

A low-angle, upward-looking photograph of a large industrial facility. The image is dominated by massive, bright yellow structural beams that create a strong sense of height and scale. These beams are supported by a complex network of red steel trusses and scaffolding. Green-painted pipes and walkways with safety railings are visible, winding through the structure. The background shows a corrugated metal roof and some lighting fixtures, suggesting an indoor industrial environment like a power plant or refinery.

3i Infrastructure plc



Annual report and accounts 2019

Introduction

Our purpose is to deliver a long-term sustainable return to shareholders from investing in infrastructure.

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

15.4%

Total return for the year



13.4%

In the 12 years since the initial public offering ('IPO') the Company has delivered an annualised total shareholder return of 13.4% per annum



Inside this report

Overview

- 1 Performance highlights
- 2 Chair's statement
- 4 At a glance
- 6 Our markets
- 8 Our business model
- 12 Our objectives and strategic priorities
- 13 How we measure our performance and KPIs
- 14 2019 realisation

Investment Manager's review

- 18 Review from the Managing Partner
- 20 Investment activity
- 22 Portfolio
- 24 Movements in portfolio value

Review of investments

- 30 Tampnet
- 32 Infinis
- 33 Wireless Infrastructure Group ('WIG')
- 34 TCR
- 35 ESVAGT
- 36 Oystercatcher
- 37 Attero
- 38 Valorem
- 39 Projects portfolio

Financial review, Risk and Sustainability

- 42 Financial review
- 50 Risk report
- 58 Sustainability report

Governance

- 64 Introduction to Governance
- 66 Leadership
- 72 Division of responsibilities
- 76 Relations with shareholders
- 77 Composition, succession and evaluation
- 80 Audit, Risk and Internal Control
- 84 Remuneration
- 85 Directors' statement

Accounts and other information

- 92 Independent auditor's report to the members of 3i Infrastructure plc
- 99 Consolidated statement of comprehensive income
- 100 Consolidated statement of changes in equity
- 101 Consolidated balance sheet
- 102 Consolidated cash flow statement
- 103 Reconciliation of net cash flow to movement in net debt
- 104 Significant accounting policies
- 110 Notes to the accounts
- 126 Investment policy
- 127 Portfolio valuation methodology
- 128 Information for shareholders

Chair's statement

2



At a glance

4



Review from the Managing Partner

18



Financial review

42



This Annual report and accounts contains Alternative Performance Measures ('APMs'), which are financial measures not defined in International Financial Reporting Standards. 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 48. The total return for the year shown in the Performance highlights is the total comprehensive income for the year under International Financial Reporting Standards ('IFRS'). The total return on opening NAV is a Key Performance Indicator ('KPI').

In addition to the APMs, the Annual report 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 Consolidated financial statements is shown on page 49.

The Directors' statement on pages 85 to 89 for 3i Infrastructure plc ('3i Infrastructure', '3iIN' or the 'Company') for the year to 31 March 2019 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 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').

Performance highlights

Strong portfolio performance drove growth in NAV

15.4%

Total return on opening NAV

234.7p

NAV per share

£258m

Total return for the year

Realised investment in Cross London Trains

£333m

Net realisation proceeds
in the year

Success in new investment across our target markets

£377m

New investments or commitments
in the year

Delivered the dividend target

8.65p

Full year dividend per share

9.20p

Target dividend per share for FY20

Chair's statement



"The Company continued to outperform. We are confident in our portfolio and in our ability to deliver on our strategy and objectives."

Richard Laing
Chair, 3i Infrastructure plc
8 May 2019

3i Infrastructure provides its shareholders with a clear investment proposition, delivering an attractive mix of income yield and capital appreciation.

The Company continued to outperform its objectives. During the year, the Investment Manager sold the Company's investment in Cross London Trains ('XLT'), improved the diversification and balance of the portfolio through new investments and a partial sale of an asset, and engaged with portfolio company management teams to drive growth. The portfolio is well balanced and positioned to provide a sustainable mix of income yield and capital appreciation.

I am grateful to the Board for its contribution during this busy year and to the Investment Manager for its hard work to achieve this outperformance. I am delighted to have secured the continued services of the Investment Manager under the new Investment Management Agreement.

Performance

The Company generated a total return of £258 million in the year ended 31 March 2019, or 15.4% on opening NAV, again exceeding the target of 8% to 10% per annum to be achieved over the medium term. The NAV per share increased to 234.7 pence. We delivered a Total Shareholder Return ('TSR') of 33.4% in the year (FTSE 250: 1.0%). Since IPO, the Company's annualised TSR was 13.4%, comparing favourably with the broader market (FTSE 250: 7.4% annualised over the same period). The Company has achieved this performance with relatively low share price volatility.

The Company's share price performance relative to the FTSE 250 has been particularly strong over the last five years, as shown in the chart below.

5-year 3iN share price and FTSE 250



Portfolio activity

The Company sold XLT at a compelling price after a competitive process run by the Investment Manager. New investment commitments totalling £377 million were made in two attractive businesses. The Investment Manager's review describes in more detail the investments made during the year, alongside portfolio developments.

Dividend

Following the payment of the interim dividend of 4.325 pence per share in January 2019, the Board is recommending a final dividend for the year of 4.325 pence per share, meeting our target for the year of 8.65 pence per share, 10% above last year's total dividend. We expect the final dividend to be paid on 8 July 2019. Consistent with our progressive dividend policy, we are announcing a total dividend target for the year ending 31 March 2020 of 9.20 pence per share, representing a year-on-year increase of 6.4%. We expect this target dividend to be fully covered by income and non-income cash receipts from our portfolio.

