authorities and customers were informed promptly.

A criminal complaint has been filed against certain individuals and an investigation is now underway, with the full cooperation of Steril Milano and Ionisos management. The Italian business represented approximately 3% of Ionisos's 2020 earnings.

Expansion projects in Germany and France are progressing in line with management expectations and the construction of a new sterilisation site in Kleve, Germany, was launched in April 2021, following the signature of an offtake contract with an anchor customer. The site will sterilise medical devices with ethylene oxide and will start operations in mid-2022.

Sustainability

Ionisos performs well on sustainability areas most relevant for its business. The management team has established a strategy to reduce the company's direct and indirect emissions, drive effective sustainability practice across the value chain and provide a fulfilling work environment to its employees.



Case study – Ionisos

Supporting better healthcare services

Ionisos is the leading independent European provider of cold sterilisation services, an essential, non-discretionary part of the manufacturing process of a wide range of medical and pharmaceutical goods, such as gloves, implants, surgical kits and dialysers, for more than a thousand small to large healthcare industrials. Once sterilised, those products are typically delivered directly to healthcare centres. Ionisos is key to ensuring that those goods can be used safely, for example during surgical procedures.

Over the past 12 months, Ionisos took an active role in the fight against the Covid-19 pandemic and supported various governmental health measures, for example, sterilising packaging components for vaccines, swabs and sample containers for PCR tests.

Sterilisation has been recognised as an essential activity in various jurisdictions, and the business remained in operation throughout the various lockdown periods in all countries where it operates.

The business operates 11 sites spread across France, Spain, Italy, Germany and Estonia. To serve its customers, it offers all three major sterilisation technologies (treatment via exposure to Gamma rays, electron beams or a gas, ethylene oxide) with the suitability of each depending on the characteristics of the product being sterilised.

As an engaged investor, we are supporting the management team to adhere to best-in-class operational standards and to pursue growth opportunities. Since the Company's investment in September 2019, additional senior managers have been recruited, business service rates have improved whilst lead times for customers have decreased.

Ionisos is actively looking to reinforce its network and expand its footprint to better serve existing and new customers, with a focus on Europe as its core geography.

Ionisos has recently developed a sustainability strategy through which it will seek to expand the scope of its actions to better promote sustainability through the value chain, alongside its commercial partners, suppliers and customers. For example, the business is looking at more responsible sourcing solutions, including fully renewable electricity, in order to reduce its greenhouse gas emissions. The management team is involving employees in the development of sustainability initiatives throughout the organisation, sharing best sustainability practices across the group and promoting local actions, in particular through the 'IONI Awards', a competition aimed at fostering ideas and engagement amongst co-workers.



Our purpose



Invest
responsibly



Sustainable
returns



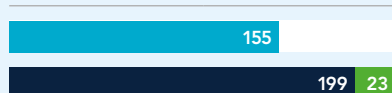
Positive
impact



Review of investments



Performance (£m)



- Total cost
- Closing value
- Cash distributions

Ownership
48%

Date invested
July 2016

Management team HQ
Brussels, Belgium

Country
Active in 10 European countries, Malaysia, the Middle East, Australia and the USA

Currency
EUR

Sector
Transport/Logistics

Developments in the year

During the Covid-19 pandemic, TCR performed ahead of expectations in a severely hit aviation market thanks to its largely availability-based contracted revenue structure and minimal direct exposure to passenger movements. Its focus has been on maintaining a close and co-operative relationship with its customers, carefully managing revenue collection and its own liquidity, while positioning for the recovery and potential new business opportunities that the crisis in air travel may bring.

The last six months of the year were marked by a second wave of Covid-19 cases and further lockdown restrictions in most countries where TCR operates. Traffic is set to remain low in the near term, however the industry is cautiously optimistic that the roll-out of vaccines will allow for a gradual return to normal by 2024.

Looking ahead, we remain confident that the business will be able to take advantage of attractive growth opportunities. In particular, we see the crisis as the catalyst for TCR's strategic diversification towards airport and airline customers looking to improve

financial and operational flexibility and operate more sustainably post-pandemic. TCR has recently secured long-term full service rental contracts with Finnair in Helsinki, and with Gate Gourmet (the global leader of airline catering) across multiple jurisdictions. It is also in discussions with several airports for fleet pooling initiatives.

Sustainability

Despite the Covid-19 crisis, the aviation industry continues its path towards a more environmentally sustainable model. In that context, TCR has developed its own sustainability strategy aiming to mitigate its direct impact on climate change, and through helping its customers reduce their emissions by supporting the transition to green ground support equipment ('GSE') including electric vehicles, pooling initiatives, and the roll-out of telematics on GSE, which contribute to optimising GSE fleet sizes and therefore lower total emissions.



ESVAGT

Performance (£m)



- Total cost
- Closing value

Ownership
50%

Date invested
September 2015

Management team HQ
Esbjerg, Denmark

Country
Denmark, Norway, UK and USA

Currency
DKK

Sector
Natural resources/
Energy

Developments in the year

Overall the business performed in line with our post-Covid expectations during the year. The majority of ESVAGT's contracted earnings are now generated by the SOV segment, where it is the established market leader in European offshore wind.

The first of three new MHI Vestas SOVs was successfully delivered into operations in January 2021. The remaining two vessels are still under construction with delivery dates later in 2021. ESVAGT will begin participating in SOV tenders in the US in the coming year through its recently announced joint venture with Crowley.

In the legacy ERRV fleet, performance in 2020 was initially negatively impacted by the oil price decline associated with the first wave of Covid-19, but the market has improved in the early part of 2021 with ESVAGT's fleet fully contracted for the summer months.

Sustainability

ESVAGT's SOVs support the efficient maintenance of offshore windfarms, a key contribution to the energy transition.

Beyond that, it has continued to develop its internal policies and sustainability strategy during the year, including making a net zero emission commitment. This involves measures such as fitting battery powered equipment on newer vessels, implementing operational procedures to save fuel across the fleet and, over the longer term, using sustainable fuel sources for new built SOVs and retrofitting part of the existing fleet with electric engines.

ESVAGT is also looking to upgrade the ballast water treatment systems on its vessels and significantly improve the removal of biological organisms to mitigate possible effects on the marine environment.



Review of investments

Oystercatcher

Performance (£m)



- Total cost
- Closing value
- Cash distributions

Ownership
45%

Date invested
August 2007
and June 2015

**Management
team HQ**
Various

Country
Netherlands,
Belgium, Malta
and Singapore

Currency
EUR

Sector
Transport/Logistics

Developments in the year

Oystercatcher, in line with the broader oil storage sector, has benefitted from a contango market structure for oil-derived products during the year and overall performed ahead of our expectations. Storage rates have improved and many existing customers have been keen to renew storage contracts early. At the same time, customer activity levels have reduced due to lower end-user demand, caused by the Covid-related lockdown measures around the world, and this has negatively impacted throughput and ancillary services revenues.

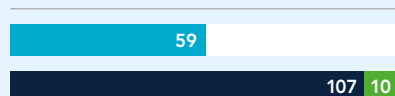
In Singapore, our terminal continued to perform well as one of the leading gasoline blending terminals in Singapore and the wider region. The outlook for oil demand in the Asia Pacific region remains more positive than Europe's, particularly driven by rising car ownership in Asia.

Sustainability

Oiltanking GmbH, our co-shareholder and operating partner for the Oystercatcher terminals, has long placed significant focus on sustainability.

As well as continuing to ensure high standards of environmental management, our businesses are increasingly looking to leverage business opportunities related to sustainability, for example by supporting customers to grow their renewable fuels businesses by adapting storage infrastructure and providing blending capabilities.



**Performance (£m)**

- Total cost
- Closing value
- Cash distributions

Ownership
28.5%**Date invested**
September 2016**Management team HQ**
Bègles, France**Country**
France, Finland**Currency**
EUR**Sector**
Utilities**Developments in the year**

Despite Covid-19, Valorem had a good year with revenues from electricity generation above budget and 45MW of wind, solar and hydro projects becoming operational. Since acquisition, the company has grown its asset base by 2.7x, now owning c.485MW of fully developed renewable capacity. Valorem continues to build an exciting pipeline of projects, including over 2GW of future capacity at advanced stages.

All assets continued to operate as normal during the lockdown periods. Some construction projects suffered only limited delays, mainly due to supply chain issues early in the pandemic.

Valorem's operational portfolio is relatively young, with an average residual feed-in-tariff life of 12.5 years. It is also developing interesting initiatives to prepare for the post-subsidy world, with the signing of its first long-term corporate Power Purchase Agreement in France.

Sustainability

Valorem's core business is to contribute to the shift in production of electricity to renewable energy sources. Beyond this, the company is actively promoting various initiatives to strengthen sustainable procurement, minimise its impact on the environment and biodiversity at each stage of the project lifecycle, reduce direct and indirect emissions and waste production, as well as to provide a healthy, safe and fulfilling work environment to all employees.



Review of investments



Performance (£m)



- Total cost
- Closing value
- Cash distributions

Ownership
25%

Date invested
June 2018

Management team HQ
Apeldoorn, Netherlands

Country
Netherlands

Currency
EUR

Sector
Utilities

Developments in the year

Over the year, the business has proven resilient to the pandemic and operationally it performed broadly in line with our pre-Covid expectations.

Dutch waste volumes were in line with pre-Covid forecasts, and energy prices largely recovered to pre-Covid levels by the end of 2020. Although import volumes from the UK were weak, Attero covered this shortfall by drawing down from its waste buffer, allowing its plants to continue to operate at full capacity. A significant reduction in power prices affected the business's financial performance in the first half of the year.

The organics business outperformed due to an unseasonably warm spring and more home gardening during Covid-19 lockdowns, which resulted in higher than forecasted volumes.

The landfill business also performed well, as higher gate fees offset lower volumes due to reduced construction activity.

The Dutch plastics recycling subsidy regime was revised, which will improve the economics of the plastics business unit.

Sustainability

Attero has developed a comprehensive sustainability strategy focused on maintaining a net neutral CO₂ position each year, delivering a favourable biodiversity impact on the habitats surrounding Attero's facilities beyond their permitting requirements and increasing the representation of women in the organisation.



Sustainability report

The Covid-19 pandemic has increased awareness of the resilience and adaptability of companies in the face of disruption. As we emerge from this crisis, we believe there will be heightened sensitivity to external risks such as climate change.

This is leading to a renewed focus on environmental, social and governance ('ESG') factors, and the responsibility of companies to their stakeholders and communities.

We continue to see a strong link between companies with high ESG standards and those that are able to achieve long-term sustainable business growth. This is aligned with the Company's purpose and our experience.

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

As owners of a portfolio of infrastructure assets, we recognise our ability to influence our portfolio companies, their management teams, employees, customers and suppliers. We have a responsibility to our shareholders to deliver long-term sustainable returns, and to the communities and environment in which we operate to manage essential infrastructure in a responsible manner. We use our position as a shareholder in the businesses we own to influence and support management to operate responsibly and, through our engaged asset management approach, to make decisions that balance the requirements of all stakeholders. We require our businesses to review regularly their approach to, and ambition for, sustainability.

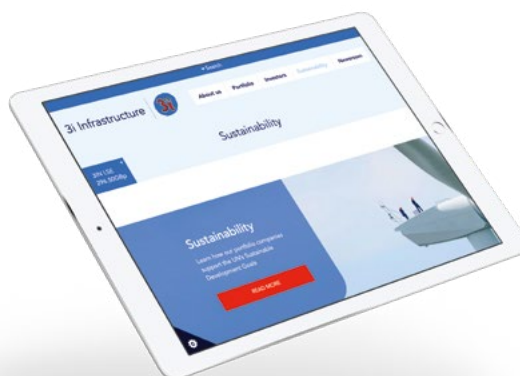
This matters to us as individuals, to the people managing and working within our portfolio companies and to their customers, suppliers and local communities. As investors, we depend on all of these stakeholders for our investments to be successful.

Investing responsibly

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

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

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



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

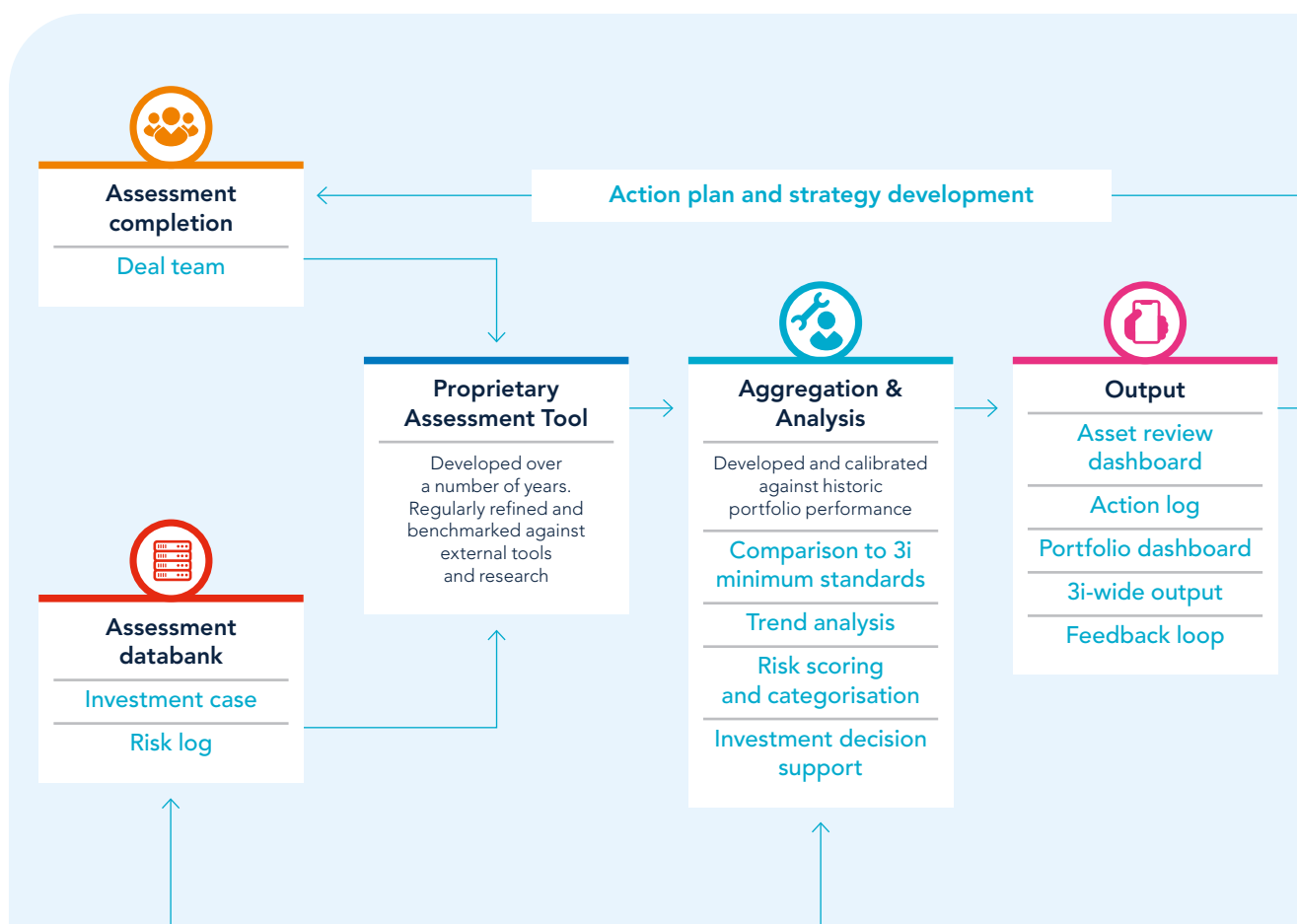
Sustainability report

Our influence and approach to ESG management

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

During the year, the Investment Manager worked with the management teams to establish a tailored sustainability strategy for each of our portfolio companies, alongside the measurement of carbon emissions as a base line for TCFD reporting. Alongside the Company's formal sustainability review cycle, the Investment Manager also conducts periodic reviews on important or emerging topics that impact the Company and/or our portfolio. During the year, this included the following:

- a review of the impact of Covid-19 on the Company's portfolio;
- a review of the impact of Covid-19 on its outsourced service providers;
- a cyber security review of each portfolio company; and
- a carbon roundtable to discuss carbon reduction strategies and measurement frameworks.



UN Sustainable Development Goals

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

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

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

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

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

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

Oystercatcher

Joulz

tampnet

ESVAGT

infinis

IONISOS

attero
energise your mobility

TCR

VALOREM

Where we are having the biggest impact



Sustainability report

Climate change and the transition to a low carbon economy (SDGs 7, 12 and 13)

Through its investment portfolio the Company supports the transition towards a low carbon economy.

Infinis is the UK's leading generator of low carbon power from captured methane. By capturing the methane from landfill sites, Infinis is not only able to generate renewable electricity, it is also providing an essential service by preventing methane from escaping into the atmosphere, which is a 25 times more potent greenhouse gas than CO₂. In carbon footprint terms, it prevents emissions equivalent to 6.5 million tonnes of CO₂ annually, which is comparable to that of over 600,000 UK households. Infinis generates nearly 1,500 GWh of electricity a year and is one of the few companies in the UK already having a positive impact on climate change. Infinis is installing solar panels across its landfill sites, further expanding its sustainable energy generation capabilities.

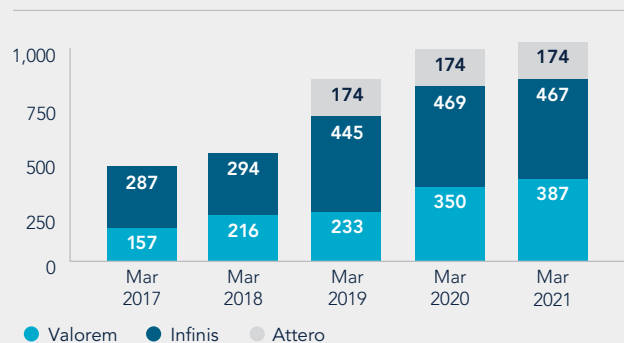
 **Read more**
Page 32

Joulz provides critical onsite electrical infrastructure for businesses in the Netherlands. Joulz's infrastructure is essential for the operation of those sites and key to facilitating the installation of energy transition solutions such as solar rooftop, EV charging and non-fossil fuel sources of heating and cooling. Businesses in the Netherlands are increasingly interested in installing these energy transition solutions and need to navigate a complicated patchwork of regulations, subsidies and taxes. Joulz can not only deal with that complexity for them, but also design, install, finance and maintain the different technologies for its customers – enabling them to focus on their core business and avoid the need for large upfront investments. Further information can be found on page 36.

Renewable energy capacity

Since 2016, the Company has invested in three businesses that generate electricity from renewable resources. The installed capacity across these businesses is now over 1 GW, enough to power more than two-thirds of the households in London. We have a strong pipeline of new potential generating capacity for future development. The chart below shows the growth in renewable energy generating capacity over the last five financial years.

Renewable energy installed capacity (at 31 March, MW)



Since our acquisition in September 2016, Valorem, our renewable energy development company, has grown its renewable assets base from c.180MW to c.485MW, increasing its EBITDA by c.18% per annum and has moved from solely owning wind farms in France, to now developing wind, solar and hydro assets in France, Finland and Greece.

Attero, one of the largest waste treatment companies in Europe, produces sustainable electricity for 350,000 households by recovering energy from waste, alongside the treatment of waste materials which can be reprocessed or recycled.

TCR is helping airports promote more sustainable operations by improving the efficient management of GSE fleets and by encouraging the gradual replacement of old diesel equipment with a more sustainable electric asset base.

ESVAGT provides highly specialised vessels providing maintenance support to the offshore wind sector. It is developing battery and hybrid technologies, including using low emission bio fuels, for its vessels that will not only be better for the environment but also reduce the overall cost for the company.

Benefits for communities (SDGs 8, 9 and 11)

Investing in infrastructure assets has direct economic and social sustainability benefits for communities in our target markets.

Our businesses require well trained and highly skilled workforces to deliver their essential services. Each of our portfolio companies operates recruitment and training programmes in the communities in which they operate, aiming to be an attractive place to work. As part of our ownership, we expect and support our businesses to have ongoing training and development programmes in place to give employees access to skills and career development.

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

Regulation and tax (SDG 16)

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

Details of the Company's policies relating to the UK Bribery Act, Modern Slavery Act, procurement, prompt payment, whistleblowing and the environment can be found on our website www.3i-infrastructure.com.

TCFD disclosures

These disclosures reflect the Company's response to the recommendations of the TCFD, published in June 2017. They set out how we incorporate climate-related risks and opportunities into our governance, strategy, risk management and targets.