Corporate governance

Good governance is a fundamental part of how we do business. The Board has continued to focus on and develop the Company's corporate governance arrangements. More detail can be found in the Governance section of this report, starting on page 64.

The Company's Annual General Meeting ('AGM') was held on 5 July 2018. All resolutions were approved by shareholders, including the election and re-election of all Directors to the Board. This year's AGM will be held on 4 July 2019.

An Extraordinary General Meeting ('EGM') was held on 17 September 2018, at which shareholders approved the resolution regarding the terms of the new Investment Management Agreement between the Company and the Investment Manager.

The management and tax domicile of the Company moved to the UK on 15 October 2018. 3i Investments plc was appointed as the Investment Manager and is the Company's alternative investment fund manager. This move aligns the Company's tax and commercial arrangements with the tax base erosion and profit shifting ('BEPS') initiatives implemented by the OECD countries. The Company is an alternative investment fund ('AIF') and is approved and managed as a UK investment trust.

Outlook

Our purpose is to deliver a long-term sustainable return to shareholders from investing in infrastructure. The Company is very well positioned, having built a strong portfolio which delivers a reliable level of income and is capable of generating capital growth over time. The portfolio is more balanced than in previous years, with seven of the assets each representing between 8% and 15% of portfolio value, and is diversified across sectors and geographies. We have invested in sectors that benefit from long-term sustainable trends such as increasing demand for waste treatment (Attero), from mobile connectivity and digitisation of the economy (WIG and Tampnet) and from the transition to low carbon energy (Valorem and Joulz). Further information can be found in the Sustainability report on page 58.

We remain confident in our business model and our ability to continue to deliver on our strategy and objectives.

Richard Laing

Chair, 3i Infrastructure plc
8 May 2019

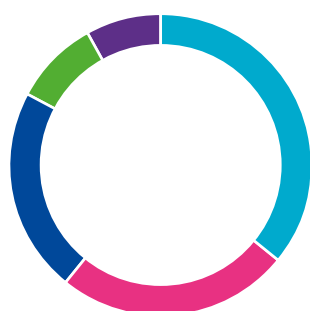
At a glance

A balanced portfolio

The portfolio is well balanced by geography, sector, currency, yield and growth opportunities.

Portfolio value by sector

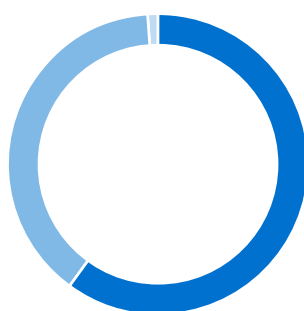
at 31 March 2019



Utilities	36%
Communications	25%
Transportation/logistics	22%
Natural resources/energy	9%
Social infrastructure	8%

Portfolio value by geography

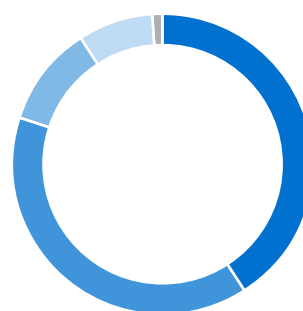
at 31 March 2019



Continental Europe	60%
UK	39%
India	1%

Portfolio value by currency

at 31 March 2019



EUR	41%
GBP	39%
NOK	11%
DKK	8%
INR	1%

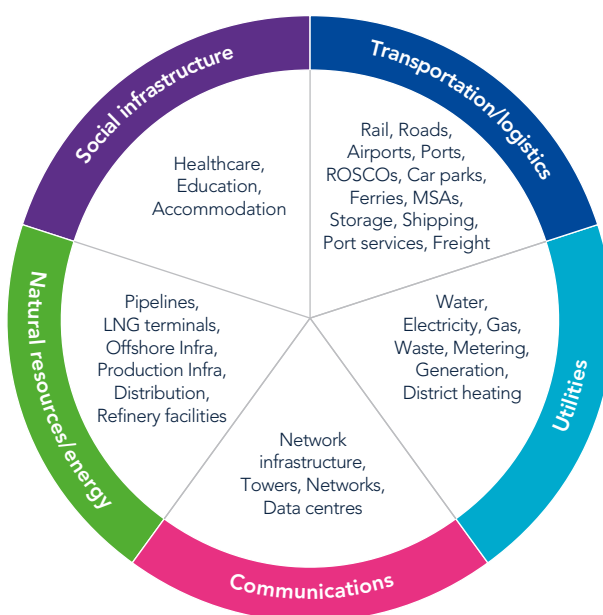
Our infrastructure sector focus

Infrastructure assets typically have a low correlation with other asset classes, including listed equities, real estate and fixed income.

The quality and predictability of their cash flows tend to provide for stable returns to shareholders over time.

We aim to invest across a range of economic infrastructure sectors and in greenfield projects.

[Read more](#)
Page 8



The portfolio analysis shown within the At a glance section includes investment commitments of £0.2 billion where applicable.

Economic infrastructure

Infinis

UK: generator of electricity from landfill gas and coal mine methane

WIG

UK: communication towers and equipment

Tampnet

Norway: fibre based communications networks

Joulz

The Netherlands: energy infrastructure equipment

TCR

Belgium: ground support equipment in airports

ESVAGT

Denmark: emergency rescue and response vessels and wind farm service operations vessels

Oystercatcher

Belgium, the Netherlands, Malta and Singapore: oil product storage terminals

Attero

The Netherlands: waste treatment and processing facilities

Valorem

France: renewable power operator and developer

Projects

Operational projects

A9 and A12, two road projects in the Netherlands

Ayrshire College, an educational facilities project in the UK

Dalmore Capital Fund, an operational PFI portfolio in the UK

Elgin, a portfolio of 16 school and community healthcare facilities in the UK

La Santé, a secure accommodation project in France

Mersey Gateway, a bridge project in the UK

National Military Museum, a museum facilities project in the Netherlands

Octagon, a healthcare facilities project in the UK

West of Duddon Sands, an offshore electricity transmission project in the UK

Greenfield projects

A27/A1, a road project in the Netherlands

Condorcet Campus, an educational facilities project in France

Hart van Zuid, a social accommodation project in the Netherlands

Portfolio value by investment

at 31 March 2019



Infinis	15%
WIG	15%
Tampnet	11%
Joulz	10%
TCR	10%
Operational projects	10%
ESVAGT	9%
Oystercatcher	8%
Attero	6%
Valorem	4%
3i India Infrastructure Fund	1%
Greenfield projects	1%

Our markets

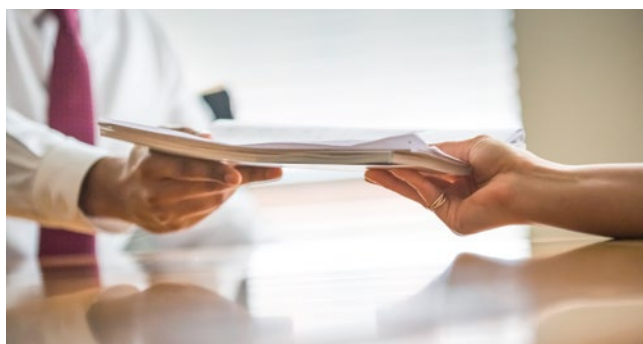
Key drivers and trends

Competition for new investments is still intense. Low interest rates have persisted across the markets in which we invest. Terms and availability of credit remain favourable for investment in infrastructure assets.

Market activity

Competition remains intense in Europe, the Company's primary investment region, with the aggregate value of deals increasing to €135 billion in 2018 (2017: €73 billion, source: Prequin). In 2018, Europe saw the highest aggregate value of infrastructure deals of any region.

Few new greenfield projects have been commissioned in the last year across our target markets, and we expect the pipeline for these types of projects to remain thin over the next year.



Brexit impact

Whilst the long-term economic implications of Brexit are uncertain, we believe that the Company's diversified portfolio of infrastructure businesses, providing essential services to a broad range of customers across Europe, offers some protection against any resulting economic volatility in the UK.

The impact of Brexit will probably be felt most directly by companies that trade goods which could attract a tariff between the UK and the rest of the EU. None of the companies in our portfolio does this.

 [Read more in our Risk report](#)
Pages 50-57



Interest rates

Benchmark rates remained low in the UK and the Eurozone over the year.

This chart shows the movement in the UK 10-year government bond yield over the life of the Company, with a fall in the 'risk-free' rate in the first five years, followed by a relatively stable period of low rates in the wake of the global financial crisis.

The reduction in the weighted average discount rate used to value our portfolio has been more modest than this fall in risk-free rates, partly due to changes in portfolio composition. Should interest rates rise in the future, we expect the impact on our valuations to be similarly moderated.

UK 10-year government bond yield movement since March 2008 %



Infrastructure investments remain an attractive source of income and capital appreciation for investors.

Demand for infrastructure investment remains strong. In the current low interest rate and low growth environment, investors are attracted by the perceived stability of infrastructure assets and the potential for higher yields on investment than achievable through holding cash or government bonds.

2018 was a very strong year for fundraising in the unlisted infrastructure space, with a number of new managers entering the market and existing managers raising new funds to target the sector. The competition for new investments, combined with the availability and attractive pricing of debt finance, has driven the price of infrastructure assets materially higher over recent years and therefore projected returns lower.

In particular, we continue to see high levels of competition for large core economic infrastructure assets, which are perceived as low risk. The size of these investments makes them attractive to both direct investors and fund managers.

This demand was evident in the recent sale of XLT from our portfolio, where the price that incoming investors were willing to pay was such that continuing to hold this asset within our portfolio at that level would have been materially dilutive to the Company's target return and yield.

Investment focus

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.