The Company is making good progress towards achieving compliance with the core elements of climate-related financial disclosures recommended by the TCFD. The Audit and Risk Committee reviews and monitors a roadmap towards this goal. The inclusion of these disclosures in this Annual report and accounts is part of that roadmap, and these will continue to develop further in future years, in particular in relation to metrics and targets. The following should be read in conjunction with the rest of the Annual report and accounts. We have cross-referenced the relevant sections under each of the headings below. As an investment company, the majority of the disclosures relate to the Company's portfolio of investments rather than to the Company itself.

Governance

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

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

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

Day-to-day accountability for sustainability, including climate change-related issues, rests with the Investment Manager. Further detail on risk governance can be found in the Risk report on pages 64 and 65.

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

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

Strategy

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

Climate-related risk has been identified as a key risk as well as an investment theme for the Company and this is further discussed in our Risk report on page 67. There are physical risks that arise directly from changing climate conditions and transition risks that occur as a result of the necessary transition to a lower-carbon economy. These risks exist for the Company and its portfolio.

The Board and the Investment Manager are increasingly considering the impact of climate-related risks and opportunities on our portfolio companies, investment strategy and financial planning. Our investment strategy is to make a limited number of new investments each year, selected within our target sectors and geographies on the basis of their compatibility with our return targets and fit with the existing portfolio. Whilst the Company does not operate a sustainability-driven investment strategy, it does seek to identify investments that benefit from long-term trends many of which link to sustainability themes. As set out earlier in this section the Company, through its Investment Manager, carries out its investment activities under 3i Group's Responsible Investment policy, which is embedded in the Investment Manager's investment and portfolio management processes and is considered rigorous by industry standards. We will not invest in businesses that have unsustainable environmental practices or an unsustainable impact on the society in which they operate.

Sustainability report

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

During the year, the Investment Manager worked with each of our portfolio company management teams to set a formal sustainability strategy and identify a responsible individual to drive the strategy and set and measure objectives for the company. The process of setting a sustainability strategy allows the portfolio company to formulate and then articulate its position and ambition for the business with regards to sustainability. Having a strategy in place provides a framework for setting specific objectives, and driving performance to achieve them. The Investment Manager clearly articulated the key components we expect to be incorporated in a comprehensive strategy document. The Investment Manager hosted a round table discussion to disseminate best practice across all our portfolio companies, and to provide an opportunity for CEOs to connect with each other on the topic and discuss any specific challenges they are facing.

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

As a company that invests over the medium to long term we recognise the importance of investing in the low-carbon energy transition and that this will ultimately impact all sectors in which we invest. The Investment Manager conducted an initial review of climate-related risks for our portfolio, but has not undertaken a full climate-related scenario planning analysis for each of our portfolio companies. We expect this to be a focus in the short term and the results of the initial review will help us understand how different climate-related scenarios will impact each portfolio company's strategy and help prioritise our areas of focus.

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

Risk management

Processes for identifying and assessing climate-related risks

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

The Investment Manager always undertakes ESG due diligence, including environmental due diligence, before making new investments, and monitors ESG risks throughout the life of our investments. If appropriate this includes the engagement of specialist external firms to provide sector specific advice. We continue to develop our governance and risk management framework to ensure that sustainability-related risks in our portfolio are treated as a priority by our portfolio company management teams.

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

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

The processes for managing climate-related risks are determined by the Audit and Risk Committee. The Responsible Investment policy provides the framework for the implementation and operational control of climate-related issues. The main focus area for the Board and the Investment Manager is the development and integration of the data, tools and capabilities needed to support disclosure, risk identification and monitoring for ESG-related risks, including climate-related risks across the whole portfolio.

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

The Company has a comprehensive risk governance framework and compliance processes and procedures to ensure that all risks, including ESG risks, are monitored and managed with due care and diligence and that the Company is fully compliant with all applicable environmental legislation. This is further described in the Risk report on pages 64 and 65.

Metrics and targets

Metrics used to assess climate-related risks and opportunities

We manage the environmental sustainability of each portfolio company as we would any other critical business activity in an integrated and consistent manner. Due to the concentrated nature of our portfolio, the Company does not carry out portfolio-wide scenario analyses, and we do not publish aggregated resource intensity or carbon intensity data. As the portfolio is subject to continuous change as a result of investment and divestment activity, such portfolio-wide scenario analyses and data aggregation would not be meaningful or comparable year-on-year. Where appropriate and relevant, the Investment Manager performs scenario analysis on an asset-by-asset basis, both before making an investment and subsequently as part of ongoing portfolio monitoring and asset management. While we do not publish aggregated data, the Investment Manager monitors the environmental performance of our portfolio companies, and uses its influence as an investor to promote a commitment in our portfolio companies to minimise their environmental footprint, invest in the mitigation of their environmental impact and implement energy efficiency measures. This is an important part not only of our portfolio risk management procedures, but also of the value creation plan for each of our investments.

During the year, the Investment Manager worked with all of our portfolio company management teams to identify and document their carbon footprint. There is a legal requirement for UK listed companies and UK large unquoted companies to provide certain climate-related disclosures, including in relation to carbon emissions. This applies to Infinis, which provides this reporting as part of its own annual report and accounts, which can be found on www.infinis.com. We asked all of our portfolio companies to include in their sustainability strategies long-term objectives for reducing carbon intensity. The objectives for each portfolio company will be different depending on the sector in which they operate.

Emissions reporting

As noted above, 3i Infrastructure plc itself has a very limited direct impact on the environment and is not a significant producer of greenhouse gas emissions. The Company consumed less than 40,000 kilowatt hours of energy in the financial year and is therefore exempt from the new streamlined energy and carbon reporting disclosure requirements. We require all of our portfolio companies to prepare for reporting Scope 1 and Scope 2 greenhouse gas ('GHG') emissions and, if appropriate, Scope 3 GHG emissions. A number of our portfolio companies already make this data publicly available and the remainder are well prepared to achieve this requirement for the next financial year.





Financial review and Risk

Financial review

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

Key financial measures (year to 31 March)

	2021	2020
Total return ¹	£206m	£224m
NAV	£2,390m	£2,269m
NAV per share	268.1p	254.5p
Total income ²	£110m	£121m
Total income and non-income cash	£117m	£139m
Portfolio asset value ²	£1,802m	£1,647m
Cash balances ²	£463m	£418m
Total liquidity ³	£763m	£718m

1 IFRS Total comprehensive income for the year.

2 Reconciliation of measures to the financial statement balances is set out in Tables 7 and 8 on page 63.

3 Includes cash balances of £462 million (2020: £413 million), unrestricted cash in subsidiaries of £1 million (2020: £5 million) and £300 million (2020: £300 million) undrawn balances available under the Company's revolving credit facility.

“

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

James Dawes
CFO, Infrastructure
10 May 2021



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

Returns

Total return

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

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

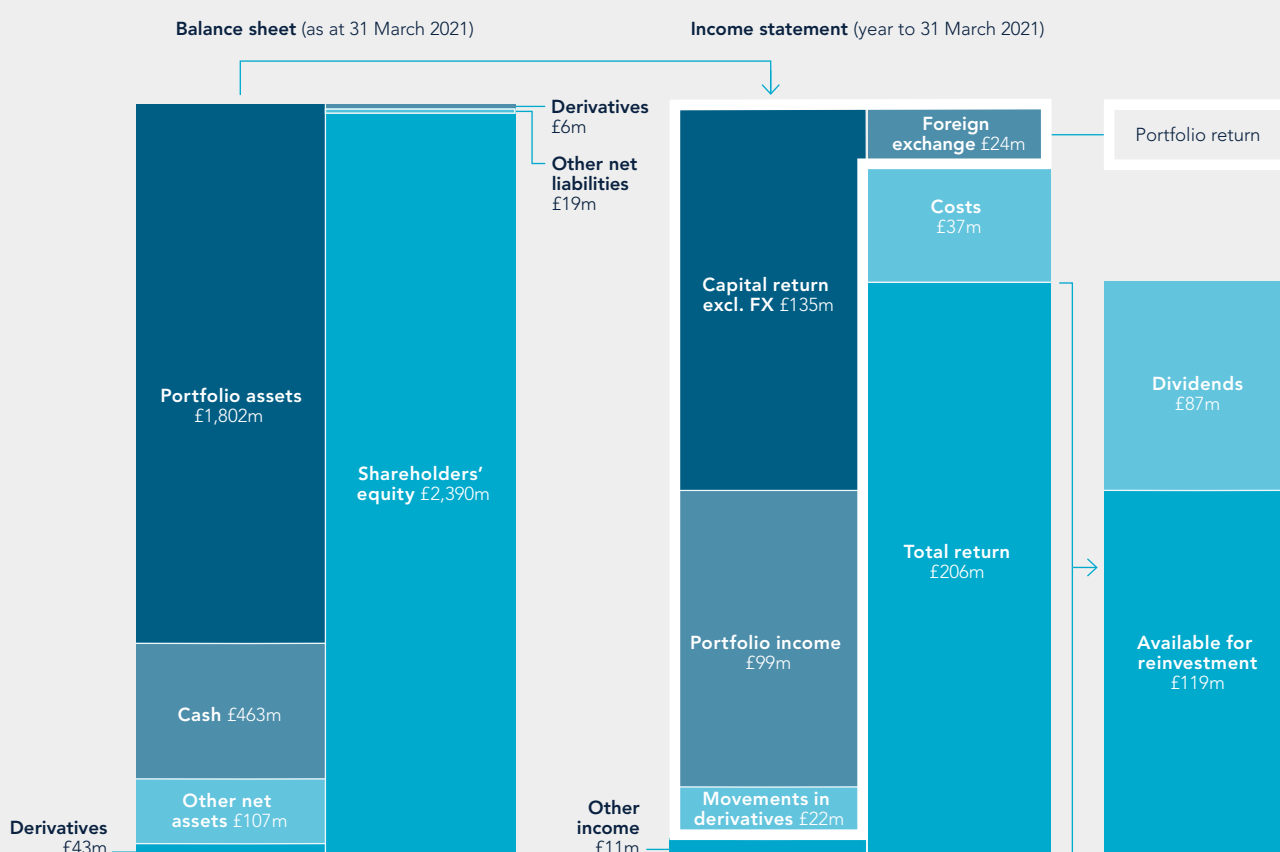
Total income and non-income cash of £117 million in the year was lower than last year, as liquidity was retained in portfolio companies during these exceptional economic conditions (2020: £139 million).

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

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

The Financial statements' classification of these components of total return includes transactions within unconsolidated subsidiaries as the Company adopts the Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) basis for its reporting. The non-material adjustments required to reconcile this analysis to the Financial statements are shown in Table 7 on page 63.

Composition of balance sheet and income statement (year to 31 March 2021)



Financial review

Capital return

The capital return is the largest element of the total return. The portfolio generated a value gain of £135 million in the year to 31 March 2021 (2020: £152 million), as shown in Chart 5. There was a positive contribution across the majority of the portfolio and the largest contributor was Joulz which generated £36 million. These value movements are described in the Movements in portfolio value section of the Investment Manager's review.

The graphic on page 55 illustrates how the combination of capital return and income less costs supports the payment of the dividend to shareholders, and funds the continued growth of the Company and its portfolio, through future new investment and organic growth initiatives within the portfolio.

Foreign exchange impact

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

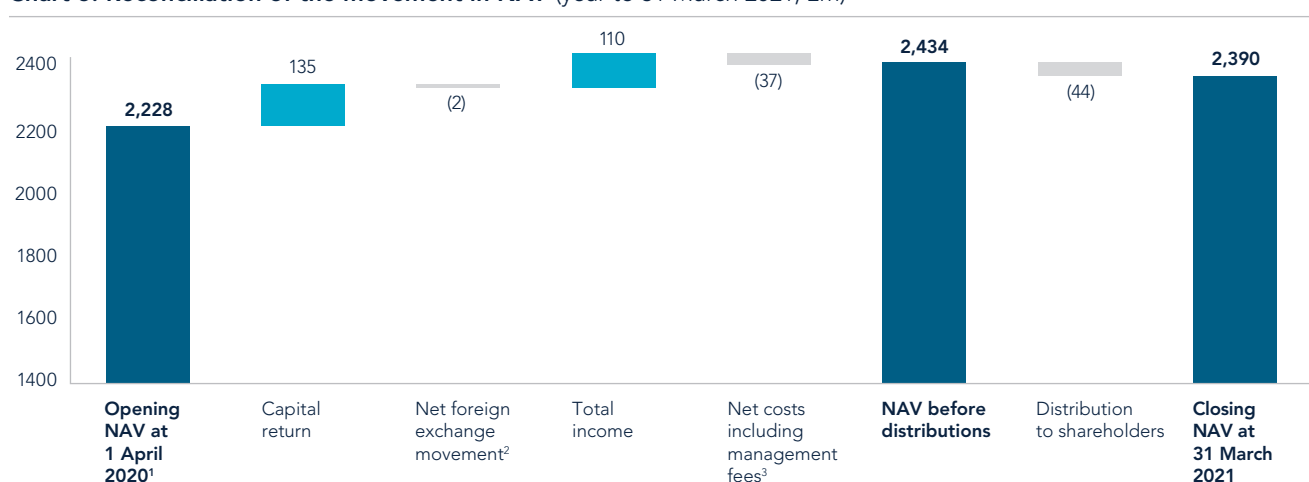
Portfolio foreign exchange movements, after accounting for the hedging programme, reduced the net capital return by £2 million (2020: increased by £3 million). As shown in Chart 7, the reported foreign exchange loss on investments of £24 million (2020: loss of £18 million) included a loss of £1 million from the Company's exposure to the Indian rupee, which is not hedged. This was mostly offset by a £22 million gain on the hedging programme (2020: gain of £21 million).

Income

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

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

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

Chart 5: Reconciliation of the movement in NAV (year to 31 March 2021, £m)

1 Opening NAV of £2,269 million net of final dividend of £41 million for the prior year.

2 Foreign exchange movements are described in Chart 7 on page 57.

3 Includes non-portfolio related exchange movements.

A full year of interest income from Ionisos, which was acquired part way through the last financial year, offset the loss of interest income contribution from the sale of WIG in the prior year. A breakdown of portfolio income is provided in Chart 8 below, together with an explanation of the change from prior year.

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

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

Chart 6: Portfolio value by currency
(at 31 March 2021)

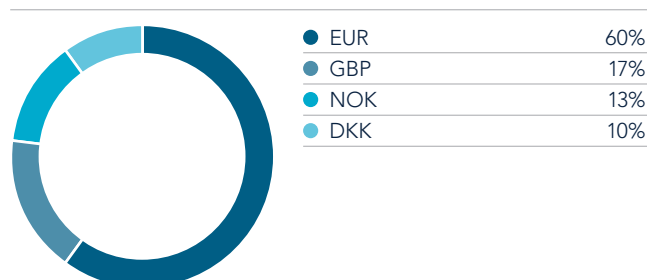


Chart 7: Impact of foreign exchange ('FX') movements on portfolio value (year to 31 March 2021, £m)

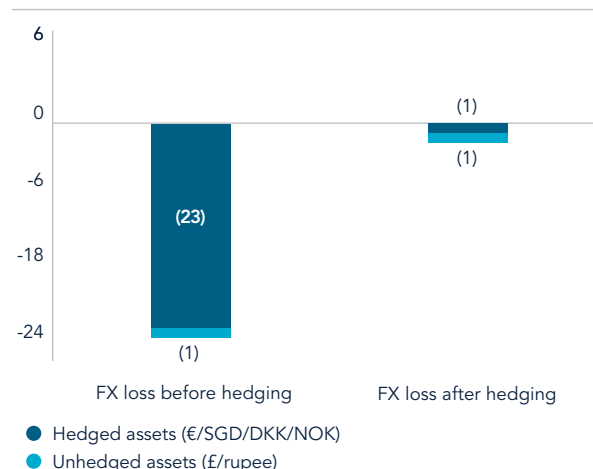
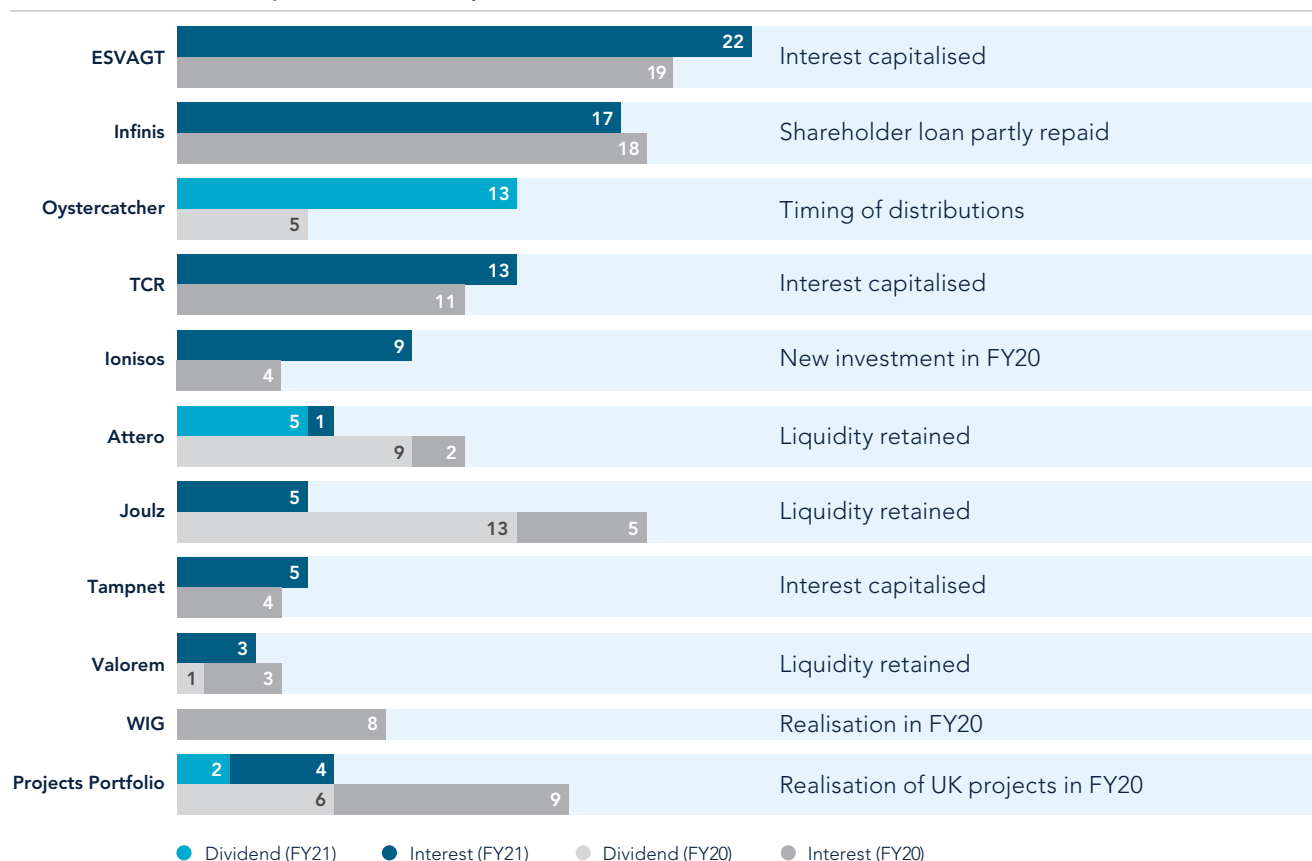


Chart 8: Breakdown of portfolio income (year to 31 March, £m)



Financial review

Costs

Management and performance fees

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

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

Fees payable

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

Other operating and finance costs

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

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

Ongoing charges ratio

The ongoing charges ratio measures annual operating costs, as disclosed in Table 4 below, against the average NAV over the reporting period.

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

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

Table 4: Ongoing charges (year to 31 March, £m)

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

Balance sheet

The NAV at 31 March 2021 was £2,390 million (2020: £2,269 million). The principal components of the NAV are the portfolio assets, cash holdings, the vendor loan notes from the sale of WIG, the fair value of derivative financial instruments and other net assets and liabilities. A summary balance sheet is shown in Table 5 below.

The accounting standards require cash or other net assets and liabilities held within intermediate holding companies to be presented as part of the fair value of the investments. The Directors consider that it is helpful for users of the accounts to be able to consider the valuation of the Company's portfolio assets and total aggregate cash and net assets/liabilities within the Company and its unconsolidated subsidiaries. The non-material adjustments required to provide this analysis are shown in Table 8 on page 63.