£50m–£250m

Typical equity investment

9%–14%

Typical range of returns per annum

Greenfield projects

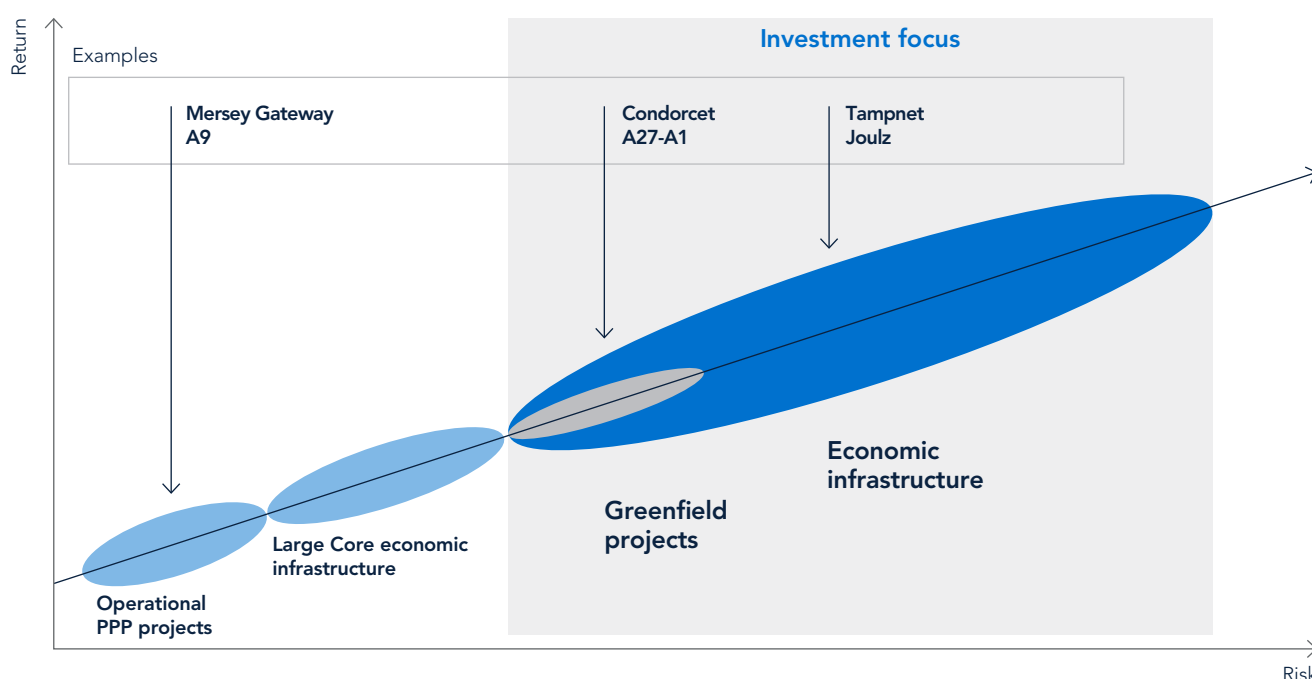
£5m–£50m

Typical equity investment

9%–12%

Typical range of returns per annum

Market segmentation and investment focus



Our business model

Our resources

Investment Manager's team

A team of over 30 investment professionals who have significant experience of investing in and managing infrastructure assets.

3i network

The Investment Manager's team draws on 3i Group plc's ('3i Group') considerable network of business leaders and relationships to help both originate and manage the Company's infrastructure assets.

Access to funds

The Company's flexible funding model allows the business to maintain an efficient balance sheet whilst retaining the ability to make new investments.

Reputation/brand

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

How we create value

Source well

The Investment Manager identifies a pipeline of opportunities that have the following characteristics:



Asset intensive or long-term concessions

Businesses with a significant asset base owned in perpetuity, or long-term concessions backed by robust regulatory frameworks, generating stable long-term cash flows.



Essential services

Businesses that provide essential services to the communities in which they operate, or to other businesses, operating in markets with high barriers to entry and providing some downside protection.



Acceptable element of market/usage risk

Businesses that, along with downside protection, offer upside through an acceptable level of demand risk.



Opportunities to enhance value

Enhancements to the current business plan or potential growth opportunities.



Target sectors

Focus on investments in the Company's target sectors, or adjacent markets as defined on page 4.



Geographical focus

Developed markets, principally the UK and Europe.

Buy well

We are a patient and selective investor with a rigorous and consistent approach to identifying the best investment opportunities:

Buy the right asset

Understand what we are buying through comprehensive due diligence.

With the right team

Ensure that we have a strong management team in place, aligned to our investment objectives.

And the right plan

Develop a sustainable, long-term business plan that can be delivered.

That fits our portfolio

Consistent with our return and yield targets and risk appetite.

With the right governance

Controlling majority or significant minority investments with strong governance rights.

Responsible Investment policy embedded into our

Manage well

We work closely with our portfolio companies to drive operational and financial performance to deliver the investment cases.

A collaborative approach



We have a long-term investment horizon, but will sell an asset when to do so would maximise value for our shareholders.

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

Delivered objectives



15.4%

Total return on opening NAV for the year



8.65p

Ordinary dividend

investment and portfolio monitoring process

Our business model

The resources we rely on

The Company relies on the expertise of the Investment Manager to source, execute and manage investments, using its considerable network. The team maintains wide-ranging relationships with providers of debt financing, for the Company and the portfolio, with advisers, industry professionals and with existing and potential new shareholders.

3i Group's values underpin the activity of the investment management team.

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 around 50 people.

The team includes one of the largest and most experienced groups of infrastructure investment professionals in Europe, supported by dedicated finance, legal, operations and strategy teams.

The remaining 3i India Infrastructure Fund ('India Fund') assets are managed for realisation by a team based in Mumbai.

Further information on the investment management team can be found on pages 68 and 69.



[Read more on the Investment Manager](#)
Page 73



Network




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


Access to funds

The Company aims to run an efficient balance sheet, minimising the amount of cash it holds whilst retaining the flexibility to pursue attractive opportunities identified by the Investment Manager.