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

Cash and other assets

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

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

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

Borrowings

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

NAV per share

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

Table 5: Summary balance sheet (at 31 March, £m)

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

Financial review

Dividend and dividend cover

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

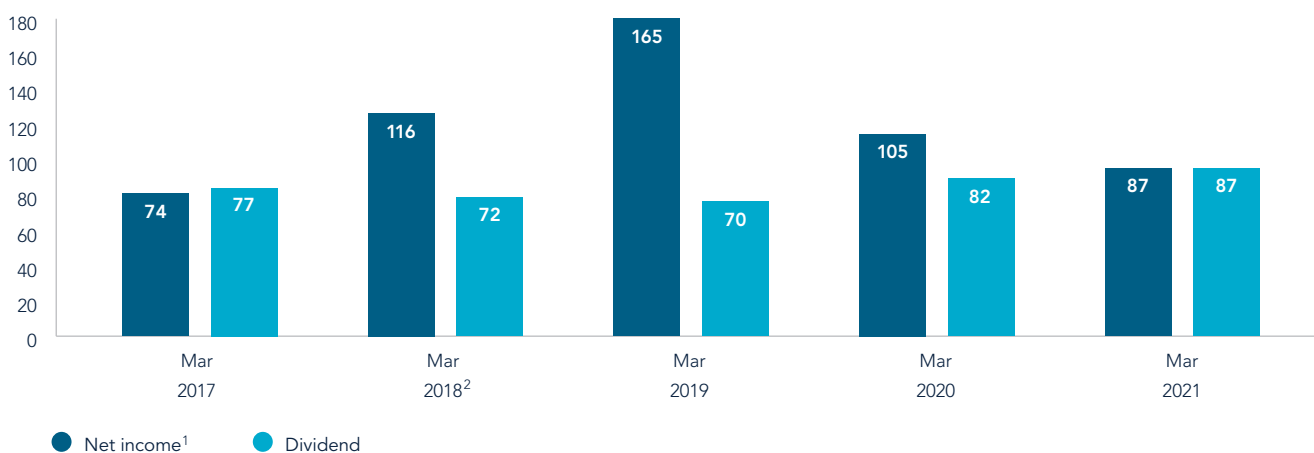
When considering the coverage of the proposed dividend, the Board assesses the income earned from the portfolio, interest received on cash balances and any additional non-income cash distributions from portfolio assets which do not follow from a disposal of the underlying assets, as well as the level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

Table 6 below shows the calculation of dividend coverage and dividend reserves. The dividend was fully covered for the year with no surplus (2020: surplus of £23 million). The retained amount available for distribution, following the payment of the final dividend, will be £868 million (2020: £876 million). This is a substantial surplus, which is available to support the Company's progressive dividend policy, particularly should dividends not be fully covered by income in a future year. A shortfall could arise, for example, due to holding substantial uninvested cash or through lower distributions being received from portfolio companies in order to preserve liquidity. Chart 9 below shows that the Company has consistently maintained a good level of dividend cover over the last five years.

Table 6: Dividend cover (year to 31 March, £m)

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

Chart 9: Dividend cover (five years to 31 March 2021, £m)



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

² A return of capital to shareholders in 2018 reduced the FY18 final dividend payment.

Alternative Performance Measures ('APMs')

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

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

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

The definition and reconciliation to IFRS of the APMs is shown on pages 62 and 63.

Financial review

The table below defines our APMs.

APM	Purpose	Calculation	Reconciliation to IFRS
Total return on opening NAV	A measure of the overall financial performance of the Company. For further information see the KPI section.	It is calculated as the total return of £206 million, as shown in the Statement of comprehensive income, as a percentage of the opening NAV of £2,269 million net of the final dividend for the previous year of £41 million.	The calculation uses IFRS measures.
NAV per share	A measure of the NAV per share in the Company.	It is calculated as the NAV divided by the total number of shares in issue at the balance sheet date.	The calculation uses IFRS measures and is set out in Note 14 to the accounts.
Total income and non-income cash	A measure of the income and other cash receipts by the Company which support the payment of expenses and dividends.	It is calculated as the total income from the underlying portfolio and other assets plus non-income cash being the repayment of shareholder loans not resulting from the disposal of an underlying portfolio asset.	The reconciliation of Total income to IFRS is shown in Table 7. The proceeds from partial realisations of investments are shown in the Cash flow statement. The realisation proceeds which result from a partial sale of an underlying portfolio asset are not included within non-income cash.
Investment value including commitments	A measure of the size of the investment portfolio including the value of further contracted future investments committed by the Company.	It is calculated as the portfolio asset value plus the amount of the contracted commitment.	The calculation uses portfolio assets shown in the reconciliation in Table 8, together with the value of future commitments as set out in Note 16 to the accounts. Undrawn loan commitments to the India Fund are not included as these are not expected to be drawn.
Total portfolio return percentage	A measure of the financial performance of the portfolio.	It is calculated as the total portfolio return in the year of £232 million, as shown in Table 1, as a percentage of the sum of the opening value of the portfolio and investments in the year (excluding capitalised interest) of £1,689 million.	The calculation uses capital return (including exchange), movement in fair value of derivatives, underlying portfolio income, opening portfolio value and investment in the year. The reconciliation of all these items to IFRS is shown in Table 1.

In addition to the APMs, the Annual report and accounts shows portfolio information including cash and other net assets held within intermediate unconsolidated holding companies. Tables 7 and 8 show a reconciliation of this portfolio information to the information presented in the Financial statements. Table 9 shows the calculation of Total income and non-income cash.

Reconciliation to Financial statements

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

Table 7: Reconciliation of summary total return (year to 31 March 2021, £m)

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

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

Table 8: Reconciliation of summary balance sheet (at 31 March 2021, £m)

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

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

² Described as 'Investments at fair value through profit or loss' in the Financial statements.

³ Cash balances held in unconsolidated subsidiaries totalled £1 million.

Table 9: Total income and non-income cash (year to 31 March, £m)

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

Risk report



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

Wendy Dorman
Chair, Audit and Risk Committee



Introduction

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

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

Approach to risk governance

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

Risk framework



Risk related reporting

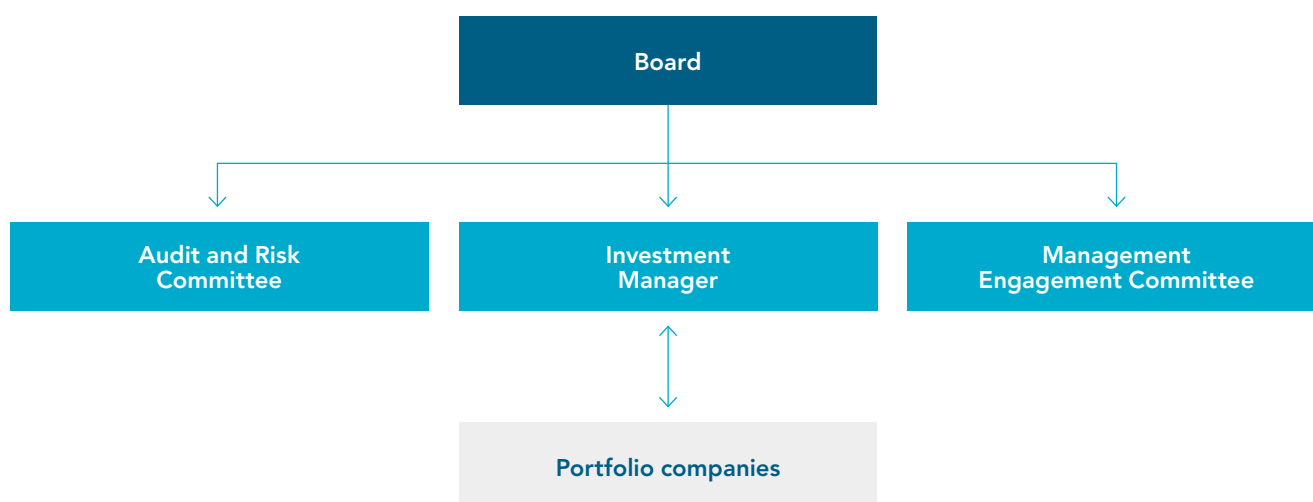
Internal

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

External – Annual report

- Risk appetite
- Viability statement
- Internal controls
- Going concern
- Statutory/accounting disclosures

Risk governance



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

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

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

Risk review process

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

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

The Committee uses the risk framework to identify emerging and key risks, and to evaluate changes in risks over time. Developments during the year in the more significant key risks or 'principal risks' are discussed on pages 67 to 71. These are risks that have the potential to impact materially the delivery of our strategic objectives.

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

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

Risk report

Risk appetite

The Committee reviewed the risk matrix and set out the Company's appetite for each of the key risks. As an investment company, the Company seeks to take investment risk. The appetite for investment risk is described on pages 8 and 10 of this report, and in the Investment policy towards the end of this document. Investments are made subject to the Investment Manager's Responsible Investment policy, which is an important element of our appetite for investment risk. The Company seeks to limit or manage exposure to other risks to acceptable levels.

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

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

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

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

Review during the year

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

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

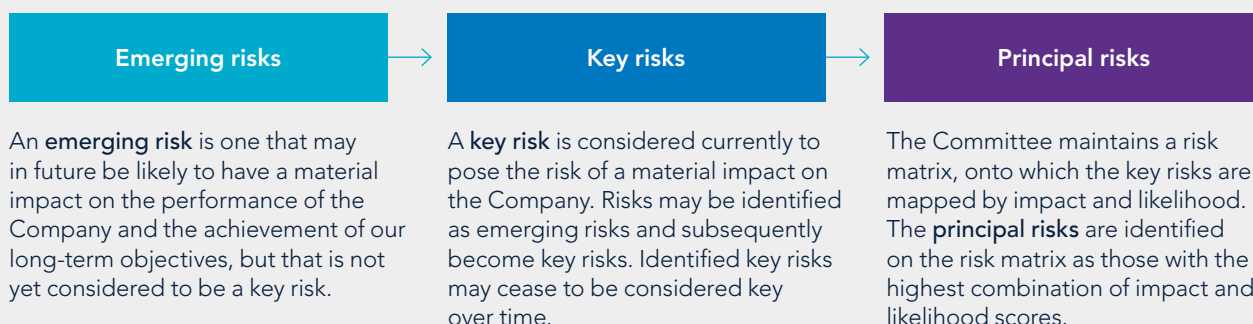
We are confident that the portfolio remains defensive and resilient, and in a position to benefit from asymmetric returns in rising or declining markets (taking more of the upside in a rising market, and benefitting from protection in a downside). We believe the current appetite for risk is appropriate.

Emerging risks

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

Risk categorisation

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



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

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

Key risks

A key risk is considered to pose the risk of a material effect on the Company. These are mapped by impact and likelihood on a risk matrix. During the year the Committee considered the development of a number of these key risks in detail, and considered the impact of Covid-19 and climate risk on all the key risks. Within the category of key risks, the principal risks identified by the Committee in the financial year are set out in the table on pages 68 and 69, alongside how the Company seeks to mitigate these risks.

Climate risk

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

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

We have increased our disclosures and reporting on climate risk and our Investment Manager has evolved its proprietary ESG tool to allow us to assess this and other risks in more detail across the portfolio. The Task Force on Climate-Related Financial Disclosures ('TCFD') established by the Financial Stability Board provides a framework and a set of standards to report against. Our progress in TCFD reporting is described on pages 49 to 51.

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. Further work was undertaken at portfolio company level to assess climate-related risk during the year, and we expect this to continue to evolve and become more sophisticated over time.

There are no acute physical nor transition risks identified in the portfolio that would suggest that climate-related risk is a principal risk, although an example of the impact of a transition risk is the introduction of a tax on imported waste or a CO₂ tax in the Netherlands, which impacts Attero, and the risk of early decommissioning of oil and gas assets which impacts some customers of Tampnet and ESVAGT.

Covid-19

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

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

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

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

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

Risk report

Principal risks and mitigations

External

Principal risk

Market/economic



Risk exposure movement in the year
Increased



Link to Strategic priorities

Risk description

- Macroeconomic or market volatility, such as the impact of Covid-19, flows through to pricing, valuations and portfolio performance
- Fiscal tightening impacts market environment
- Risk of sovereign default lowers market sentiment and increases volatility
- Misjudgement of inflation and/or interest rate outlook

Risk mitigation

- Resources and experience of the Investment Manager on deal-making, asset management and hedging solutions to market volatility
- Periodic legal and regulatory updates on the Company's markets and in-depth market and sector research from the Investment Manager and other advisers
- Portfolio diversification to mitigate the impact of a downturn in any geography or sector
- The permanent capital nature of an investment trust allows us to look through market volatility and the economic cycle

Competition



Risk exposure movement in the year
Increased



Link to Strategic priorities

- Increased competition for the acquisition of assets in the Company's strategic focus areas
- Deal processes become more competitive and prices increase
- New entrants compete with a lower cost of capital

- Continual review of market data and review of Company return target compared to market returns
- Origination experience and disciplined approach of Investment Manager
- Strong track record and strength of 3i Infrastructure brand

Debt markets deteriorate



Risk exposure movement in the year
No significant change



Link to Strategic priorities

- Debt becomes increasingly expensive, eroding returns
- Debt availability is restricted
- The Company's RCF or portfolio company debt cannot be refinanced due to lack of appetite from banks

- The Investment Manager maintains close relationships with a number of banks and monitors the market through transactions and advice
- Regular reporting of Company liquidity and portfolio company refinancing requirements
- Investment Manager has an in-house Treasury team to provide advice on treasury issues

Operational

Principal risk

Loss of senior Investment Manager staff



Risk exposure movement in the year
No significant change



Link to Strategic priorities

Risk description

- 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

Risk mitigation

- Benchmarked compensation packages and deferred remuneration
- Notice periods within employment contracts
- Size of the senior team and strength of the 3i Group brand

Our Strategic priorities



Strategic

<p>Principal risk</p> <p>Unbalanced portfolio</p> <p></p> <p>Risk exposure movement in the year No significant change</p> <p></p> <p>Link to Strategic priorities</p>	<p>Risk description</p> <ul style="list-style-type: none"> Invested to minimise concentration risks (eg by geography, sector, demand driver, regulator) and fulfil investment policy Difficulty in maintaining geographical diversity, or sale of large assets, may lead to an unbalanced portfolio Misjudgement of risk when entering new sectors, industries or geographies 	<p>Risk mitigation</p> <ul style="list-style-type: none"> Investment process explicitly addresses questions of geographical and sector balance in the portfolio Portfolio concentration measures are reviewed periodically by the Board The Investment Manager is selective when making new investment commitments Portfolio diversity has remained stable over the year
<p>Principal risk</p> <p>Deliverability of return target</p> <p></p> <p>Risk exposure movement in the year No significant change</p> <p> </p> <p>Link to Strategic priorities</p>	<p>Risk description</p> <ul style="list-style-type: none"> 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 	<p>Risk mitigation</p> <ul style="list-style-type: none"> Market returns are reviewed regularly The Investment Manager and other advisers to the Company report on market positioning Investment process addresses expected return on new investments and the impact on the portfolio Covid-19 pandemic effects were considered in the March 2021 valuation of the portfolio

Investment

<p>Principal risk</p> <p>Inappropriate rate of investment</p> <p></p> <p>Risk exposure movement in the year Increased</p> <p> </p> <p>Link to Strategic priorities</p>	<p>Risk description</p> <ul style="list-style-type: none"> Failure to achieve new investment impacts shareholder perception, returns and growth prospects Excess 'vintage risk' magnifies the impact of poor performance from a vintage of investments Poor management of investment pipeline 	<p>Risk mitigation</p> <ul style="list-style-type: none"> Good flow of new investment opportunities, although the rate of new investment in FY21 was relatively low Portfolio concentration measures, including vintage diversification, are reviewed periodically by the Board The Investment Manager undertakes a concentration review for each new investment Balance sheet and liquidity monitored regularly by the Board
<p>Principal risk</p> <p>Security of assets</p> <p></p> <p>Risk exposure movement in the year Increased</p> <p> </p> <p>Link to Strategic priorities</p>	<p>Risk description</p> <ul style="list-style-type: none"> An incident, such as a cyber or terrorist attack Unauthorised access of information and operating systems Regulatory and legal risks from failure to comply with cyber related laws and regulations, including data protection 	<p>Risk mitigation</p> <ul style="list-style-type: none"> 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

Risk report

Review of significant key risks

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

External risks – market and competition

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

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

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

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

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

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

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

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

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

Ionisos is a provider of cold sterilisation and ionising radiation treatment services to the medical, pharmaceutical, plastics and cosmetics industries. Gamma radiation, one of the three methods of cold sterilisation used, relies on the radioactive decay of Cobalt-60, a scarce resource. Ionisos has secured its Cobalt-60 requirement for the next two years. All methods of sterilisation require stringent operating procedures and safety standards. Breaches of these can result in the closure of facilities, fines and reputational damage if not dealt with in an appropriate manner. During the year Ionisos shut down operations in its Italian subsidiary due to safety concerns. This is discussed in more detail in the Review from the Managing Partner on page 21.

External risks – regulatory and tax

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

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

Strategic risks

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

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

Operational risks

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

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

Risk report

Viability statement

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

The Directors have assessed the viability of the Company over a three-year period to March 2024. The Directors have taken account of the current position of the Company, including its strong liquidity position with £463 million of cash and £300 million of undrawn credit facilities, its commitment of c.£166 million to further investment described on page 73, and the principal risks it faces which are documented in this Risk report.

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

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

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

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

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

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

Going concern

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

The Directors have made an assessment of going concern, taking into account the Company's cash and liquidity position, current performance and outlook, which considered the impact of the Covid-19 pandemic, using the information available up to the date of issue of these financial statements. The assessment modelled a number of adverse scenarios to assess the potential impact that Covid-19 may have on the Company's operations and portfolio companies, in addition to the scenarios mentioned in the Viability statement on page 72. The assessment reviewed the Company's supplier base, considering any single points of failure and the possibility of suppliers experiencing financial stress. The assessment included the consideration of contingency plans for the key suppliers including the Investment Manager, the Registrar, the Jersey administrator and the brokers.

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

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

The Company had investment commitments of £11 million to new or existing investments at 31 March 2021, with a further investment commitment of c.£155 million for DNS:NET made on 1 April 2021. As in previous periods, the Company does not expect the \$37.5 million commitment to the India Fund to be drawn. The Company had ongoing charges of £26.9 million in the year to 31 March 2021, detailed in Table 4 in the Financial review on page 58, which are indicative of the ongoing run rate in the short term. In addition, the FY21 performance fee of £7 million (2020: £17 million) is due in three equal instalments with the first instalment payable in the next 12 months along with the second instalment of FY20's performance fee, and a proposed final dividend for FY21 of £44 million which is expected to be paid in July.

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

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

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

Directors' duties Section 172 Statement

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

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

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

 **Governance structure**
Pages 76 to 109

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

 **Read more**
Pages 88 to 90

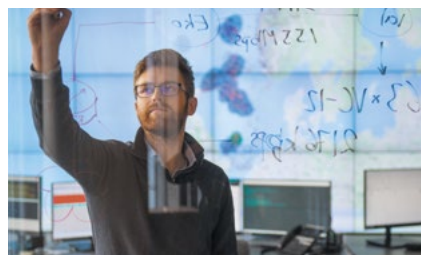
Under s172 a director of a company must act in a way he considers in good faith would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to:



The likely consequences of any decision in the long term

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

 **Read more**
Pages 4, 5 and 64 to 73



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


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

 **Read more**
Pages 88 to 90



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

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

 **Read more**
Pages 14 and 15



The interests of the Company's employees

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

 **Read more**
Pages 32 to 44



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

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

 **Read more**
Pages 45 to 51

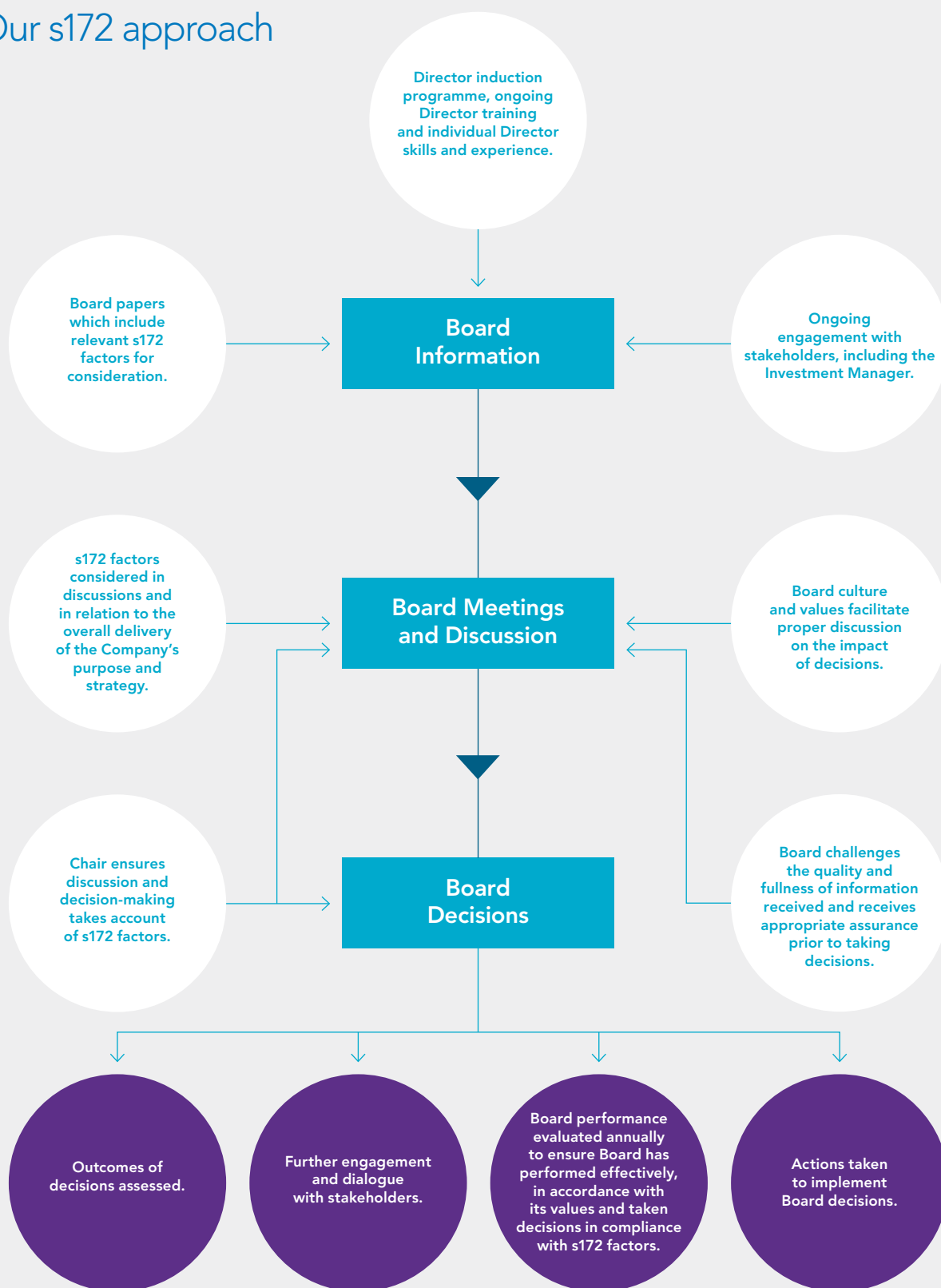


The need to act fairly towards all members of the Company

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

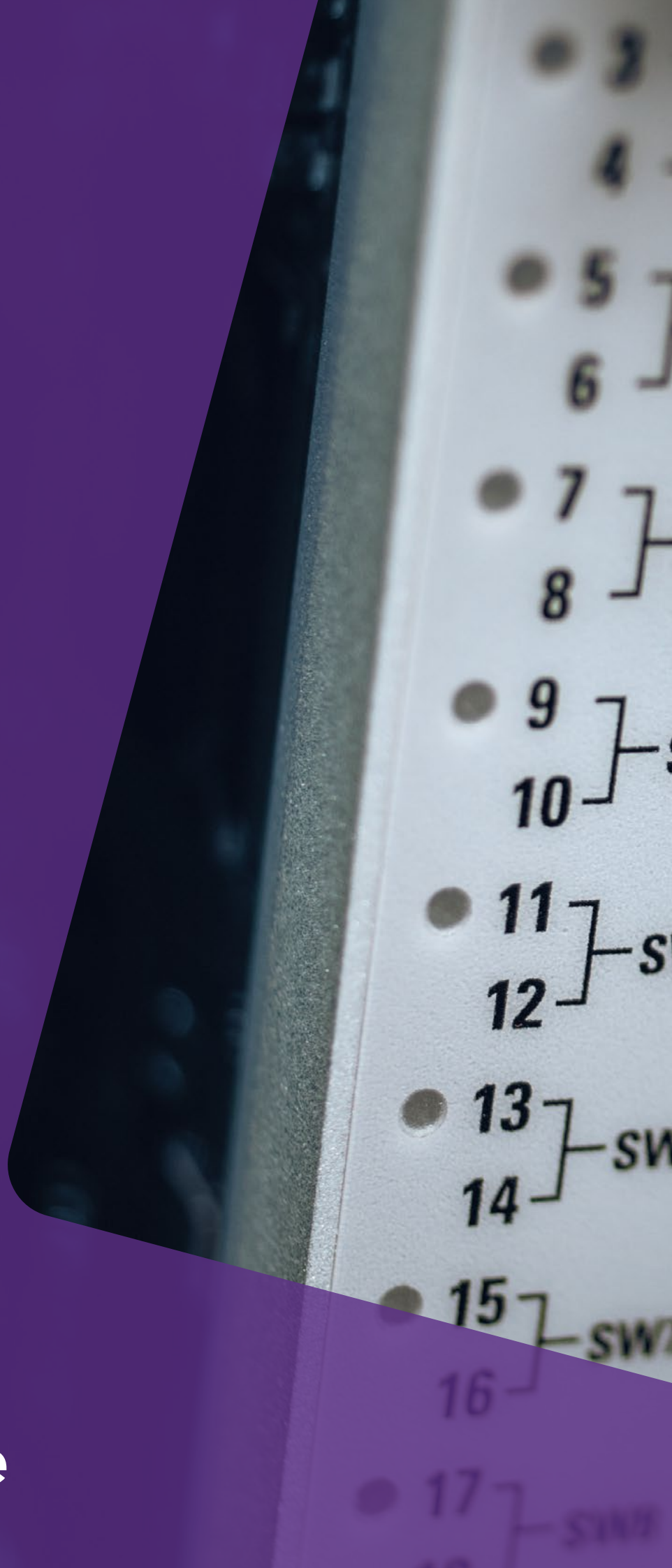
 **Read more**
Page 88

Our s172 approach



This Strategic report, on pages 1 to 75, is approved by order of the Board.

Authorised signatory
3i plc
Company Secretary
10 May 2021



Governance



Introduction to Governance

Effective corporate governance remains at the heart of how the Company conducts its business. This supports our purpose of investing responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive impact on our portfolio companies and their stakeholders.

“

In the current uncertain environment, the Board is more than ever aware of its responsibilities to consider the interests of a wide group of stakeholders, as it seeks to promote the long-term success of the Company.

Richard Laing
Chair, 3i Infrastructure plc
10 May 2021



Our corporate governance framework underpins the Company's purpose and the delivery of our strategy. This section of our Annual report provides details of our corporate governance framework and the approach the Board has taken over the last 12 months to promote the standards of good corporate governance that are rightly expected by all our stakeholders. This year has presented a number of challenges, including new ways of working. The Board and its Committees have successfully adapted to the rapidly changing circumstances and the challenges brought on by the Covid-19 pandemic. The Board has been unable to meet in person during the year and so has met through video conferencing for all of its Board and Committee meetings, as well as for engagement with our stakeholders. This has worked well, although the Directors look forward to being able to meet in person again when it is appropriate to do so.

 **How we have engaged with our stakeholders**
Pages 88 to 90

Principal governance activities during the year

Purpose

The Board worked with the Investment Manager to update our purpose so that it further aligns with the Company's values, strategy and culture.

The updated purpose is outlined on page 1 and is used to structure the Strategic report.

Decisions and s172

When making decisions, the Directors consider the requirements of s172 and further details of this are set out in our Section 172 Statement on page 74.

The Board reviewed its key decisions during the year to ensure that lessons are learnt from such decisions and that it monitors and assesses the manner in which it reached such decisions.

Meetings

During the year, there were six scheduled meetings of the Board of Directors. Due to the nature of the Board's involvement in the operation of the Company, there were five additional ad hoc Board meetings arranged at short notice. Further details can be found on page 87. In addition, the Board held a Strategy Day where the Board worked with the Investment Manager to consider matters of a strategic or wide-ranging nature. The Board has regular telephone or video calls with the Investment Manager which updates the Directors on its activities between Board meetings. In addition, as Directors were unable to meet in person this year, the Chair organised regular virtual 'coffee chats' for the Directors to meet in a more informal setting to discuss matters relating to the Company.

Investment Manager

3i Investments plc acts as the Investment Manager of the Company and has discretionary investment management authority other than in respect of certain transactions which must be referred to the Board. The Management Engagement Committee oversees the relationship with the Investment Manager and monitors its performance. Further details on the investment management agreement, the leadership of the Investment Manager and the oversight of the Management Engagement Committee can be found on pages 84, 85, 89, 103 and 104.

Compliance with the AIC Code

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

Board leadership and purpose

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

 **Read more**
Pages 82 to 90

Division of responsibilities

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

 **Read more**
Pages 91 to 93

Composition, succession and evaluation

We aim to have a balanced Board with the appropriate skills and experience to govern the business. We have an effective evaluation and succession plan.

 **Read more**
Pages 94 to 97

Audit, Risk and Internal Control

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

 **Read more**
Pages 98 to 102

Remuneration

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

 **Read more**
Page 105

Introduction to Governance



Integrity

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

Objectivity

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

Accountability

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

Legacy

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

Board values

The Board's values of Integrity, Objectivity, Accountability and Legacy underpin its open and collaborative culture and are supplemented by the skills and experience that each individual Director brings to the Company. The Board carefully considered its values and updated them this year to support the delivery of the Company's purpose and reflect the commitment of the Board to the success of the Company for the benefit of its members as a whole, whilst taking into account the views of stakeholders. The Investment Manager applies the 3i Group plc values as the basis of how it does business (see www.3i.com).

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

Stakeholders

The Board recognises the importance of engaging with stakeholders and details of that engagement programme are set out on pages 88 and 89. As an investment trust, shareholders are one of our key stakeholders and it is the Chair's responsibility to ensure that there is the opportunity for shareholders to engage with the Board on strategy, corporate governance and any other matters they wish to raise. The Chair welcomes the opportunity to meet with shareholders as required. The Board is grateful to all shareholders for their continued support and to those who have given feedback. Where shareholders have expressed concern over particular issues, the Board seeks to understand those concerns and address them where possible. Due to the UK government's lockdown restrictions, the Company held a closed AGM in 2020 followed by an interactive online shareholder presentation and the Board recognises that this limited the ability of some shareholders, in particular retail shareholders, to engage with the Directors and the Company. Whilst at the time of writing this report it is not clear that the roadmap out of lockdown will allow for a return to the more usual form of AGM in 2021, the Directors remain committed to engagement with the shareholders and encourage all shareholders to attend the online shareholder engagement event being held prior to the 2021 AGM. Shareholders will be able to ask questions either ahead of, during or after the event and Directors and the Investment Manager will be available to respond.

Committees

The Board, working with the Audit and Risk Committee, is responsible for ensuring that its Annual report and accounts are fair, balanced and understandable, and for establishing, maintaining and exercising oversight over the risk management and internal control frameworks. Further details on the work of the Audit and Risk Committee can be found on pages 98 to 102.

The role of the Remuneration Committee is to determine and maintain a fair reward structure for Directors to attract and retain the right talent to deliver the Company's strategic objectives. Further details on the work of the Remuneration Committee can be found on page 105.

Whilst there were no changes to the members of the Board this year, the Nomination Committee developed the Board succession plan and reviewed the appointment process for Samantha Hoe-Richardson. The Board will continue to ensure that in making appointments it, and any search firm that assists it, will consider a wide range of candidates from different backgrounds while making appointments on merit and which meet the objectives of its policy on diversity, including gender, social and ethnic background, cognitive and personal strengths. As described in more detail in the Nomination Committee report on pages 96 and 97, the Board is committed to ensuring that its composition will satisfy, in the medium term, the diversity targets set by the Hampton-Alexander and Parker reviews. Having the right balance of skills and experience amongst the Directors ensures that the Board can be responsible to shareholders for the overall management and oversight of the Company, for agreeing its strategy, monitoring its financial performance, setting and monitoring its risk appetite and maintaining an effective system of internal controls.

Board evaluation

During the year, the Company Secretary conducted a Board performance evaluation and the findings provided a further opportunity to continue to enhance the Board's contribution to the long-term success of the Company. Further details of the evaluation can be found on page 94.

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

Richard Laing
Chair, 3i Infrastructure plc
10 May 2021

Leadership and purpose

Board of Directors

Chair

Richard Laing

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

Skills and experience contributing to the Board

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

Current roles

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

Past roles

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

Independent non-executive Directors

Paul Masterton

Senior Independent Director

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

Skills and experience contributing to the Board

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

Current roles

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

Past roles

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

Wendy Dorman

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

Skills and experience contributing to the Board

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

Current roles

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

Past roles

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



Ian
Lobley

Wendy
Dorman

Robert
Jennings

Richard
Laing

Samantha
Hoe-Richardson

Doug Bannister

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

Skills and experience contributing to the Board

- Over 30 years' experience in the transportation and distribution sectors
- Experienced senior executive having led such businesses internationally
- Knowledge in turnaround, restructuring and transformation of capital intensive businesses.

Current roles

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

Past roles

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

Samantha Hoe-Richardson

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

Skills and experience contributing to the Board

- Senior executive with 18 years' experience in global mining and infrastructure
- In-depth understanding of environmental and sustainability issues
- Broad based non-executive Director experience.

Current roles

- Chair of Audit Committee of Lancashire Holdings Limited
- Chair of Audit Committee of Lancashire Insurance UK Limited
- Non-executive Director of Assured Guaranty UK Ltd
- Independent Group Advisor on Climate Change & Sustainability to Laing O'Rourke
- Trustee of the Royal School of Needlework.

Past roles

- Chair of Audit Committee of Unum Limited
- Head of Environment and Sustainable Development of Network Rail
- Head of Environment at Anglo American plc
- Chartered accountant.

Robert Jennings, CBE

Appointed February 2018. Member of Audit and Risk, Management Engagement, Remuneration and Disclosure Committees. UK resident.

Skills and experience contributing to the Board

- Significant expertise in corporate finance markets
- Extensive international corporate and governmental advisory investment banking career
- Specific experience in infrastructure assets – water, rail, airports, ports and ferries and renewable energy
- Deep understanding of climate change from a corporate governance perspective.

Current roles

- Chair of Sequoia Economic Infrastructure Fund Limited
- One of the founders and on the Board and Management Committee of Chapter Zero.

Past roles

- Department of Transport nominated non-executive Director of Crossrail Limited
- Chair of Southern Water
- HM Treasury special adviser to transport team
- Joint head of UBS Infrastructure Advisory business
- Chartered accountant.

Non-executive Director

Ian Loble

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

Skills and experience contributing to the Board

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

Current roles

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

Past roles

- Active investor and experienced board member in a variety of companies across Europe, Asia and the USA
- Leadership of technology investing and portfolio management activities
- Engineer at BOC Speciality Gases.



Paul
Masterton

Doug
Bannister

Leadership and purpose

Investment Management team

Managing Partner

1 Phil White

Joined 3i Group plc in 2007. Managing Partner and Head of 3i's Infrastructure business.

Current roles

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

Past roles

- Division Director of Macquarie's Infrastructure Funds business managing investments in the transport sector
- Over 20 years of experience of infrastructure investment, advisory and finance experience from roles at Barclays and WestLB.

CFO

2 James Dawes

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

Current roles

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

Past roles

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

Partners

3 Matt Barker

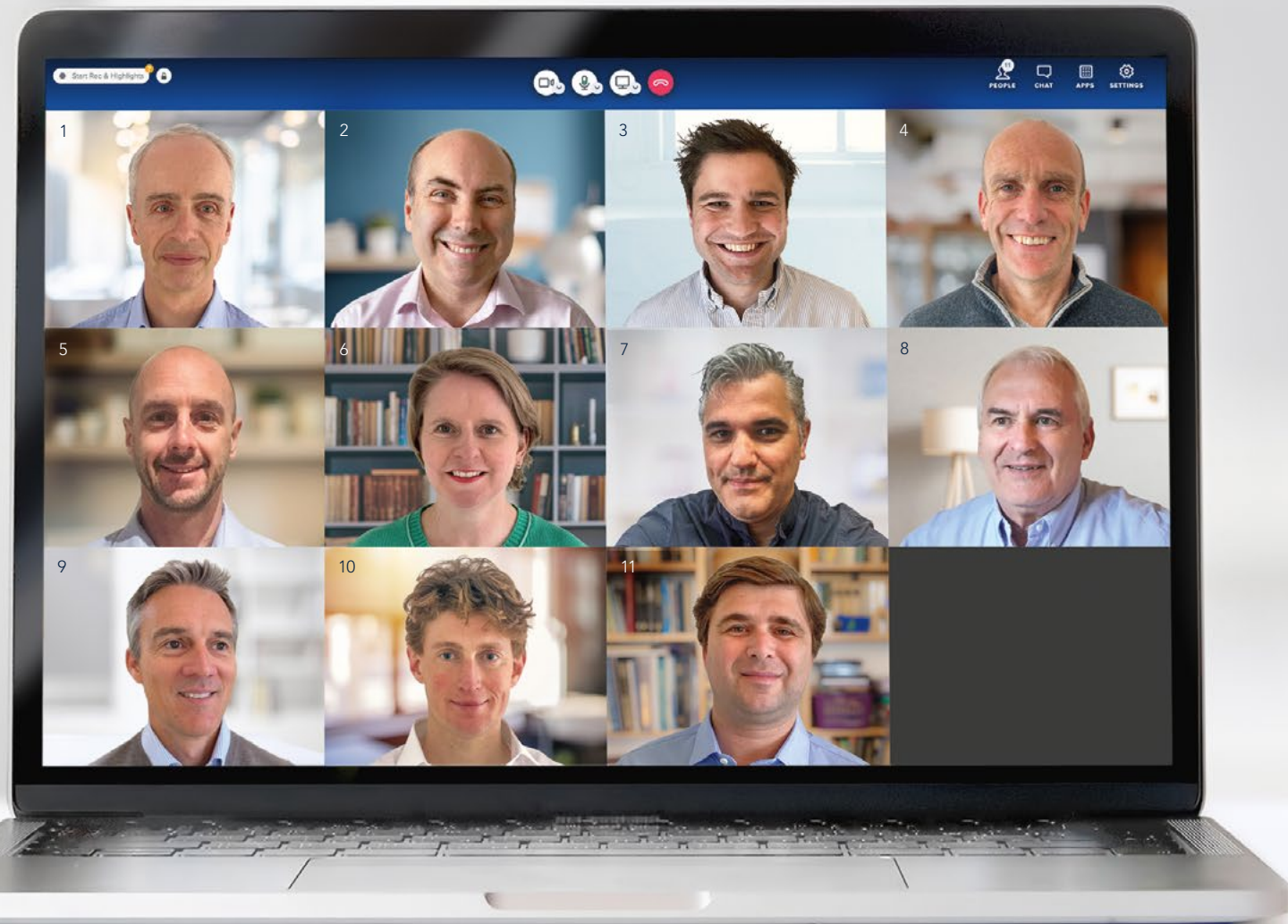
Joined 3i Group in 2010 and is a partner in the London infrastructure business.

Current roles

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

Past roles

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



4 John Cavill

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

Current roles

- Leads the assets management activity for the project portfolio
- Responsible for setting the strategy for asset management activities
- Overseas the implementation of value protection and enhancement activities, and performance reporting.

Past roles

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

5 Aaron Church

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

Current roles

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

Past roles

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

6 Anna Dellis

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

Current roles

- Leads asset management for the portfolio of economic infrastructure investments
- Leading role on many of the large infrastructure investments made by 3i Infrastructure, including Elenia and Eversholt Rail
- Led successful bid for 45% stakes in Oiltanking terminals in Ghent and Terneuzen
- Non-executive Director of Oiltanking companies in Singapore, Amsterdam, Terneuzen, Ghent and Malta.

Past roles

- Advised on infrastructure transactions at PwC
- Chartered accountant and member of the Institute of Chartered Accountants of England and Wales.

7 Stéphane Grandguillaume

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

Current roles

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

Past roles

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

8 Nigel Middleton

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

Current roles

- Focuses on investment appraisal and management of investments in infrastructure projects in various funds managed by 3i
- Led the formation and management of Infrastructure Investors ('I2'), a joint venture infrastructure fund between Barclays, Société Générale and 3i Group
- Established and manages BIFF, a long-term 'buy and hold' PPP fund which acquired I2 in 2009.

Past roles

- Managing Director at Barclays Infrastructure
- Head of PFI/PPP Advisory Services at PwC
- Worked at HM Treasury.

9 Scott Moseley

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

Current roles

- With Bernardo leads the team's origination and execution platform
- Extensive experience in European infrastructure, spanning utilities, transportation and social infrastructure
- Led the investments in Tampnet, ESVAGT, Elenia and XLT, and was a senior team member on Eversholt
- Led the successful divestments of Elenia and XLT as well as previously being responsible for junior debt investments in Arqiva, Associated British Ports, Télédiffusion de France, Thames Water and Viridian
- Non-executive Director of Tampnet and ESVAGT.

10 Tim Short

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

Current roles

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

Past roles

- Financial restructuring at Houlihan Lokey.

11 Bernardo Sottomayor

Joined 3i Group in 2015 and is a partner in the London infrastructure business.