The Company maintains two key relationships to achieve this flexibility:

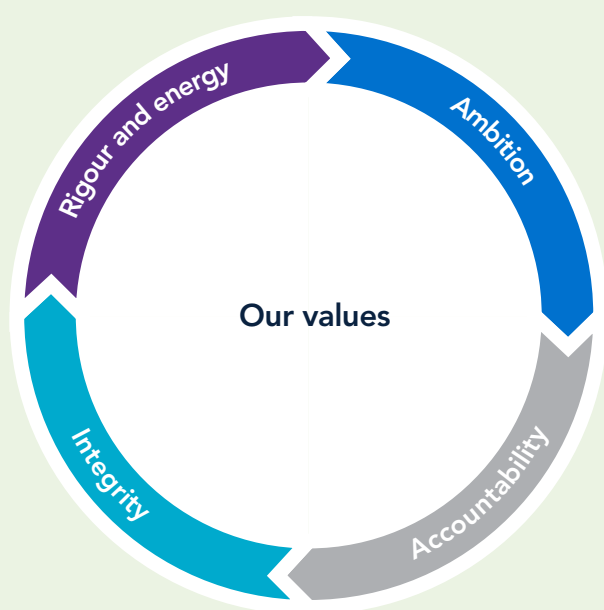
- relationships with shareholders, enabling us to raise equity when we have a high degree of confidence in its deployment, and to return excess liquidity quickly and efficiently; and
- relationships with lenders, both for the Company and the portfolio, to support us with a range of financing options to meet our growth ambitions.

 **Read more on Relations with shareholders**
Page 76

 **Read more on the Company's Revolving Credit Facility**
Page 87



Reputation and brand



The Investment Manager applies the 3i Group's values as the basis of how we do business. These values and corporate culture promote accountability, and, together with compliance, behaviour and environmental, ethical and social policies and procedures, are designed to ensure consistent standards of conduct.

We are committed to achieving our investment objectives in a sustainable way. We ensure that our values and ethics are aligned with our purpose, and reflected in our business policies and practices. Our success as an investor relies on us maintaining a strong reputation for managing our portfolio sustainably. The Sustainability report on pages 58 to 61 provides some examples of this in 3i Infrastructure's portfolio.

 **For further information on 3i Group's values**
www.3i.com

Our objectives and strategic priorities

Our objectives

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

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

The Company invests in businesses where the downside risk protection inherent in infrastructure investments is complemented by an acceptable level of demand risk and/or by appropriate growth opportunities.

We drive value by adding new investments selectively, through our engaged asset management approach and by maintaining an efficient balance sheet.

The Company typically invests with a long-term hold perspective, although we may realise investments when we believe that a sale would maximise value for shareholders.

Clear strategic priorities

Maintaining a balanced portfolio

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

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

15%

Largest single investment in the portfolio by value

27

Investments

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.

£377m

New investments or commitments in the year

Managing the portfolio intensively

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

Delivering growth through platform investments.

17.5%

Total portfolio return in the year

3

Bolt-on acquisitions by our platform investments in the year

Maintaining an efficient balance sheet

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

£266m

Cash balances (of which 77% is committed)

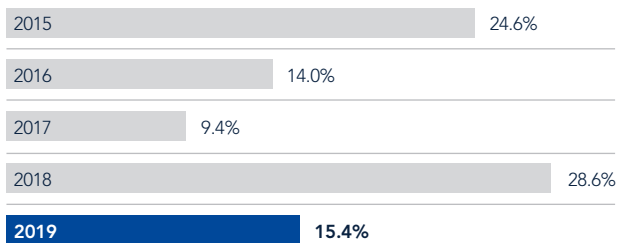
£550m

Total liquidity

How we measure our performance and 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.

Outcome for the year

Total return of 15.4% for the year to 31 March 2019.

Performance against target

Continued outperformance.

Rationale and definition

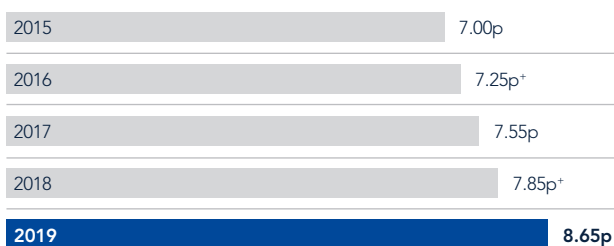
- Total return is how we measure the overall financial performance of the Company
- Total return comprises the investment return from the portfolio and income from any cash balances, net of management and performance fees and operating and finance costs. It also includes movements in the fair value of 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 £258 million in the year, or 15.4% on opening NAV
- The portfolio performed well overall with strong performance in particular from TCR, WIG, Attero and Valorem
- The outperformance in total return was driven mainly by the sale of the Company's holding in XLT
- The hedging programme continues to reduce the volatility in NAV from exchange rates
- Costs were managed in line with expectations



Annual distribution pence per share



+ Special dividends (2016: 17.0p – 2018: 41.4p)

Target

Progressive dividend per share policy.

Targeting a full year dividend for FY19 of 8.65 pence per share.

Outcome for the year

Total dividend of 8.65 pence per share paid and proposed.

Performance against target

Target met.

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 operational costs of the Company and distributions to shareholders
- The dividend is measured on a pence per share basis, and is targeted to be progressive

Performance over the year

- Proposed total dividend of 8.65 pence per share, or £70 million, is in line with the target set at the beginning of the year
- Income generated from the portfolio and cash deposits, including non-income cash distributions and other income from portfolio companies, totalled £202 million for the year. Operational costs and finance costs used to assess dividend coverage totalled £37 million in the year. The dividend was fully covered for the year
- Setting a total dividend target for FY20 of 9.20 pence per share, 6.4% higher than for FY19

2019 realisation

XLT Cross London Trains

£333m

Net proceeds received

5.9x

Return on investment
(Total cash return over cost)

**3i Infrastructure sold its stake
in XLT in February 2019.**

Key achievements during our ownership include:

- Formed a consortium in 2008 to procure and lease out the rolling stock for use on the London Thameslink passenger rail franchise
- Developed our bid for the contract with the UK's Department for Transport over three years after which XLT was named preferred bidder
- Financial close achieved in March 2013
- Hired an experienced management team
- Refinanced the business in 2015
- Managed the delivery of 115 next-generation trains to operate across the Thameslink network on time and budget – one of the UK's largest ever train orders
- Managed costs effectively and successfully delivered additional investment in Wi-Fi and seat-back tables
- Awarded train of the year in the National Rail Awards 2018





Investment Manager's review





Review from the Managing Partner



"It has been another strong year for the Company. The portfolio is performing well, we made another excellent realisation and we have continued to make attractive new investments in a very competitive market."