Current roles

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

Past roles

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

Leadership and purpose

Role of the Board

Overview

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

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

The Company has no employees and its investment and portfolio monitoring activities have been delegated by the Board to 3i Investments plc in its role as Investment Manager. The Board ensures that the Investment Manager has the resources and capabilities to support the delivery of the Company's purpose and strategy. The Board's core values of Integrity, Accountability, Objectivity and Legacy underpin its open and collaborative culture and are supplemented by the skills that each individual Director brings to the Company (for further information see pages 82 and 83).

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

There is a schedule of matters which are considered significant to the Company due to their strategic, financial or reputational implications and consequences. These are reserved for decision of the Board. Details of key Board decisions and how the interests of stakeholders were considered by the Board when making these decisions are set out on pages 90 and 93.

As explained in the Introduction to Governance, during the pandemic the Board has changed its ways of working in order to continue to operate effectively and to ensure effective corporate governance.

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

Board committees

The Board is assisted in its activities by a number of standing committees of the Board and, in undertaking its duties, it delegates certain authorities and decisions to these committees. The Board reviews the membership of these committees on a regular basis. The Board committee structure, together with a summary of the roles and composition of the committees, is outlined in the table on page 87. All committees have terms of reference, which are available on www.3i-infrastructure.com. The Board considered and approved updates to all the committees' terms of reference and the Schedule of Matters Reserved to the Board this year to ensure they were appropriate and compliant with the legal and regulatory environment.

Further details on the areas of focus of the Board Committees, as well as details of attendance at scheduled full Board meetings, are set out on pages 87, 91, 92 and 96 to 105.

Changes to the Board of Directors

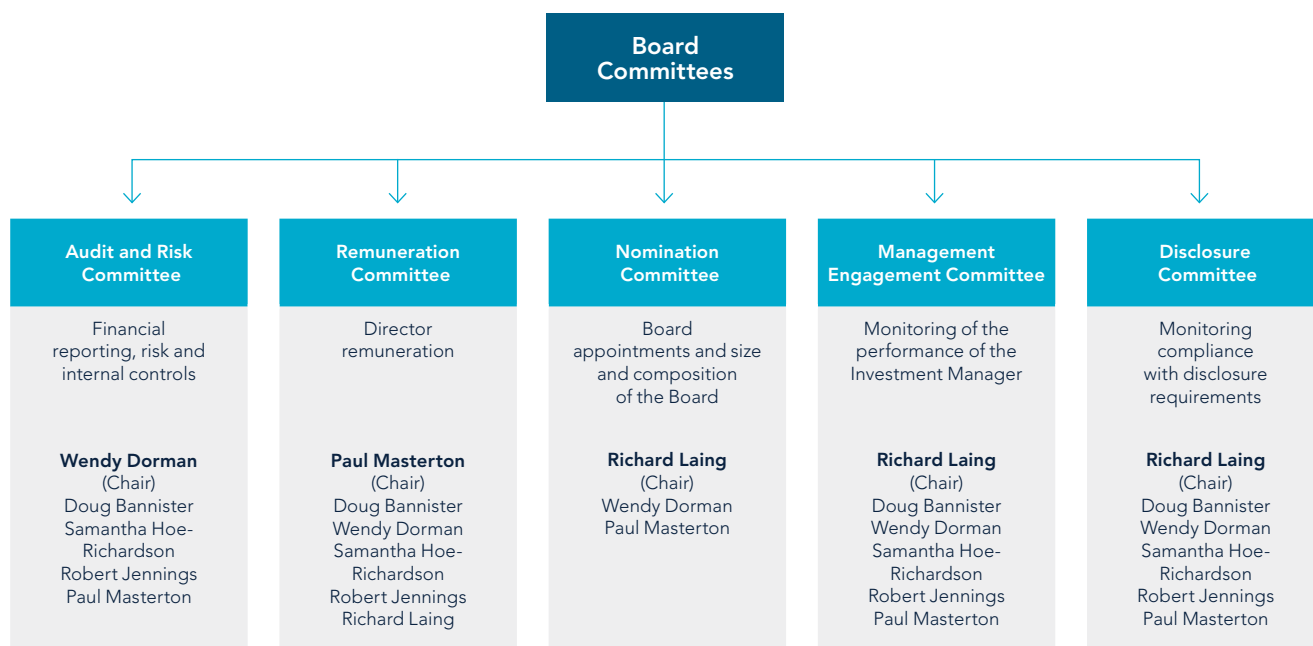
There were no changes to the Board of Directors or to the membership of the Board Committees during the year.

The Board's responsibilities and processes

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

The Board has put in place an organisational structure to ensure the efficient performance of its responsibilities. This is further described under the heading 'Internal control' on page 92.

3i Infrastructure plc



All committee members served throughout the year.

Meetings of the Board

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

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

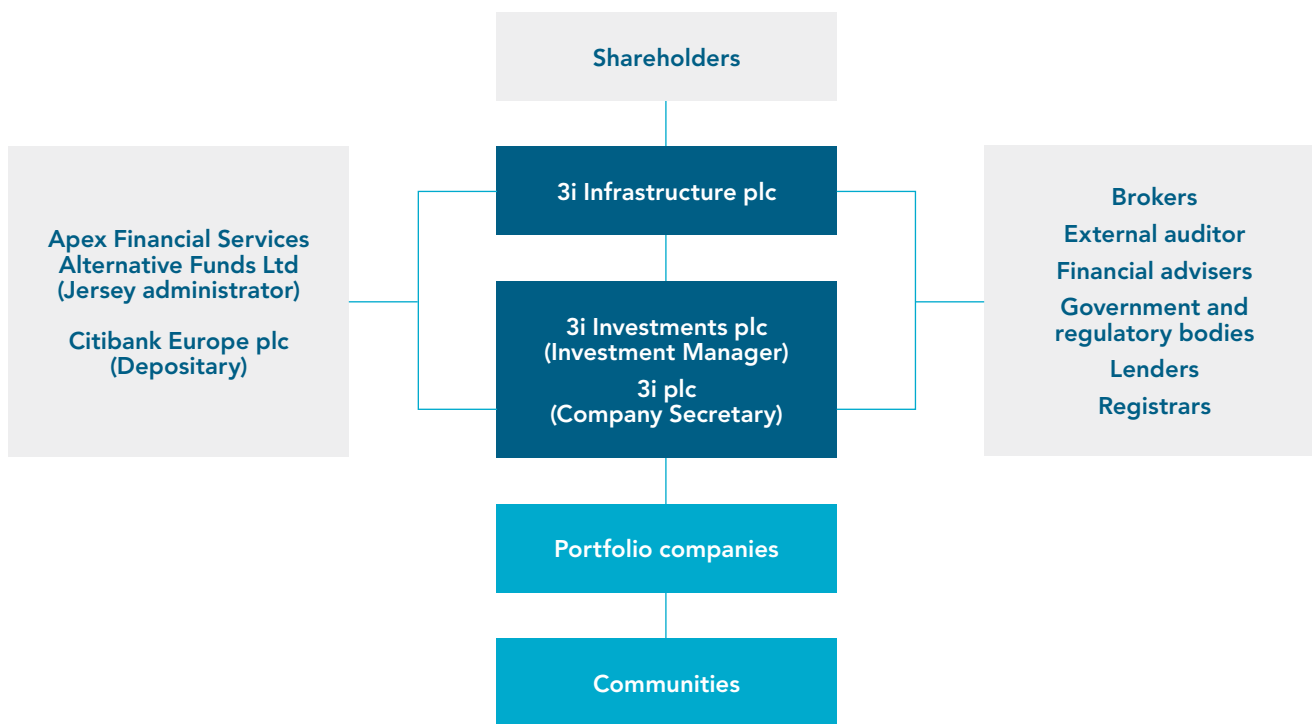
The table above indicates the number of meetings attended and in brackets, the number of meetings the Director was eligible to attend. Non-executive Directors also attended a number of the other meetings, strategy sessions and telephone calls to increase their understanding of the principal risks in, and activities of, the business and the Investment Manager. Directors not able to attend meetings due to longstanding prior commitments, illness or unavoidable circumstances, provided comments to the relevant chair on matters to be discussed at that particular meeting.

Richard Laing and Ian Lobley are invited to attend the Audit and Risk Committee.

Leadership and purpose

Engaging with stakeholders

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



Shareholders

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

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

The Board recognises that holding the 2020 AGM as a closed meeting limited communication opportunities between shareholders and Directors and so held an interactive online shareholder presentation after the AGM. This gave shareholders the opportunity to submit questions in advance or during the presentation, which Directors were then able to answer. Further information regarding the proposed arrangements for the 2021 AGM, and of a presentation to shareholders in advance of that meeting, can be found in the Chair's statement on page 5 and in the Notice of Annual General Meeting 2021.

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

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

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

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

Investment Manager

The key service provider to the Company is the Investment Manager. Senior members of the Investment Manager's team present to the Board and Board Committees on regular agenda items and the Board also receives presentations from a wider group of the Investment Manager's team. Through this engagement the Board is able to evaluate the Investment Manager's performance against the Company's strategy and to understand any risks and opportunities this may present to the Company. The relationship with and the performance of the Investment Manager is monitored by the Management Engagement Committee (for further details see pages 103 and 104).

Outcomes – This engagement ensures that the Company is well-managed and that the Board receives appropriate and timely support and advice from the Investment Manager.

Portfolio companies

The companies in which we invest are the source of returns to shareholders. We drive value through our engaged asset management approach as detailed in our Business model on page 14. The Company is committed to achieving its investment objectives in a sustainable way and our success as an investor relies on us maintaining a strong reputation for managing our portfolio sustainably. Further details are contained in the Sustainability report on pages 45 to 51. The principal engagement with the portfolio companies is through the Investment Manager's team. One or more of its investment professionals sits on the board of each portfolio company and engagement with a portfolio company takes place both formally at board level and informally by the Investment Manager's team on an ongoing basis.

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

Communities

The Company is committed to contributing positively to the communities in which it operates and details of this are contained in the Sustainability report on pages 45 to 51.

Outcomes – by investing in, developing and actively managing essential infrastructure this responds to public needs, fosters sustainable growth and improves the lives of communities.

Third-party service providers

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

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

Brokers

The Board and the Investment Manager work with the brokers to provide access to markets and liquidity in the Company's shares. The brokers meet the Board at least annually to advise on all aspects of their remit and reports from the brokers, particularly in relation to feedback from shareholders and potential investors, are presented to the Board. The Investment Manager meets regularly with the brokers who keep them up to date on both Company and wider market-related matters.

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

Lenders

The Investment Manager's treasury team manages the engagement with the lenders in the Company's revolving credit facility. For further details see page 107.

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

Government and regulatory bodies

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

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

Leadership and purpose

Engaging with stakeholders

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

The Board carefully considers the interests of all of its stakeholders as well as the other factors referred to in s172 in deciding what actions would be likely to promote the success of the Company for the benefit of its members as a whole. Set out below are examples of the Board's key decisions and areas of focus over the last year with details of how the interests of stakeholders were taken into account.

Decision/Area of focus	Response to the Covid-19 pandemic
Context	The Covid-19 pandemic has presented the global economy with significant challenges over the year and the impact of this crisis has been felt by all portfolio companies to varying degrees. It was important that the Board carefully understood the approach taken by the Investment Manager not just to its oversight and support of portfolio companies, but also to its financial management of the Company.
Stakeholder considerations	The Board considered whether it would be appropriate to declare a final dividend in May 2020 and an interim dividend in November 2020, given the level of economic uncertainty at that time. The Board balanced the needs of shareholders to maintain a consistent yield with the uncertainties faced by portfolio companies.
Impact on the success of the Company	The 2020 Annual report contained detailed disclosures relating to the impact of Covid-19 which enabled shareholders to understand how the pandemic had affected the Company. The Company had the financial resources to be able to support its portfolio companies.
Outcome	We received a positive response from shareholders and the financial markets to the payment of the dividend and the steady share price reflects that the Company has remained an attractive infrastructure investment trust for shareholders and potential investors. In the FRC's Covid-19 Thematic Review: Review of financial reporting effects of Covid-19, July 2020, 3iN was highlighted twice as an example of better practice in how the Company explained the assumptions used for the valuation of its portfolio, how the Company linked the key source of estimation uncertainty with risks listed in the strategic report and how it explained the sensitivity of extended Covid-19 restrictions on the portfolio.
Decision/Area of focus	Company Purpose
Context	The AIC Code states that the board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned.
Stakeholder considerations	When updating its purpose the Board considered why shareholders invest in the Company, whether the Company met the needs of portfolio companies, their employees and customers and the wider community. The Board also considered the importance of the Company's approach to sustainability and its related responsibilities, including regulatory responsibilities.
Impact on the success of the Company	The updated purpose is made up of a number of key components which (i) reflect the commitments the Company has to responsible investment; (ii) identify that the Company invests in infrastructure businesses that can deliver long-term sustainable returns; (iii) recognise that alongside financial returns, we have an opportunity and a responsibility to have a broader impact on society and the environment; and (iv) recognise the impact we have on our portfolio companies and their stakeholders (employees, communities and suppliers).
Outcome	Having a clearly articulated purpose demonstrates to all our stakeholders that we have realistic ambition for the business that is consistent with the Company's investment mandate.
Decision/Area of focus	Sustainability
Context	The Board is responsible for sustainability, with day-to-day accountability resting with the Investment Manager. The Investment Manager brings ESG matters to the Board for consideration whenever necessary, and presented to the Board on ESG matters within portfolio companies twice during the year. As owners of infrastructure assets, we recognise our ability to influence our portfolio companies, their management teams, employees, customers and suppliers. We have a responsibility to shareholders to deliver long-term sustainable returns, and to communities and the environment in which we operate to manage essential infrastructure in a responsible manner.
Stakeholder considerations	As detailed in the Sustainability report, the Investment Manager's Responsible Investing policy and engaged asset management approach enables us to appropriately consider and balance the wide range of considerations of our stakeholders.
Impact on the success of the Company	The impact of our focus on Sustainability is set out in detail in the Review of investments and Sustainability report.
Outcome	Having high ESG standards helps us to achieve long-term sustainable business growth for the benefit of all our stakeholders.

Division of responsibilities

The Chair of the Board

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

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

Senior Independent Director

Paul Masterton is the Senior Independent Director who supports the Chair in the delivery of his objectives. The Senior Independent Director leads the appraisal of the Chair's performance with the non-executive Directors. Any shareholder concerns can be conveyed to the Senior Independent Director and his contact details are available on the Company's website.

Directors

The Board comprises the Chair and six non-executive Directors. All Directors served throughout the year under review and were elected or re-elected at the Company's AGM in 2020.

The Directors monitor the delivery of Company's strategy set by the Board and constructively challenge and assist in the development of that strategy. They bring independent judgement to the consideration of issues of strategy, performance, investment appraisal, communication matters and standards of conduct. They are also expected to ensure high standards of financial probity on the part of the Company. As well as papers for Board, Board Committees and strategy meetings, the Directors receive monthly management accounts, reports and information which enable them to scrutinise the Company's performance against agreed objectives.

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

Following the formal appraisal process of Directors, and in accordance with Provision 7.2, paragraph 23 of the AIC Code, the Chair will propose the re-election of all Directors at the forthcoming 2021 AGM.

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

Directors' independence

All the Directors, with the exception of the Chair and Ian Loble, who is the 3i Group nominated Director, are considered by the Board to be independent for the purposes of the AIC Code. The Board assesses and reviews the independence of each of the Directors at least annually, having regard to the potential relevance and materiality of a Director's interests and relationships. The Chair was considered independent on appointment. No Director was materially interested in any contract or arrangement subsisting during or at the end of the financial year in relation to the business of the Company.

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

Division of responsibilities

The Company Secretary

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

Disclosure Committee report

The Disclosure Committee met during the year to consider matters within its remit, in particular in relation to the treatment of price sensitive information during the half-year and year end accounts process. On occasion and where appropriate the Board itself considered matters relating to the treatment of price sensitive information, rather than convening a separate Disclosure Committee meeting.

Internal control

The Board has overall responsibility for the Company's risk management and internal control framework, including the determination of the nature and extent of the principal risks it is willing to take to achieve its strategic objectives. The Company's overall risk management and internal control process is regularly reviewed by the Board and the Audit and Risk Committee and complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. The process has been in place for the year under review and up to the date of approval of this Annual report and accounts 2021.

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

The Audit and Risk Committee receives presentations and reports on the control systems and their operation from its main service providers, including from the Investment Manager and the Heads of Internal Audit and Compliance of the Investment Manager. The risk log contains a description of events that have occurred and relevant actions/mitigants taken. The Committee tracks open internal audit actions and receives reports on their progress to closure.

The Company's Compliance Officer, Money Laundering Reporting Officer and Money Laundering Compliance Officer is an employee of Apex Financial Services (Alternative Funds) Limited (the Jersey administrator) ('Apex'). He presents a report at every Audit and Risk Committee meeting and the Committee is responsible for the assessment and evaluation of these reports in the context of the delegated investment management and support services and for monitoring the effectiveness of those internal controls. On the recommendation of the Compliance Officer and the Money Laundering Compliance Officer, the Board approved significant updates to its Conduct of Business Manual, Anti-Money Laundering Manual and customer due diligence processes during the year.

In addition, the Chair of the Audit and Risk Committee meets with the Compliance Officer, and the Investment Manager's Head of Internal Audit and Head of Compliance receive assurance on the internal audit and compliance processes and procedures of the Investment Manager.

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

Key Board activities and decisions during the year

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

Approval of the FY20 final dividend of 4.6 pence per share, meeting our target for the year of 9.2 pence per share and a target dividend for the year ended 2021 of 9.8 pence per share.

9.8p

2021 target
dividend per share

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



Approval of the Annual report and accounts 2020.



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



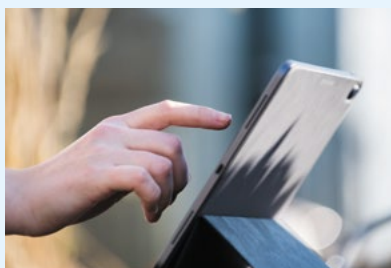
Development and approval of the Board values.



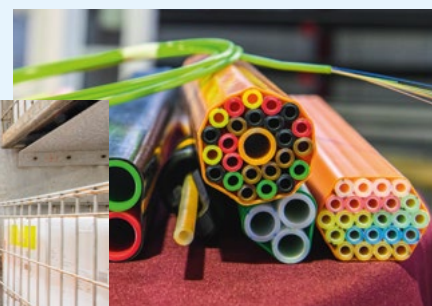
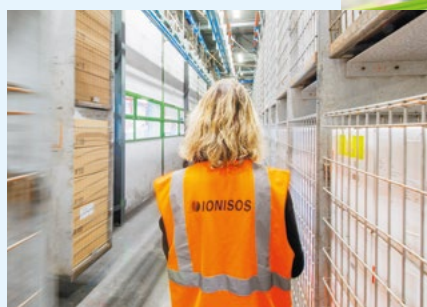
Development and approval of an updated Company purpose.

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

Consideration of the ESG strategy.



Review of investment opportunities and organic growth initiatives.



Regular reviews of liquidity management.

Approval of the FY21 interim dividend of 4.9 pence per share.

Approval of updates to Committee Terms of Reference and Schedule of Matters Reserved to the Board.

Composition, succession and evaluation

Evaluation and Director Training

Board and Committees

The Company Secretary undertook evaluations of the performance of the Board, the Audit and Risk Committee and the Chair. The evaluations provide an opportunity for the Board to consider and reflect on the quality and effectiveness of its decision making, the range and level of discussion and for each Director to consider their own contribution and performance. An externally facilitated evaluation was last conducted in 2019 by Lintstock and the 2022 evaluation process will be externally facilitated.

The evaluation involved the completion by all Directors of a questionnaire. The Investment Manager's Managing Partner, Phil White, and CFO, James Dawes, both of whom attend Board meetings, also completed the questionnaire. The anonymity of all respondents to the questionnaire was maintained in order to promote the open and frank exchange of views. Reports were subsequently prepared by the Company Secretary which included an analysis of themes and these were discussed with the Chair, the Chair of the Audit and Risk Committee and the Senior Independent Director as appropriate. The reports were then tabled at the Board for consideration and discussion.

The Board noted that the results of the review showed a high degree of overall satisfaction with the composition and expertise of the Board. The performance of the Board was seen to have improved since the previous year's review. The effectiveness of the Investment Manager was also rated very highly with continued improvement in the information provided to the Board and increased contact with the wider investment management team.

The key themes highlighted on the 2021 evaluation were:

- **Strategy** – to further develop the Company's approach to sustainability and how it influences long-term strategy;
- **Shareholders and stakeholders** – to continue to develop relationships with shareholders and stakeholders;
- **Risk management** – maintain oversight of risk management in line with best practice; and
- **Succession planning and Board diversity** – to retain focus on gender and ethnic diversity in succession planning for future Board appointments.

The Board evaluation next year will follow up on the themes and recommendations from this review to ensure that progress is assessed and measured.