Phil White
Managing Partner and Head
of Infrastructure, 3i Investments plc
8 May 2019

Portfolio review

We have a large and diversified investment portfolio across sector, geography and investment maturity. The investment management team continues to drive performance from the Company's portfolio through our engaged asset management approach. Our team works closely with portfolio company management teams to help define their strategic direction and business plans, implement efficient and prudent capital structures, drive operational performance, support continued investment in their asset bases and identify and execute bolt-on acquisitions where these add value.

Our portfolio is performing well overall, with strong operating and financial results and good progress from Attero, WIG, Valorem and TCR in particular.

We managed our portfolio actively during the year. We syndicated half of our original investment in Attero, a European leader in waste treatment and processing; 3i Investments plc manages and retains governance over the half of Attero that the Company originally acquired. Alongside the opening of the 120MW steam turbine at Attero's Moerdijk energy-from-waste facility earlier in the year, Attero also hosted the First Vice-President of the European Commission to open its new polymer recycling plant ('PRP') in March. This plant will enable Attero to recycle 24,000 tonnes of used plastic packaging into high quality regranulate each year. The regranulate will be used in the production of new plastic products, making a strong contribution towards a circular economy. Further information about Attero and the circular economy can be found in the Sustainability report on page 60.

We supported the growth of our 'platform' businesses through further bolt-on acquisitions. WIG signed contracts for two such acquisitions in October, a portfolio of towers in Ireland and Arqiva's Indoor Networks business. In March, TCR acquired Aerolima, a French competitor in the ground support equipment ('GSE') leasing market. These acquisitions add value and did not require additional equity investment from the Company.

ESVAGT appointed Peter Lytzen as CEO and Sisse Mai as the new CFO in the year. The company continues to experience a challenging market, but the recent stability in oil prices has seen the demand and utilisation outlook for the business improve. The company announced contracts with MHI Vestas to provide three new wind farm service operation vessels ('SOV'), underlining its market-leading position in the offshore wind industry.

Valorem has achieved further growth of its portfolio of wind and solar projects, doubling the generating capacity of the business since acquisition in September 2016. During the year, Valorem closed its first photovoltaic project, an important milestone for the business.

Infinis continues to make a strong contribution to yield and to perform well operationally. The integration of Alkane Energy is complete. However, Infinis has had to contend with negative industry-wide regulatory developments around 'embedded benefits' and the suspension of capacity market payments.

Oystercatcher's terminals continue to experience challenging market conditions. Whilst the outlook is improving, soft demand for storage of certain oil product types has put downward pressure on pricing and has led to some vacant capacity.

Infinis, WIG, TCR and Attero were all refinanced during the year. These transactions were secured on attractive terms. They provide the refinanced companies with flexibility for further growth and extend their debt maturity profiles, whilst also having delivered non-income cash distributions to the Company.

We continue to work with the portfolio companies to assess new investment and capital expenditure programmes, as well as value adding acquisitions.

Realisation

This year we sold our investment in XLT, a company established to procure and lease out the rolling stock for use on the Thameslink passenger rail franchise. Over the last 11 years, since the procurement process began, our partnership with our co-shareholders has helped to deliver, on time and on budget, a key element of London's commuter rail infrastructure. The sale generated net proceeds to the Company of £333 million, in addition to income of £12 million received in January prior to the sale, representing a 27% premium to our September 2018 valuation of £271 million and a 5.9x return on our original investment in 2013.

The XLT realisation, combined with sales achieved in previous years and the continued good performance of the current portfolio, has underpinned an annualised asset IRR for the Company since IPO of 19%.

Investment activity

This year we have achieved a good level of new investment, recycling the proceeds from the realisation of XLT into two new economic infrastructure businesses with higher expected returns, and funding a number of existing commitments.

We continue to target attractive risk-adjusted returns in mid-market economic infrastructure businesses as well as greenfield projects. Where possible, we seek to secure investments on a bilateral basis, developing a robust and aligned investment case with management and minimising the transaction costs for the Company.

Total new investment commitments in the year of £377 million were:

- a €219 million (£187 million) investment in Tampnet, in a consortium with Danish pension fund ATP, our first investment in fibre-based communications infrastructure. 3i Investments plc manages the investment on behalf of the consortium. Tampnet provides low latency, high bandwidth connectivity to offshore operations in the North Sea and the Gulf of Mexico. This investment provides an attractive yield for the Company and further diversifies the portfolio's geographic exposure. The investment completed in March 2019; and
- a €220 million (£190 million) commitment to acquire 100% of Joulz Diensten B.V. ('Joulz'), a leading owner and provider of essential energy infrastructure equipment and services in the Netherlands. Joulz was acquired from Stedin Holding N.V., a Dutch distribution grid operator. The investment completed in April 2019 after receipt of certain third-party approvals. Joulz leases essential energy infrastructure equipment and meters to a large and diversified customer base of industrial, commercial and public sector customers.