The evaluation concluded that overall the Board, the Audit and Risk Committee and the Chair were considered very effective. A programme of actions was subsequently agreed, with such actions being tracked over the year.

It was noted that good progress had been seen against the recommendations made in the 2020 review, as follows:

Evaluation Actions 2020	Progress
Test and develop the Company's strategy	A new style Board agenda was developed with a specific section at every Board meeting focused on strategic matters. Over the course of the year, strategic matters have been discussed, supported by a Strategy Day in February 2021.
Greater focus on improving Board diversity	As reported in the Nomination Committee report, diversity has been a focus area of the Nomination Committee with succession plans established which incorporate gender and ethnic diversity considerations as part of the appointment process.
Broaden the Board's understanding of the views and requirements of investors	The Board receives regular presentations from RBC, JP Morgan Cazenove and Rothschild, supplemented by the Investment Manager sharing investment analyst notes with the Board when they are published. Additionally, representatives from AJ Bell presented to the Board on the role of retail investor platforms.
Increased focus on the oversight of risk management	The Audit and Risk Committee received a detailed risk review as part of the three-year cycle of risk reviews, which included input from Directors, considered the impact of Covid-19 and proposed updates to the risk matrix. This will be followed in October 2021, continuing into 2022, with the start of a new risk review cycle and full review of the risk register.
Refine the Board's oversight of asset valuations	The way in which valuations and accompanying papers from the Investment Manager and the External auditor were presented to the Audit and Risk Committee was streamlined enabling the Committee's oversight to be more focused and detailed. Particular attention was given to those portfolio assets more impacted by the Covid-19 pandemic. The Board received further training on valuations methodology in October 2021 with an in-depth review of one of the portfolio assets as a worked example.

Director training and development

The Company has developed a framework within which training for Directors is planned, with the objective of ensuring that the Directors understand the duties and responsibilities of being a director of a listed company and the business environment of the Company. All Directors are required continually to update their skills and maintain their familiarity with the Company and its business. Presentations on different aspects of the Company's business are made regularly to the Board, usually by the Investment Manager, but on occasion by other advisers, including the Company's corporate brokers, External auditor, tax adviser, financial adviser, depositary, Jersey administrator and legal advisers. The Directors have the opportunity to request additional training and development where they feel that would be appropriate.

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

- aspects of the infrastructure market, sector reviews and infrastructure assets;
- briefings in relation to changes to laws and regulations in Jersey and the UK;
- changes and updates to corporate governance;
- maintenance of the investment trust status and UK corporation tax compliance;
- valuations methodology;
- Climate Change Briefing presented by Cambridge Institute for Sustainability Leadership; and
- retail investor platforms.

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

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

Composition, succession and evaluation

Nomination Committee report



This year the Committee has focused on succession planning and the steps the Board intends to take to promote both gender and ethnic diversity amongst its Directors.

Richard Laing
Chair, Nomination Committee



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

The 2020 Board evaluation included assessing whether the Board contained an appropriate mix of expertise, experience and diversity given the structure, strategy and domicile of the Company. Overall the evaluation recognised the importance of achieving increased gender and ethnic diversity, whilst noting that this may only be achieved over the medium term as Directors retire from the Board at the end of their terms.

Matters reviewed in the year

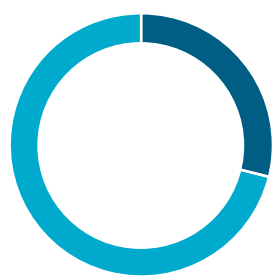
During the year the Committee reviewed its compliance with the AIC Code and its Terms of Reference and confirmed that it remained compliant with all its corporate governance responsibilities.

Diversity

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

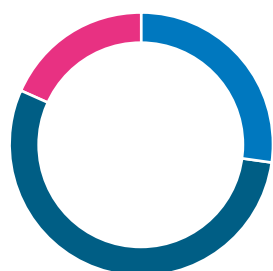
The Board supports the principles of the Hampton-Alexander and Parker Reviews on gender and ethnic diversity. The Committee recognises that the composition of the Board, with two female Directors out of a total of seven, falls short of the gender diversity targets set by the Hampton-Alexander review. The Board is committed to ensuring that its composition will satisfy these requirements in the medium term, and the Committee has developed its succession plan in line with both the Hampton-Alexander review targets and the wider diversity requirements of the AIC Code and the Parker Review.

Board members by gender



● Female (29%)	2
● Male (71%)	5

Non-executive Directors' tenure



● 0-3 years	2
● 4-6 years	4
● 7+ years	1

It is important to also note that the Articles of the Company provide that the number of Directors should not exceed seven. Since the transfer of tax domicile and management of the Company from Jersey to the UK in October 2018, the Company is required to have only two Jersey resident independent non-executive Directors and this enables future appointees to be selected from a wider and more diverse candidate pool than hitherto.

Succession planning

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

The Board agreed a maximum term for any Director of nine years, subject to any exceptional circumstances that might arise at the relevant time. The Committee also reviewed the appointment process used for the appointment of Sam Hoe-Richardson in 2019 and was satisfied that it had worked well, with non-Committee members particularly appreciating being kept informed of the process and having the opportunity to meet Sam prior to her appointment. As part of the development of that process the Committee looked at alternative processes that might be used in the future and discussed these with the external recruitment consultant.

Richard Laing

Chair, Nomination Committee
10 May 2021

Board skills and experience

Number of Board members

Infrastructure	3
Investment Trust	3
Financial/Accounting/Audit	3
Risk Management/Compliance	3
ESG	3
International	5
Legal/Regulatory/Governance	3
Technology	1
M&A/Capital Markets	2
Remuneration	3
Listed Company	4
Fund Management	2

Audit, Risk and Internal Control

Audit and Risk Committee report



The Audit and Risk Committee was focused on financial reporting and risk management this year, including risks from Covid-19.

Wendy Dorman
Chair, Audit and Risk Committee



The role of the Audit and Risk Committee is to assist the Board by establishing, reviewing and monitoring policies and procedures to ensure the integrity of financial and narrative reporting, the independence and effectiveness of the External auditor, the effectiveness of the system of internal controls and the risk management framework. The Committee also manages the relationship with the External auditor. The Committee and its members act in a way that they consider to be likely to promote the best interests of the Company, ensuring that the interests of shareholders and the wider stakeholder group are properly considered and reflected in their decision making process (see page 90 for further details).

The annual evaluation of the performance of the Committee was conducted as part of the Board evaluation process with findings discussed with the Committee Chair and at the Board. Overall the Committee was considered to be performing well and was effective in discharging its responsibilities. In addition, the results of the evaluation contributed towards shaping the future Board training programme.

All the members of the Audit and Risk Committee are independent non-executive Directors who have the necessary range of financial, risk, internal control and commercial experience required to provide effective challenge. The Audit and Risk Committee Chair, Wendy Dorman, is a Chartered Accountant, and the Board is satisfied that she has recent and relevant financial experience. The Chair of the Board is not a member of the Committee but attends meetings by invitation. The Committee Chair meets regularly with the External auditor.

Financial and narrative reporting

The Committee reviewed and made recommendations to the Board regarding significant accounting matters and the accounting disclosures in the Half-yearly report and Annual report and accounts of the Company. The Company, through the Investment Manager, has in place internal control and risk management arrangements to support the financial and narrative reporting process and to provide assurance that the Financial statements are prepared in accordance with applicable standards.

Financial Reporting Council ('FRC')

At the time of writing the 2020 Annual report, the impact of the Covid-19 pandemic was only starting to be felt. It was critical that the 2020 Annual Report responded to the level of uncertainty with increased disclosures. In the FRC's Covid-19 Thematic Review: Review of financial reporting effects of Covid-19, July 2020, the Company was highlighted twice as an example of better practice for how the Company explained the assumptions used for the valuation of its portfolio, how the Company linked the key source of estimation uncertainty with risks listed in the Strategic report and how it explained the sensitivity of extended Covid-19 restrictions on the portfolio. In addition I am pleased to report that the FRC carried out a review of the 2020 Annual report and confirmed that they had no questions or comments. The review conducted by the FRC was based solely on the Company's published report and accounts and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into by the Company.

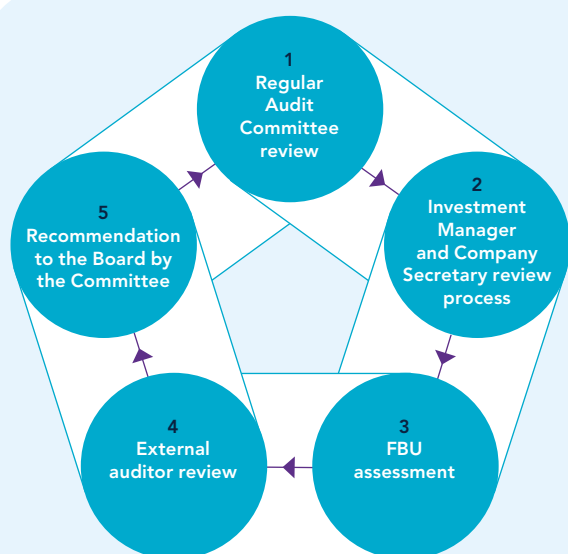
Fair, balanced and understandable ('FBU') reporting

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

Key accounting estimates and judgements

An important responsibility of the Committee is to review and agree the key estimates, judgements and assumptions which impact the Financial statements. The key areas of judgement are set out below. After receiving reports on the significant estimates and matters of judgement from the Investment Manager, and after considering the report on the audit from Deloitte, the Committee agreed that the judgements made were appropriate and correctly reflected and presented in the Annual report. More detailed information on the Company's accounting policies can be found on pages 125 to 131.

Valuation of the investment portfolio	<p>Over the last 12 months the Committee has considered the impact of Covid-19 on the portfolio which has seen changes to working practices and delays to growth opportunities, and the indirect impacts such as reduced demand for energy which negatively impacted power prices. The Committee noted that the portfolio has proved to be resilient to the pandemic and the effects on the portfolio are better understood, with greater visibility over the short to medium term cash flows of portfolio companies. The Committee considered that this had been reflected in the individual portfolio company valuation models. The matters disclosed on pages 127 and 128 as key sources of estimation uncertainty were considered. The Committee also considered climate change risk and stranded asset risk particularly on the terminal value assumptions.</p> <p>The Investment Manager, as the Company's Alternative Investment Fund Manager, is responsible for providing a valuation of the investment portfolio that has been prepared properly and independently challenged. The Committee noted that 3i Investments plc's infrastructure valuations committee is considered independent of the Investment Manager's fund management activity and that it had approved the investment portfolio valuation as at 31 March 2021. The Committee discussed in detail the portfolio company valuations with the Investment Manager and the External auditor, including the External auditor's valuation expert, and considered that the principles of valuation applied by the Investment Manager to the investment portfolio had been applied correctly and consistently and recommended the valuations to the Board for approval.</p>
Interest streaming	<p>For an approved investment trust that has taxable profits arising from net interest income, the UK tax rules provide an option to treat a part of the dividends it pays as interest. The Annual report and accounts have been prepared on the assumption that the Company will designate 2.9 pence per share of its dividend of 4.9 pence per share as interest.</p>
Investment entity consideration	<p>The Committee reviewed the assessment that the Company continues to meet the criteria of an investment entity.</p>
Calculation of the management and performance fees payable to the Investment Manager	<p>The Committee undertook a detailed review of the performance fee calculation. The Committee also had access to a review of the calculation of the performance fee carried out by the internal audit function of the Investment Manager and engaged the External auditor to perform additional agreed-upon-procedures work to agree that the management and performance fees were calculated in accordance with the underlying Investment Management Agreement.</p>
Valuation of derivative financial instruments, other receivables and recognition of contingent amounts	<p>The Committee considered and agreed with the Investment Manager's valuations in relation to derivative financial instruments, other receivables and recognition of contingent amounts.</p>



The following process was followed by the Committee in making its FBU assessment

- 1 The Committee reviewed the Annual report at an early stage, and throughout the process, to enable sufficient time for comment and review and ensure overall balance and consistency.
- 2 The Investment Manager and Company Secretary oversaw a verification process for all factual content and reported back to the Committee on its assessment and findings.
- 3 The Committee approved the process in place to support the FBU assessment and reviewed the findings of the process. The Committee was satisfied that all key events and issues reported to the Board by the Investment Manager had been adequately referenced or reflected within the Report.
- 4 The External auditor presented the results of its audit work. The significant issues considered by the Committee were consistent with those identified by the External auditor in its report (see pages 112 to 119 for further information).
- 5 The Board approved the Committee's recommendation that the FBU statement could be made and this can be found in the Directors' Statement on page 109.

Audit, Risk and Internal Control

Audit and Risk Committee report

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

- the roadmap to adoption of the disclosures recommended by the TCFD;
- post balance sheet events; and
- other changes in presentation within the report to improve clarity for users.

The Committee presented its conclusions on the above areas to the Board and advised the Board that it considered the Annual report and accounts, taken as a whole, to be fair, balanced and understandable. The Committee further advised that so far as it was aware, there was no relevant audit information of which the External auditor was unaware; that the Committee had taken all reasonable steps to ascertain any relevant audit information and ensure the External auditor was aware of such information; and that the Annual report and accounts provided the information necessary for the shareholders to assess the Company's position, performance, business model and strategy.

External auditor

The Committee has primary responsibility for overseeing the relationship with Deloitte LLP ('Deloitte'), the External auditor, including assessing annually its performance, effectiveness and independence. Shareholders approved the re-appointment of Deloitte as External auditor for the year ended 31 March 2021 at the Company's July 2020 AGM. Jacqueline Holden has been the audit partner for Deloitte since first appointment in the year to 31 March 2018 following a full audit tender.

The Committee reviewed and monitored Deloitte's execution of the audit plan. The Committee considered Deloitte's report on its review of the half-yearly results and its report on the FY21 audit. It discussed all significant matters identified in Deloitte's final report on the FY21 audit including key accounting judgements taken by the Investment Manager and the Investment Manager's responses to any audit findings.

External auditor effectiveness

The Audit and Risk Committee reviewed the effectiveness of the external audit process during FY20, considering performance, objectivity, independence and relevant experience demonstrated by reports and presentations from the External audit team and discussion with the Investment Manager. The Committee monitors the External auditor's independence and objectivity, taking into consideration relevant professional and regulatory requirements, the quality of the audit process, and the use of Deloitte's valuation practice to support the audit of the portfolio valuations, the technical knowledge of the team and staff turnover within the Deloitte audit team. The Committee considered a memorandum from the Investment Manager regarding the External auditor's effectiveness, independence and objectivity. The Committee noted the following in respect of the External auditor:

- the audit was conducted remotely due to the Covid-19 stay at home restrictions and whilst this provided a number of challenges for both Deloitte and the Investment Manager, the audit was efficient and effective, and the pre-Covid-19 deadlines were met;
- the high level of engagement from the audit partner throughout the audit process;
- the audit matched the process set out in the audit plan;
- the External auditor had undertaken work to address the risks identified their plan and any subsequent risks that had been identified;
- the External auditor's focus on valuation assumptions, particularly in relation to Covid-19;
- the detailed work completed on the calculation of the Management and Performance Fees as this was the first full year under the new calculation methodology;
- the helpful advice on additional disclosure and sensitivities required concerning the assumptions on Covid-19 restrictions;
- the use of sophisticated technology to support the conduct of the audit;
- the level and quality of challenge received from the External auditor;
- a good knowledge of accounting standards, governance requirements and the infrastructure market;
- the robust and perceptive handling of the key accounting and audit judgements;
- the support received by the External auditor from the External auditor's technical team;
- the continuity of the audit team was predominantly retained from the previous year;
- the focus of the External auditor on compliance with the UK Investment Trust Regulations and AIC Statement of Recommended Practice; and
- the final report was presented based on a good understanding of the Company's business and included granularity around the valuation assumptions.

Non-audit services and External auditor independence

The Committee monitors the Company's policy for non-audit services to ensure that the provision of such services by the External auditor does not impair the External auditor's independence or objectivity. The Committee reviewed and updated the Company's policy on the provision of non-audit services which is compliant with the provisions applicable to public interest entities in the Revised Ethical Standard 2019 published by the Financial Reporting Council. In order to safeguard External auditor objectivity and independence, the chair of the Audit and Risk Committee is required to approve all non-audit work undertaken by the External auditor for the Company and its subsidiaries in advance, and as a general rule the External auditor will not be engaged on investment-related work. However, exceptions to this may be permitted if the work is (i) for an affiliate of the Company and an indirect service to the Company or (ii) reporting accountant work, for example in the case of a capital raise.

Deloitte and their associates provided non-audit services to the Company for fees totalling £52,700 for the year to 31 March 2021 (2020: £65,173). This related to agreed-upon procedures on the management and performance fees (£7,200) and a review of the interim financial statements (£45,500). In this financial year, in line with the Company's policy, Deloitte provided non-audit services in relation to certain non-consolidated investee companies. The fees for these services are ordinarily borne by the underlying investee companies or unconsolidated subsidiaries, and therefore are not included in the expenses of the Company.

In assessing the External auditor's independence, the Committee reviews the total amount of fees paid to the External auditor in accordance with the stated policy on non-audit services, regardless of whether they are borne by the Company or by the investee companies.

The Committee concluded that the External auditor remained independent and the audit was effective, and that a resolution be proposed to shareholders recommending the re-appointment of Deloitte at the 2021 AGM.

Risk management and internal control

The Committee is responsible on behalf of the Board for overseeing the effectiveness of the Company's risk management and internal control systems. During the year, the Committee:

- carried out a review of the risk management framework and updated the risk matrix, where appropriate, to reflect the Company's key risks and consideration of new and emerging risks, in particular the impact of the Covid-19 pandemic and ESG-related risks;
- considered the impact of Covid-19 risks on key suppliers, including the controls in place for remote working by those key suppliers;
- conducted risk reviews as detailed in the Risk report on pages 66 to 71;
- regularly reviewed the risk log;
- considered reports from the Company's Compliance Officer, Money Laundering Compliance Officer and Money Laundering Reporting Officer;
- considered and approved updates to (i) the customer due diligence procedures for shareholders, (ii) the conduct of business manual and (iii) the anti-money laundering manual;
- considered the presentation of risk-related matters in the Annual report and accounts;
- considered the viability statement and the reverse stress test analysis;
- considered reports on the controls systems and their operation from the main service providers, including from the internal audit and compliance departments of the Investment Manager and determined the effectiveness of the internal controls; and
- reviewed the fact that the Company does not have a separate internal audit function and recommended to the Board that it was not considered appropriate to have one given the structure of the Company.

From October 2021 and continuing into 2022, the Committee will carry out a full review of the risk register as part of the start of a new three-year review cycle.

Audit, Risk and Internal Control

Audit and Risk Committee report

Other matters

Other matters reviewed by the Committee during the year were:

- the Company's compliance with its regulatory requirements generally with particular focus on the entire scope of governance and compliance information received by both the Board and the Board Committees;
- the coverage of the proposed interim and final dividends, including a review of the Board's assessment of the coverage of dividend payments through income generated by the Company, non-income cash distributions received from portfolio companies, net capital profits generated from the sale of portfolio assets and retained reserves; and
- the Company's compliance with its regulatory obligations in Jersey.

The Committee reported to the Board on how it has discharged its responsibilities and reported to the Board the key matters arising at each meeting. All recommendations were accepted by the Board.

Wendy Dorman

Chair, Audit and Risk Committee
10 May 2021

Relationship with Investment Manager Management Engagement Committee report



Management of the performance of and relationship with the Investment Manager remains key to the success of the Company.

Richard Laing
Chair, Management Engagement Committee



The principal function of the Management Engagement Committee is to consider, and recommend to the Board, whether the continued appointment of the Investment Manager is in the best interests of the Company and its shareholders and to give reasons for its recommendation. Its remit includes managing all aspects of the performance of and relationship with the Investment Manager. The Committee also reviews the terms of the Investment Management Agreement.

Investment Manager

On 15 October 2018, the Company appointed 3i Investments plc as its Investment Manager (it having previously acted as the Company's investment adviser) with discretionary investment management authority. The Investment Manager is responsible for the determination and supervision of the investment policy and for the approval of investment or divestment opportunities, subject to the investments or divestments remaining below an agreed threshold. Where the value of investments or divestments is above the agreed threshold, the Board is responsible for approving these opportunities.

The Investment Manager keeps the Board regularly updated on the progress of the deal pipeline, and proposed and completed transactions. The Investment Manager discusses with the Board potential investment opportunities and proposed divestments, whether or not they are within the Investment Manager's delegated authority. The Investment Manager manages the origination activities (which includes an investment exclusivity arrangement in respect of investment opportunities within the Company's investment policy), funding requirements, as well as the management of the investment portfolio, all of which are governed by the terms of the Investment Management Agreement.

Fees under the Investment Management Agreement consist of a tiered management fee and time weighting of the management fee calculation, a one-off transaction fee of 1.2% payable in respect of new investments, and the payment of a performance fee on a phased basis and subject to future performance tests. The applicable tiered rates are shown in the table below:

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

Relationship with Investment Manager

Management Engagement Committee report

The Investment Management Agreement is terminable on service of 12 months' notice by either party, provided that such notice may not expire any earlier than the fourth anniversary of the effective date of the agreement. In effect this means that both the Company and Investment Manager are committed to the Investment Management Agreement until 15 October 2022 at the earliest. Furthermore, if the Company were to serve a notice of termination of the Investment Management Agreement prior to 15 April 2022, it would be required to make an additional payment to the Investment Manager equal to six months' management fees.

Further details of the performance fee and the relationship between the Company, 3i Investments plc and 3i Group plc are described in more detail in Note 18 on pages 143 and 144.

The Committee monitored the overall relationship with the Investment Manager and it:

- monitored and reviewed the Investment Manager's performance against the Company's strategy and the general market conditions;
- reviewed the quality, timeliness, accuracy and relevance of the information provided to the Board, including recommendations on new investments and disposals, and reviews of portfolio company performance;
- reviewed reports from industry analysts, comparing the performance of listed infrastructure investment companies, including an analysis of the terms of their management agreements and fees charged relative to their investment objectives;
- reviewed the fees charged to the Company by the Investment Manager for the provision of its management services; and
- reviewed non-investment services provided by the Investment Manager.

Following its assessment, and based on the continued good performance of the Investment Manager, the Committee recommended to the Board, and the Board agreed, that the continued appointment of the Investment Manager on the terms set out in Note 18 on pages 143 and 144 is in the interest of shareholders as a whole.

Richard Laing

Chair, Management Engagement Committee
10 May 2021

Remuneration

Remuneration Committee report



The Remuneration Committee, comprising the independent non-executive Directors, sets the remuneration of the Chair and members of the Board.

Paul Masterton
Chair, Remuneration Committee



The Remuneration Committee is charged with reviewing the scale and structure of the non-executive Directors' remuneration.

Remuneration policy

The remuneration of each of the Directors is subject to fixed fee arrangements and none of the Directors received any additional remuneration or incentives in respect of his or her services as a Director of the Company. The Directors' fees were reduced in April 2019 following the Company becoming a managed alternative investment fund, which led to a reduced time commitment for Directors. This year, Trust Associates carried out a benchmarking exercise on behalf of the Committee. Their report provided a general comparison of fees with (i) FTSE 250 companies, (ii) infrastructure companies within the investment company sector, (iii) an overall infrastructure peer group and (iv) externally managed investment companies. The Remuneration Committee reviewed the current level of the Directors' fees taking account of the time spent including but not limited to attendance at meetings, Board calls with the Investment Manager, the strategy day and attending ad hoc meetings.

After careful consideration the Committee recommended to the Board that the Chair and Directors' fees remain unchanged.

The Directors' fees for the financial year to 31 March 2021 were as follows:

	Amount paid in the year ended 31 March 2021 £	Amount paid in the year ended 31 March 2020 £
Directors' fees		
Richard Laing	120,000	120,000
Doug Bannister	46,000	46,000
Wendy Dorman	56,000	56,000
Samantha Hoe-Richardson ¹	46,000	9,583
Robert Jennings	46,000	46,000
Ian Lobley ²	46,000	46,000
Paul Masterton	53,000	53,000

1 Appointed with effect from 22 February 2020.

2 Fee payable to 3i plc.

Paul Masterton
Chair, Remuneration Committee
10 May 2021

Directors' statement

Principal activity

The Company is a closed-ended UK investment trust that invests in infrastructure businesses and assets. The Directors do not anticipate any change in the principal activity of the Company in the foreseeable future. Its unconsolidated subsidiaries are shown in Note 19 on pages 145 and 146.

Investment trust status

The management and tax domicile of the Company moved from Jersey to the UK on 15 October 2018, and the Company was granted, with effect from that date, UK approved investment trust status. The affairs of the Company are directed to enable it to maintain its UK tax domicile and its approved investment trust company status, which it did during the course of the year.

Corporate Governance

The Company is committed to upholding the highest standards of corporate governance. The Company observes the requirements of the AIC Code, a copy of which is available from The Association of Investment Companies website (www.theaic.co.uk). The provisions of the AIC Code are more appropriate for a closed ended investment trust because it has no executive directors.

The Company complied with all the provisions of the AIC Code for the financial year ended 31 March 2021.

Directors' duties

Details of compliance by Directors with their Directors' duties are set out on pages 74 and 75.

Appointment and re-election of Directors

The appointment and re-election of Directors is governed by the Articles, the Companies (Jersey) Law 1991 and related legislation. The Articles provide that at each AGM of the Company all the directors at the date of notice convening the AGM shall retire from office and each director may offer himself or herself for election or re-election. In addition, under the AIC Code, all directors should be subject to annual election by shareholders. As a result, all Directors will retire and stand for re-election at the next AGM to be held on 8 July 2021.

The Board regularly considers the independence of non-executive directors as detailed on page 91.

Board's responsibilities and processes

The composition of the Board and its Committees, as well as the Board's key responsibilities and the way in which it and its Committees work, are described on pages 86 and 87 and pages 96 to 105. The Board is responsible to shareholders for the overall management of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Articles of Association and any directions given by special resolution of the shareholders.

Matters reserved for the Board

The Board has approved a formal schedule of matters reserved to it and its duly authorised Committees for decision as detailed on page 86.

Portfolio management and voting policy

In relation to unquoted investments, the Company's approach is to seek to add value to the businesses in which it invests through the extensive experience, resources and contacts of the Investment Manager's team. In relation to quoted equity investments, the Company's policy is to exercise voting rights on matters affecting the interests of the Company.

Regulation

The Company is incorporated in Jersey and is regulated by the Jersey Financial Services Commission as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988. It has a Premium Listing on the London Stock Exchange's Main Market.

Alternative Investment Fund Managers Regulations 2013

For the purposes of the Alternative Investment Fund Managers Regulations 2013 (the 'Regulations') and the EU Alternative Investment Fund Managers Directive, the Company is an alternative investment fund ('AIF'). The Investment Manager is approved as an alternative investment fund manager ('AIFM') by the FCA for the purposes of the Regulations and is the Company's AIFM. The Depositary is currently Citibank Europe plc, UK Branch.

The Investment Manager is a subsidiary of 3i Group plc and the Remuneration Policy of 3i Group plc (which applies to the Investment Manager) was approved by 3i Group plc's shareholders in 2020. Details of the Remuneration Policy are set out in the 3i Group plc Annual report and accounts for 2020. The disclosures required by the Investment Manager as an AIFM are contained in the Annual report and accounts and the Pillar 3 Disclosures of 3i Group plc (www.3i.com). These disclosures include the remuneration (fixed and variable) of all staff and all AIFM Identified Staff of the Investment Manager. Due to 3i Group plc's operational structure, the information needed to provide a further breakdown of remuneration attributable to the staff and the AIFM Identified Staff of the Investment Manager as the Company's AIFM is not readily available and would not be relevant or reliable.

Although certain investor disclosures required by the FCA's Investment Funds sourcebook are made in this Annual report, further disclosures are summarised on the Company's website at www.3i-infrastructure.com. There have been no material changes to these disclosures during the financial year.

In accordance with Part 5 of the Regulations and the relevant requirements of the EU Alternative Investment Fund Managers Directive, the Investment Manager, as an AIFM, requires all relevant controlled portfolio companies to make available to employees an annual report which meets the applicable disclosure requirements. These are available either on the portfolio company's website or through filing with the relevant local authorities.

NMPI

As a UK investment trust, the Company's shares are excluded from the FCA rules regarding the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes ('non-mainstream pooled investments', or 'NMPIs') and therefore the restrictions relating to NMPIs do not apply to its shares.

It is the Board's intention that the Company will continue to conduct its affairs in such a manner that it maintains its approved investment trust company status and that, accordingly, the Company's shares will continue to be excluded from the FCA's rules relating to NMPIs.

Results and dividends

The Financial statements of the Company for the year appear on pages 120 to 146. Total comprehensive income for the year was £206 million (2020: £224 million). An interim dividend of 4.9 pence per share (2020: 4.6 pence) in respect of the year to 31 March 2021 was paid on 11 January 2021. The Company chose to designate 80% of the interim dividend as an interest distribution (3.9 pence per share of the total dividend of 4.9 pence per share). For UK tax purposes the effect of the designation was that shareholders were treated in respect of the designated part as though they had received a payment of interest, whilst being treated as having received a payment of dividend in respect of the non-designated part.

The Directors recommend that a final dividend of 4.9 pence per share (2020: 4.6 pence) be paid in respect of the year to 31 March 2021 to shareholders on the register at the close of business on 18 June 2021. The Company has chosen to designate 59% of the final dividend as an interest distribution (2.9 pence per share of the total dividend of 4.9 pence per share).

The distribution of the dividend payments between interim and final dividends is evaluated by the Board each year, according to the Company's performance, portfolio income generation and other factors, such as profits generated on the realisation of portfolio assets. The Company will be targeting a dividend for FY22 of 10.45 pence per share.

Strategy, performance and principal risks

The Strategic report on pages 1 to 75 provides a review of the performance and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Operations and management arrangements

Details of the role and responsibilities of the Investment Manager under the Investment Management Agreement are set out in the Management Engagement Committee report on pages 103 and 104.

Other significant service arrangements

In addition to the investment management arrangements, 3i plc and 3i Investments plc (both subsidiaries of 3i Group plc), in relation to certain regulatory services, have been appointed by the Company to provide support services, including treasury and accounting services, investor relations and other support services. The amounts payable under these arrangements are described in more detail in Note 18 on page 143.

3i plc acts as Company Secretary to the Company and Apex Financial Services (Alternative Funds) Limited acts, in a limited capacity, as the Company's Jersey fund administrator, which includes provision of the Company's Compliance Officer, Money Laundering Compliance Officer and Money Laundering Reporting Officer.

Revolving credit facility

The Company has a £300 million revolving credit facility ('RCF'). The RCF has a margin of 1.65% and a non-utilisation fee, and a maturity date of April 2023.

The RCF has a £200 million accordion feature. This gives the Company a right to request an increase in the size of the RCF on a temporary basis, but was not used during the year.

Directors' statement

Share capital

The issued share capital of the Company as at 31 March 2021 was 891,434,010 ordinary shares (2020: 891,434,010). The Company does not hold any ordinary shares in treasury.

Major interests in ordinary shares

Notifications of the following voting interests in the Company's ordinary share capital as at 31 March 2021 and 30 April 2021, which are notifiable in accordance with Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules, have been received as:

Interest in ordinary shares	Number of ordinary shares ¹ as at 31 March 2021	% of issued share capital	Number of ordinary shares ¹ as at 30 April 2021	% of issued share capital
3i Group plc (and subsidiaries)	269,242,685	30.20%	269,242,685	30.20%
Schroders plc	47,844,557	5.37%	47,622,790	5.34%

1 Each ordinary share carries the right to one vote.

Directors' and Persons Closely Associated interests

The Board adopted a code for Directors' dealings in ordinary shares following the implementation of the EU Market Abuse Regulation ('MAR') on 3 July 2016. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the UK version of MAR by the Directors.

In accordance with FCA Listing Rule 9.8.6(R)(1), Directors' interests in the shares of the Company (in respect of which transactions are notifiable to the Company under the UK version of MAR as at 31 March 2021) are shown below:

Directors' interests and beneficial interests ¹	Ordinary shares at 31 March 2021	Ordinary shares at 31 March 2020
Richard Laing	35,000	35,000
Doug Bannister	20,000	20,000
Wendy Dorman	21,947	21,947
Samantha Hoe-Richardson	1,339	1,339
Robert Jennings	55,000	55,000
Ian Lobley	0	0
Paul Masterton	29,194	29,194

1 No options have been granted since the inception of the Company.

Directors' authority to buy back shares

The Company did not purchase any of its own shares during the year. The current authority of the Company to make market purchases of up to 14.99% of the issued ordinary share capital expires at the 2021 AGM. The Company will seek to renew such authority until the end of the AGM in 2022, specifying the maximum and minimum price at which shares can be bought back. Any buy back of ordinary shares will be made in accordance with Jersey law and the making and timing of any buy backs will be at the discretion of the Directors.

Such purchases will also only be made in accordance with the Listing Rules of the FCA which provide that the price paid must not be more than the higher of: (i) 5% above the average middle market quotations for the ordinary shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange at such time.

Directors' conflicts of interests

The Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles enable the Directors to approve conflicts of interest and include other conflict of interest provisions. The Company has implemented processes to identify potential and actual conflicts of interest. Such conflicts are then considered for approval by the Board, subject, if necessary, to appropriate conditions. No conflicts arose during the year, other than the pre-approved conflict of Ian Lobley as the 3i Group plc nominated Director.

Directors' indemnities

The Articles provide that, subject to the provisions of the Statutes, every Director of the Company shall be indemnified out of the assets of the Company against all liabilities and expenses incurred by him or her in the actual or purported execution or discharge of his or her duties. 'Statutes' here refers to the Companies (Jersey) Law 1991 and every other statute, regulation or order for the time being in force concerning companies registered under the Companies (Jersey) Law 1991. In addition, the Company has entered into indemnity agreements for the benefit of its Directors and these remain in force at the date of this report.

The Company also had directors' and officers' liability insurance in place in the year.

Political donations

During the year to 31 March 2021 no donations were made to political parties or organisations, or independent election candidates and no political expenditure was incurred.

Information included in the Strategic report

The following information has been included in the Strategic report: risk management objectives and policies; likely future developments of the business; and section 172 statement.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and accounts in accordance with applicable law and regulations and those International Financial Reporting Standards ('IFRSs') which have been adopted by the European Union.

As a company listed on the London Stock Exchange's Main Market, 3i Infrastructure plc is subject to the FCA's Listing Rules and Disclosure Guidance and Transparency Rules, as well as to all applicable laws and regulations of Jersey, where it is incorporated.

Jersey company law requires the Directors to prepare financial statements for each financial period in accordance with generally accepted accounting principles. The Financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the period end and of the profit or loss of the Company for the period then ended.

In preparing these Financial statements, the Directors should:

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

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

The Directors are also responsible for preparing the Annual report and accounts and the Directors confirm that they consider that, taken as a whole, the Annual report and accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

- the Financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and
- the Annual report and accounts include a fair review of the development and performance of the business and the position of the Company taken as a whole, together with a description of the principal risks and uncertainties faced by the Company.

The Directors of the Company and their functions are listed on pages 82, 83, 86, 87 and page 91.

The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2021.

By order of the Board

Authorised signatory

3i plc
Company Secretary
10 May 2021

Registered Office:
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands





Accounts and other information

Independent auditor's report to the members of 3i Infrastructure plc

Report on the audit of the Financial statements

1 Opinion

In our opinion the Financial statements of 3i Infrastructure plc (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the Financial statements which comprise:

- the Statement of comprehensive income;
- the Statement of changes in equity;
- the Balance sheet;
- the Cash flow statement;
- the Reconciliation of net cash flow to movement in net cash;
- the Statement of significant accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.





2 Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Company for the year are disclosed in Note 3 to the Financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company or its subsidiaries.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3 Summary of our audit approach

Key audit matters	<p>The key audit matter that we identified in the current year was the fair value of investments.</p> <p>Within this report, key audit matters are identified as follows:</p> <p>  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk </p>
Materiality	<p>The materiality that we used for the Financial statements was £23.1 million which was determined on the basis of approximately 1% of the Company's net assets.</p> <p>A lower materiality threshold of £2.0 million based upon approximately 2% of investment income was applied to certain balances in the statement of comprehensive income and balance sheet, excluding fair value of investments and derivatives balances and their associated fair value movements.</p>
Significant changes in our approach	<p>We have previously identified the calculation of the performance fee as a key audit matter due to certain aspects of the calculation methodology. A new methodology became effective for the year-ended 31 March 2020. With the knowledge and understanding gained from auditing the performance fee calculation in the prior year, we have concluded that the calculation of the performance fee is no longer a key audit matter.</p>

4 Conclusions relating to going concern

In auditing the Financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Assessment of the financial position of the Company, including the cash balance of £462 million and undrawn financing facilities of £300 million committed until April 2023;
- Review of the directors' liquidity forecast for the next 12 months, including the ability to fund the committed investment of c.£166 million, to fund forecast but uncommitted injections into the portfolio, and to meet its obligations under the Investment Management Agreement;
- Assessment of the ability of the Company's investments to generate cash income for the Company and the robustness of those cash flows to key risks, such as Covid-19;
- Performance of sensitivity analysis, including the consideration of a 'reverse stress test'; and
- Assessment of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the Financial statements are authorised for issue.

In relation to the reporting on how the Company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of 3i Infrastructure plc

5 Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value of Investments



Key audit matter description

At 31 March 2021, the Company held investments totalling £1,804 million (2020: £1,652 million) in unquoted companies which are classified as fair value through profit and loss. These investments are classified at Level 3 within the IFRS fair value hierarchy and their valuation requires significant judgement and estimation.

Certain assumptions used in the determination of fair value are a key source of estimation uncertainty, which is why we consider there to be a significant risk of material misstatement as well as a potential fraud risk. As a liquid market does not exist for a majority of the investments, they are generally measured using a discounted cash flow methodology. The complex nature of this methodology, combined with the number of significant judgements and estimates, means there is a risk that the fair value of the investments could be misstated.

The key assumptions and judgements have been summarised as:

- Discount rates – the determination of the appropriate discount rate for each investment that is reflective of current market conditions and the specific risks of the investment;
- Macroeconomic assumptions – primarily in respect of forecast inflation rates; and
- Forecasted future cash flows – specific investments contain certain assumptions in the cash flow forecasts that are particularly complex and judgemental.

In particular, there is a greater level of estimation uncertainty in respect of determining the fair value of the investment in TCR of £199 million at 31 March 2021 given the unprecedented impact of Covid-19 on the aviation sector. This greater level of estimation uncertainty specifically relates to the extent and duration of disruption to air traffic movements caused by Covid-19 and the pace and extent of the recovery. As disclosed on page 127, this has been identified as a key source of estimation uncertainty.

Additionally, the identification of issues with operating procedures and safety policies by Ionisos at its Italian subsidiary, Steril Milano, has resulted in new judgements taken in estimating the value of Ionisos at 31 March 2021. As disclosed on page 128, this has been identified as a key source of estimation uncertainty.

This key audit matter is also discussed on page 99 in the Audit and Risk Committee report and disclosed in the significant accounting policies as a key source of estimation uncertainty on pages 127 and 128 and in the Summary of portfolio valuation methodology on pages 27 and 28.

Fair value of Investments continued



How the scope of our audit responded to the key audit matter

- Tested the controls in respect of the valuation process adopted by the Investment Manager and the Board, including the review and approval processes undertaken by the Investment Manager's valuation committee;
- Tested that the valuation methodology is compliant with IFRS 13 requirements;
- Met with the Investment Manager's Managing Partner, CFO and analysts responsible for preparing the valuations to understand the underlying performance of the businesses being valued and how the year end valuation has been prepared, including challenging key assumptions;
- Involved our valuation experts to assess discount rates applied in the valuations by benchmarking to relevant peers and transactions and considering the inherent risk profile of the underlying cash flows specific to each investment;
- Tested the macroeconomic assumptions included in the forecasts with reference to observable market data and external forecasts;
- Assessed the forecasted cash flows and related assumptions for all investments, including movements since acquisition or the prior year and sought to agree them to third party support;
- Reviewed and challenged sensitivity analysis performed by the Investment Manager to understand the susceptibility of the valuations to changes in key assumptions;
- Considered and challenged the forecast liquidity and covenant compliance of investments where a risk of non-compliance is identified in the forecasts;
- Engaged with our valuation experts to apply an additional level of challenge to the investments identified as containing more judgemental forecast cash flow assumptions;
- Assessed the completeness of the assumptions made in the valuations by reviewing press releases and board minutes of the underlying companies being valued;
- Reviewed the historical accuracy of the cash flow forecasts against actual results in order to assess the reliability of the forecasts;
- Compared historical data included in the valuation to audited financial statements to check that forecasts are based on actual results;
- Employed analytics to assess the integrity of the valuation models;
- Evaluated whether the judgements made were, individually and in aggregate, reasonable and free of bias;
- In respect of TCR, compared independent air traffic forecasts to those utilised by the Investment Manager, and considered the potential long-term effects of Covid-19 on the aviation sector;
- Challenged the appropriateness of the assumptions taken by the Investment Manager in reflecting the Steril Milano issues in the valuation of Ionisos by interviewing Ionisos senior management and external legal counsel; and
- Reviewed the disclosures made in the notes to the Financial statements regarding the key sources of estimation uncertainty including the disclosures relating to TCR and Ionisos.



Key observations

While we note the greater level of estimation uncertainty in respect of the valuation of TCR, we consider the judgements and assumptions utilised in determining the fair value of the Company's investments to be within an acceptable range. We have not identified any material misstatements in respect of the fair value of the Company's investments at 31 March 2021.