Existing commitments of €45.1 million (£40.1 million) were funded during the year. These comprised:

- a €12.0 million (£10.7 million) investment in Valorem for the development of its pipeline of wind and solar projects; and
- a €10.9 million (£9.5 million) investment in La Santé prison in France and €22.2 million (£19.9 million) in the A9 motorway in the Netherlands, as these projects approach operational status.

These new investments have added further diversification to the Company's portfolio, which is now better balanced by size of investment, and has exposure to a range of countries, sectors and risk factors. While exposure to regulatory risks has been reduced over recent years, there is now increased potential volatility from market factors, including commodity prices and GDP growth. We are confident in our new acquisitions, and we believe that the portfolio is well-positioned to meet the Company's return and dividend targets over the medium term.

Outlook

The Company has maintained its high returns performance, outperforming our objectives. The portfolio is demonstrating the resilience inherent in infrastructure businesses and is delivering value enhancement from operational efficiency and growth initiatives.

Competition for new investments remains intense, but we have a strong origination platform across Europe and an attractive, well-balanced portfolio on which to build.

We continue to see a good flow of new investment opportunities, but we remain disciplined to invest selectively.

Phil White

Managing Partner and Head
of Infrastructure, 3i Investments plc
8 May 2019

Investment activity

Our investment activity in the year demonstrates execution of our strategy and business model.

New investment



Invested

€219m

Equity stake

50%

3i Infrastructure acquired 50% of Tampnet in March 2019 alongside Danish pension fund ATP, having committed to invest in July 2018. The Investment Manager manages the investment on behalf of the consortium.

Tampnet is the leading independent offshore communications network operator in the North Sea and the Gulf of Mexico.

Investment rationale

- Tampnet's fibre optic links provide customers with mission-critical reliable communications.
- Benefits from the growing requirement for high bandwidth and low latency in data networks.
- More than 50 customers including oil and gas operators, offshore service providers and telecom operators.
- Opportunity to grow into new segments such as offshore wind, commercial vessels and the point-to-point carrier segment.



Business model characteristics



Asset intensive or long-term concessions

Established and comprehensive network of fibre optic cables, 4G base stations and microwave links providing high speed, low latency and resilient data connectivity offshore.



Opportunities to enhance value

Tampnet is expected to benefit from customers requiring increased bandwidth and growth of the network. Expansion into new segments and other locations will be explored.



Essential services

Provides essential and reliable communications in an often hostile environment, enabling customers to operate more efficiently and safely.



Target sectors

Essential communications networks is a target sector.



Acceptable element of market/usage risk

Large and loyal customer base, who use Tampnet's network to improve efficiency and extend hydrocarbon field lives.



Geographical focus

Tampnet is headquartered in Norway, with operations in the UK, Scandinavia and the USA.

New investment

Joulz

Committed

€220m

Equity stake

100%

3i Infrastructure committed to acquire Joulz in March 2019. The acquisition completed in April 2019.

Joulz is a leading owner and provider of essential energy infrastructure equipment and services in the Netherlands.

Investment rationale

- Strong established asset base as well as good potential for growth.
- Joulz is set to benefit from the Dutch government's commitment to decarbonise the economy (the 'Energy Transition').
- The Energy Transition is expected to increase electricity consumption and demand for Joulz's equipment and services.
- 3i Infrastructure has relevant experience of investing in the Netherlands and previous investments in the electricity and leasing sectors.



Business model characteristics

**Asset intensive or long-term concessions**

Joulz's infrastructure services business owns and leases medium voltage electricity infrastructure such as transformers, switchgear and cables under long-term contracts. The metering business owns and leases approximately 50,000 electricity and gas meters for non-household customers under medium-term contracts.

**Opportunities to enhance value**

Joulz is strongly positioned to benefit from the Energy Transition. The focus on increased energy efficiency is expected to drive growth in sub-meters and data analytics.

**Essential services**

Joulz has a large and diversified customer base of industrial, commercial and public sector customers who rely on Joulz's essential energy infrastructure equipment and meters.

**Target sectors**

Energy infrastructure leasing is in our utilities sector.

**Acceptable element of market/usage risk**

Joulz is well positioned in its local market with good revenue visibility from its contracts with customers.

**Geographical focus**

Joulz is based in the Netherlands.

Portfolio

The portfolio has grown in value through the new investments, including Attero and Tampnet, partly offset by the realisation of XLT. We are confident that the portfolio is well positioned to deliver our target returns.

The Company's portfolio is valued at £1,681.1 million (2018: £1,545.9 million), and delivered a total portfolio return in the year of £325.4 million including income and allocated foreign exchange hedging (2018: £613.2 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 Consolidated balance sheet includes, in addition to the portfolio asset valuation, the cash and other net assets held within intermediate unconsolidated holding companies. These amounts are set out at the foot of the table below, to provide a reconciliation between the Directors' valuation of the portfolio assets and 'Investments at fair value through profit or loss' reported in the Consolidated financial statements. Accrued income is now classified within 'Investment at fair value through profit or loss' and is included in Table 1. In prior periods, accrued income was classified within 'Trade and other receivables'.