Independent auditor's report to the members of 3i Infrastructure plc

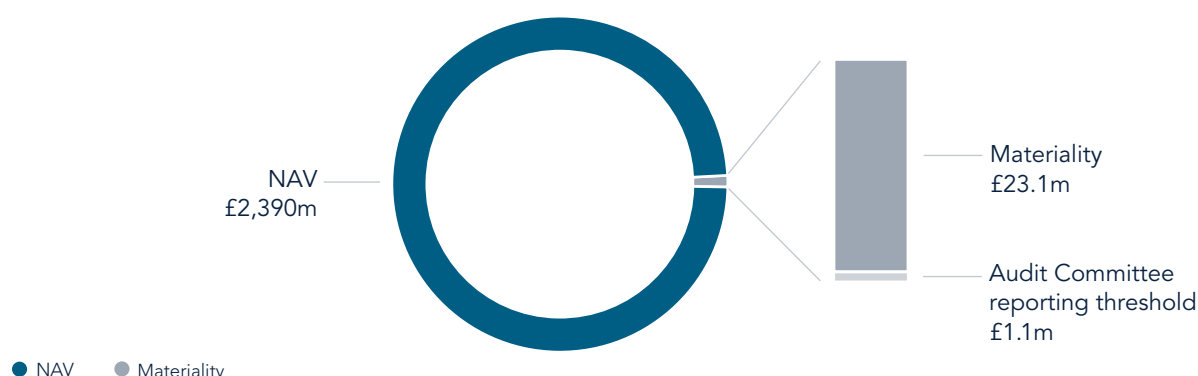
6 Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the Financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial statements as a whole as follows:

Materiality	£23.1 million (2020: £22.3 million).
Basis for determining materiality	Materiality is determined using approximately 1% of net asset value ('NAV').
Rationale for the benchmark applied	We consider NAV to be the key financial statement benchmark used by shareholders of the Company in assessing financial performance.



A lower materiality threshold of £2.0 million (2020: £2.3 million) based on 2% (2020: 2%) of investment income has also been used. This has been applied to certain balances in the statement of comprehensive income and balance sheet, excluding fair value of investments and derivatives balances and their associated fair value movements, due to qualitative factors of stakeholder interest.

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

- The quality of internal control in existence at the Company and the Investment Manager;
- The stability of the business;
- The low level of errors identified in prior years;
- The willingness of the Investment Manager to correct errors identified; and
- The stability and competence of the finance team.

6.3 Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £1.1 million (2020: £1.1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial statements.

7 An overview of the scope of our audit

7.1 Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2 Our consideration of the control environment

We have obtained an understanding of the control environment and the relevant controls to address our significant risks and other key account balances including the valuation of investments, performance and management fees, investment income and financial reporting. This has included the control environment and relevant controls operating at the Investment Manager as a key service provider to the Company.

8 Other information

The other information comprises the information included in the Annual report, other than the Financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual report.

Our opinion on the Financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9 Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the directors are responsible for the preparation of the Financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10 Auditor's responsibilities for the audit of the Financial statements

Our objectives are to obtain reasonable assurance about whether the Financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the Financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11 Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Investment Manager's fee structure and performance targets;
- results of our enquiries of the Investment Manager, the Investment Manager's internal audit function, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities; this included the identification by Ionisos of issues with operating procedures and safety policies at its Italian subsidiary, Steril Milano, and the ongoing criminal investigation, discussed on page 37 within the Review of investments;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations regarding how and where fraud might occur in the Financial statements and any potential indicators of fraud.

Independent auditor's report to the members of 3i Infrastructure plc

11.1 Identifying and assessing potential risks related to irregularities continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of the investment portfolio. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial statements. The key laws and regulations we considered in this context included the Companies (Jersey) Law, Listing Rules, and UK Investment Trust tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. The key laws and regulations we considered in this context included the Alternative Investment Fund Managers Directive as approved by the Financial Conduct Authority.

11.2 Audit response to risks identified

As a result of performing the above, we identified the fair value of the investment portfolio as a key audit matter related to the potential risk of fraud and non-compliance with laws and regulations. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations, including reviewing compliance with Investment Trust legislation, described as having a direct effect on the Financial statements;
- enquiring of management, the Audit and Risk Committee, the Investment Manager's in-house legal counsel and relevant external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing the Investment Manager's internal audit reports pertaining to the Company, reviewing correspondence with HMRC and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12 Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 73;
- the Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 72;
- the Directors' statement on fair, balanced and understandable set out on page 100;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 64;
- the section of the Annual report that describes the review of effectiveness of risk management and internal control systems set out on page 92; and
- the section describing the work of the Audit and Risk Committee set out on pages 98 to 102.

13 Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the Financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14 Other matters which we are required to address

14.1 Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the shareholders on 6 July 2017 at the Annual General Meeting to audit the Financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is four years, covering the years ending 31 March 2018 to 31 March 2021.

14.2 Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

15 Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jacqueline Holden, FCA
For and on behalf of Deloitte LLP
Recognised Auditor
London, United Kingdom
10 May 2021

Statement of comprehensive income

For the year to 31 March

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

Statement of changes in equity

For the year to 31 March

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

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

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

2 Net of issue costs of £4 million.

Balance sheet

As at 31 March

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

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

Richard Laing
Chair

Cash flow statement

For the year to 31 March

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

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

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

Reconciliation of net cash flow to movement in net cash

For the year to 31 March

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

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

Significant accounting policies

Corporate information

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

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

Statement of compliance

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

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

Basis of preparation

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

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

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

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

Going concern

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

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

Significant accounting policies

Going concern continued

- the Company's financial commitments. The Company had one investment commitment at 31 March 2021 totalling £11 million. As in previous periods, we do not expect the \$37.5 million commitment to the India fund to be drawn. The Company had ongoing charges of £27 million in the year to 31 March 2021, detailed in Table 4 in the Financial review, which are indicative of the ongoing run rate in the short term, a FY21 performance fee accrual of £7 million, a third of which is payable within the next 12 months, a FY20 performance fee accrual of £11 million relating to the second and third instalments of last year's fee, half of which is payable within the next 12 months and a proposed final dividend for FY21 of £44 million. In addition, while not a commitment at 31 March 2021, the Company has a dividend target for FY22 of 10.45 pence per share and has agreed to invest c.£182 million in DNS:NET, a German telecommunications provider. Whilst a significant amount of income is expected to be received from the investment portfolio during the coming year, the Company has sufficient liquidity to meet its financial commitments even if no income were received and has sufficient resources to make equity investments in existing portfolio companies where required.

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

Key judgements

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

- (i) **Assessment as investment entity** – Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them unless they provided investment-related services to the Company. To determine that the Company continues to meet the definition of an investment entity, the Company is required to satisfy the following three criteria:
- the Company obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
 - 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
 - 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' on page 128.

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

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

Key estimation uncertainties

Valuation of the investment portfolio

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

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

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

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

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

The Summary of portfolio valuation methodology on page 27 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 on page 27 provides further details on some of the assumptions that have been made in deriving terminal values and some of the risk factors considered in the cash flow forecasts relating to climate change.

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

Significant accounting policies

Key estimation uncertainties continued

During the year, Ionisos discovered serious shortcomings in the safety of operations in its Italian subsidiary, Steril Milano. This is described in the Review from the Managing Partner on page 21. The valuation of Ionisos at March 2021 fully provides for the effect of the closure of its Italian operations, which is assumed to be contained within Steril Milano. Ionisos had invested approximately €15 million to acquire Steril Milano in 2019 and on capital expenditure since acquisition, and it contributed c.3% of Ionisos group EBITDA in 2020. Were Steril Milano to become insolvent, that would give rise to a breach of the debt financing facilities provided to the Ionisos group. We consider that replacement financing facilities would be available to Ionisos on similar terms if required.

New and amended standards adopted for the current year

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

Amendments to IAS 1 and IAS 8 Definition of Material (1 January 2020)

Amendments to IFRS 3 Business Combinations: Definition of a Business (1 January 2020)

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (1 January 2020)

Amendments to References to the Conceptual Framework in IFRS standards (1 January 2020)

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

Standards and amendments issued but not yet effective

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

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

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

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (1 January 2023)

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

Amendments to IFRS 3 Business Combinations (1 January 2022)

Amendments to IFRS 17 Insurance contracts (1 January 2022)

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 resulting from Annual Improvements to IFRS 2018-2020 Cycle (1 January 2022)

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

A Classification

- (i) **Subsidiaries** – Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity. In accordance with the exception under IFRS 10 Consolidated Financial Statements, the Company only consolidates subsidiaries in the Financial statements if they are deemed to perform investment-related services and do not meet the definition of an investment entity. Investments in subsidiaries that do not meet this definition are accounted for as Investments at fair value through profit or loss with changes in fair value recognised in the Statement of comprehensive income in the year. The Directors have assessed all entities within the structure and concluded that 3i Infrastructure Seed Assets GP Limited was the only subsidiary of the Company that provides investment-related services or activities. In prior years this subsidiary was consolidated with the Company to form 'the Group'. 3i Infrastructure Seed Assets GP Limited was dissolved during the financial year to 31 March 2020.
- (ii) **Associates** – Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Company's investment portfolio are carried in the Balance sheet at fair value even though the Company may have significant influence over those entities.
- (iii) **Joint ventures** – Interests in joint ventures that are held as part of the Company's investment portfolio are carried in the Balance sheet at fair value. This treatment is permitted by IFRS 11 and IAS 28, which allows interests held by venture capital organisations where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 with changes in fair value recognised in the Statement of comprehensive income in the year.

B Exchange differences

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

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

C Investment portfolio

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

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

Income

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

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

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

D Fees

- Fees** – Fees payable represent fees incurred in the process of acquiring an investment and are measured on the accruals basis.
- 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.
- Performance fee** – 3i plc is entitled to a performance fee based on the total return generated in the period in excess of a performance hurdle of 8%. The fee is payable in three equal annual instalments and is accrued in full in the period it is incurred. Further details are provided in Note 18.
- 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.

- 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.
- 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.
- 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.

Significant accounting policies

E Treasury assets and liabilities continued

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

F Other assets

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

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

G Other liabilities

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

H Equity and reserves

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

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

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

- Net gains on investments are applied wholly to the Capital reserve as they relate to the revaluation or disposal of investments.
 - Dividends are applied to the Revenue reserve except under specific circumstances where a dividend arises from a return of capital or proceeds from a refinancing, when they are applied to the Capital reserve.
 - Fees payable are applied to the Capital reserve where the service provided is, in substance, an intrinsic part of an intention to acquire or dispose of an investment.
 - Movement in the fair value of derivative financial instruments is applied to the Capital reserve as the derivative hedging programme is specifically designed to reduce the volatility of sterling valuations of the non-sterling denominated investments.
 - Management fees are applied to the Revenue reserve as they reflect ongoing asset management. Where a transaction fee element is due on the acquisition of an investment it is applied to the Capital reserve.
 - Performance fees are applied wholly to the Capital reserve as they arise mainly from capital returns on the investment portfolio.
 - Operating costs are applied wholly to the Revenue reserve as there is no clear connection between the operating expenses of the Company and the purchase and sale of an investment.
 - Finance costs are applied wholly to the Revenue reserve as the existing borrowing is not directly linked to an investment.
 - Exchange movements are applied to the Revenue reserve where they relate to exchange on non-portfolio assets.
- (iii) **Dividends payable** – Dividends on ordinary shares are recognised in the period in which the Company's obligation to make the dividend payment arises and are deducted from Retained reserves for the period to 15 October 2018 and from the Revenue reserve for subsequent periods.

I Income taxes

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

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

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

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

Notes to the accounts

1 Operating segments

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

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

	Economic infrastructure businesses £m	Projects portfolio £m	India Fund £m	Unallocated ¹ £m	Total £m
For the year to 31 March 2021					
Investment return	196	8	5	11	220
Profit/(loss) before tax	215	11	5	(25)	206

For the year to 31 March 2020

Investment return/(loss)	192	60	(2)	4	254
Profit/(loss) before tax	213	60	(2)	(47)	224

As at 31 March 2021

Assets	1,748	96	3	568	2,415
Liabilities	(6)	–	–	(19)	(25)
Net assets	1,742	96	3	549	2,390

As at 31 March 2020

Assets	1,582	76	27	613	2,298
Liabilities	(11)	(1)	–	(17)	(29)
Net assets	1,571	75	27	596	2,269

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

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

	UK and Ireland ¹ £m	Continental Europe ² £m	Asia £m	Total £m
For the year to 31 March 2021				
Investment return	53	162	5	220
Profit before tax	17	184	5	206

For the year to 31 March 2020

Investment return/(loss)	190	66	(2)	254
Profit/(loss) before tax	139	87	(2)	224

As at 31 March 2021

Assets	868	1,544	3	2,415
Liabilities	(19)	(6)	–	(25)
Net assets	849	1,538	3	2,390

As at 31 March 2020

Assets	898	1,373	27	2,298
Liabilities	(17)	(12)	–	(29)
Net assets	881	1,361	27	2,269

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

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

1 Operating segments continued

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

2 Management and performance fees payable

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

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

3 Operating expenses

Operating expenses include the following amounts:

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

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

Services provided by the Company's auditor

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

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

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

Non-audit services

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

Notes to the accounts

4 Finance costs

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

5 Movement in the fair value of derivative financial instruments

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

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

6 Income taxes

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

Reconciliation of income taxes in the Statement of comprehensive income

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

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

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

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

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

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

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

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

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

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

Financial instruments classification

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

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

Notes to the accounts

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

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

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

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

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

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

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

Unquoted investments

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

The Company's policy is to fair value both the equity and shareholder debt investments in infrastructure assets together where they will be managed and valued as a single investment, were invested at the same time and cannot be realised separately. The Directors consider that equity and debt share the same characteristics and risks and they are therefore treated as a single unit of account for valuation purposes and a single class for disclosure purposes. As at 31 March 2021, the fair value of unquoted investments was £1,802 million (2020: £1,647 million). Individual portfolio asset valuations are shown within the Portfolio summary on page 24.

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

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

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

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

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

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

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

Intermediate holding companies

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

Over-the-counter derivatives

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

Valuation process for Level 3 valuations

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

Notes to the accounts

8 Trade and other receivables

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

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

9 Financial risk management

A full review of the Company's objectives, policies and processes for managing and monitoring risk is set out in the Risk report on pages 64 to 73. This Note provides further detail on financial risk management, cross-referring to the Risk report where applicable and providing further quantitative data on specific financial risks.

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

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

Capital structure

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

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

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

Credit risk

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

9 Financial risk management continued

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

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

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

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

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

Liquidity risk

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

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

1 Loans and borrowings relate to undrawn commitment fees and interest payable on the RCF referred to in Note 11.

2 Financial commitments are described in Note 16 and are not recognised in the Balance sheet.

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

1 Loans and borrowings relate to undrawn commitment fees and interest payable on the RCF referred to in Note 11.

2 Financial commitments are described in Note 16 and are not recognised in the Balance sheet.

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

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

Notes to the accounts

9 Financial risk management continued**Market risk**

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

(i) Interest rate risk

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

An increase of 100 basis points in interest rates over 12 months (2020: 100 basis points) would lead to an approximate increase in net assets and to the net profit of the Company of £5 million (2020: £4 million). This exposure relates principally to changes in interest receivable on cash on deposit held at the year end. The average cash balance of the Company, which is more representative of the cash balance during the year, was £405 million (2020: £157 million) and the weighted-average interest earned was 0.1% (2020: 0.62%). The risk exposure at this year end is considered to be representative of this year as a whole.

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

(ii) Currency risk

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

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

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

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

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

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

9 Financial risk management continued

(iii) Market risk

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

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

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

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

(iv) Fair values

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

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

10 Derivative financial instruments

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

Forward foreign exchange contracts

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

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

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

Notes to the accounts

11 Loans and borrowings

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

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

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

12 Trade and other payables

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

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

13 Issued capital

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

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

14 Per share information

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

	Year to 31 March 2021	Year to 31 March 2020
Earnings per share (pence)		
Basic and diluted	23.1	26.4
Earnings (£m)		
Profit after tax for the year	206	224
Number of shares (million)		
Weighted average number of shares in issue	891.4	847.6
Number of shares at the end of the year	891.4	891.4
	As at 31 March 2021	As at 31 March 2020
Net assets per share (pence)		
Basic and diluted	268.1	254.5
Net assets (£m)		
Net assets	2,390	2,269

15 Dividends

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

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

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

16 Commitments

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

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

17 Contingent liabilities

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

18 Related parties

Transactions between 3i Infrastructure and 3i Group

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

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

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

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

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

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

Notes to the accounts

18 Related parties continued**Transactions between 3i Infrastructure and 3i Group** continued

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

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

Year	Performance fee (£m)	Outstanding balance at 31 March (£m)	Payable in FY22 (£m)
FY21	7	7	2
FY20	17	11	6

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

Regulatory information relating to fees

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

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

19 Unconsolidated subsidiaries and related undertakings

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

Notes to the accounts

19 Unconsolidated subsidiaries and related undertakings continued

Name	Place of incorporation and operation	Ownership interest
Mayton Wood Energy Limited	UK	100%
Infinis Alternative Energies Limited	UK	100%
Infinis Energy Services Limited	UK	100%
Novera Energy Services UK Limited	UK	100%
Infinis China (Investments) Limited	UK	100%
Infinis (COE) Limited	UK	100%
Infinis Hydro Holdings Limited	UK	100%
Infinis Energy Storage Limited	UK	100%
Novera Energy Pty Limited	UK	100%
Novera Energy Limited	UK	100%
Barbican Holdco Limited	UK	100%
Barbican Bidco Limited	UK	100%
Alkane Energy Limited	UK	100%
Alkane Biogas Limited	UK	100%
Alkane Energy UK Limited	UK	100%
Alkane Services Limited	UK	100%
Seven Star Natural Gas Limited	UK	100%
MW Renewables Limited	UK	100%
Regent Park Energy Limited	UK	100%
Leven Power Limited	UK	100%
Rhymney Power Limited	UK	100%
Alkane Energy CM Holdings Limited	UK	100%
Alkane Energy CM Limited	UK	100%
Infinis Solar Holdings Limited	UK	100%
Infinis Solar Developments Limited	UK	100%
Infinis Solar Limited	UK	100%

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

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

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

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

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

Investment policy (unaudited)

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

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

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

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

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

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

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

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

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

Portfolio valuation methodology (unaudited)

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

Basis of valuation

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

General

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

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

Quoted investments

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

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

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

DCF

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

Proportionate share of net assets

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

Sales basis

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

Cost less fair value adjustment

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

Information for shareholders

Financial calendar

Ex-dividend date for final dividend	17 June 2021
Record date for final dividend	18 June 2021
Annual General Meeting	8 July 2021
Final dividend expected to be paid	12 July 2021
Half-yearly results	November 2021

Designation of dividends as interest distributions

As an approved Investment Trust, the Company is permitted to designate dividends wholly or partly as interest distributions for UK tax purposes. Dividends designated as interest in this way are taxed as interest income in the hands of shareholders and are treated as tax deductible interest payments made by the Company. The Company expects to make such dividend designations in periods in which it is able to use the resultant tax deduction to reduce the UK corporation tax it would otherwise pay on the interest income it earns from its investments. The Board is designating 2.9 pence of the 4.9 pence final dividend payable in respect of the year as an interest distribution.

Registrars

For shareholder services, including notifying changes of address, the Registrar details are as follows:

Link Market Services (Jersey) Limited
PO Box 532
St. Helier
Jersey JE4 5UW
Channel Islands

Shareholder helpline: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Please note that calls may be monitored or recorded for training and quality purposes.

Email: shareholderenquiries@linkgroup.co.uk

Investor relations and general enquiries

For all investor relations and general enquiries about 3i Infrastructure plc, please contact:

Thomas Fodor
Investor Relations
3i Infrastructure plc
16 Palace Street
London, SW1E 5JD

email: thomas.fodor@3i.com
Telephone +44 (0)20 7975 3469

or for full up-to-date investor relations information including the latest share price, recent reports, results presentations and financial news, please visit the investor relations page on our website www.3i-infrastructure.com.

If you would prefer to receive shareholder communications electronically, including your Annual reports and notices of meetings, please go to www.3i-infrastructure.com/investors/shareholder-centre for details of how to register.

Frequently used Registrars' forms can be found on our website at www.3i-infrastructure.com/investors/shareholder-centre.

3i Infrastructure plc
Registered Office
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands

www.3i-infrastructure.com

Glossary

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

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

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

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

Board The Board of Directors of the Company.

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

Company 3i Infrastructure plc.

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

External auditor The independent auditor, Deloitte LLP.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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Annual report and accounts online

To receive shareholder communications electronically in future, including Annual reports and notices of meetings, please go to:

3i-infrastructure.com