Table 1: Portfolio summary (31 March 2019, £m)

Portfolio assets	Directors' valuation 31 March 2018	Investment in the year	Divestment in the year	Accrued income movement ¹	Value movement	Foreign exchange translation	Directors' valuation 31 March 2019	Allocated foreign exchange hedging	Underlying portfolio income in the year	Portfolio total return in the year ²
Infinis	310.7	–	(45.7) ³	4.5	19.5	–	289.0	–	19.5	39.0
WIG	300.4	7.9 ⁴	(43.5) ³	2.9	20.1	–	287.8	–	12.7	32.8
Tampnet	–	187.3	–	0.2	6.7	3.9	198.1	0.1	0.2	10.9
TCR	179.5	0.2 ⁴	(3.7) ³	1.3	9.8	(0.4)	186.7	2.9	15.7	28.0
ESVAGT	149.1	16.9 ⁴	–	4.4	(8.6)	(2.0)	159.8	1.1	17.3	7.8
Oystercatcher	181.3	–	–	–	(31.9)	5.7	155.1	(3.6)	16.9	(12.9)
Attero	–	88.4 ^{4,5}	(1.3) ⁶	0.9	16.3	(2.1)	102.2	2.1	1.4	17.7
Valorem	54.8	10.7 ⁷	–	0.7	12.0	(1.6)	76.6	1.6	3.4	15.4
XLT	166.3	–	(332.1)	–	165.8	–	–	–	14.4	180.2
Economic infrastructure portfolio	1,342.1	311.4	(426.3)	14.9	209.7	3.5	1,455.3	4.2	101.5	318.9
Projects	167.0	30.7 ^{4,7}	(1.3) ³	1.6	(0.2)	(1.1)	196.7	0.7	13.5	12.9
India Fund	36.8	–	(1.3)	–	(7.3)	0.9	29.1	–	–	(6.4)
Total portfolio	1,545.9	342.1	(428.9)	16.5	202.2	3.3	1,681.1	4.9	115.0	325.4
Adjustments related to unconsolidated subsidiaries ⁸	6.4	0.2	0.2	1.6	7.5	–	15.9	(0.8)	(5.2)	1.5
Reported in the Consolidated financial statements	1,552.3	342.3	(428.7)	18.1	213.0	–	1,697.0	4.1	109.8	326.9

¹ The movement in accrued income comprises £3.9 million of movement in the year and £12.6 million in relation to the reclassification of the opening balance at 31 March 2018.

² This comprises the aggregate of value movement, foreign exchange translation, allocated foreign exchange hedging and underlying portfolio income in the year.

³ Shareholder loan repaid.

⁴ Capitalised interest.

⁵ Net of syndication.

⁶ Represents receipt of realised value gain on syndication.

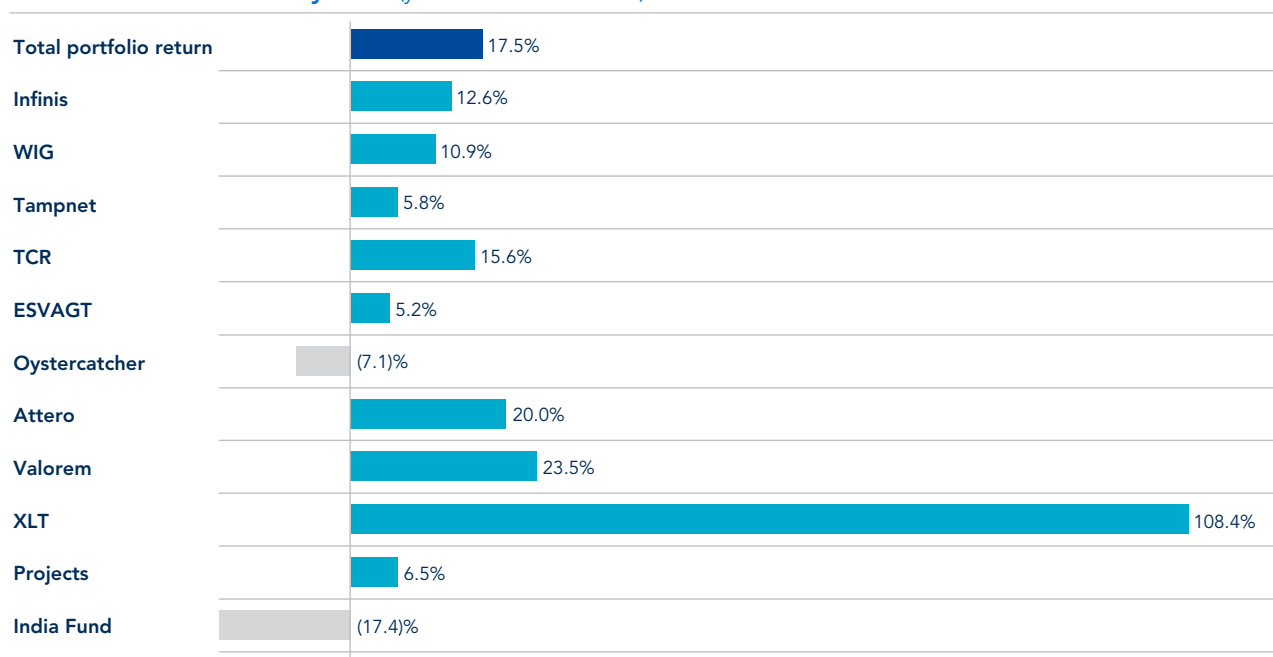
⁷ Drawdown of commitment.

⁸ Income statement adjustments explained in Table 8 and Balance sheet adjustments explained in Table 9 both on page 49 in the Financial review.

The total portfolio return in the year of £325.4 million is 17.5% of the aggregate of the opening value of the portfolio and investments in the year (excluding capitalised interest), which total £1,861.7 million. This return was driven primarily by a valuation uplift and subsequent realisation of the investment in XLT, together with good performance overall across the rest of the portfolio.

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). The return of 5.8% for Tampnet is for part of the year only. The chart shows the strong performance of Valorem, Attero, TCR and WIG in the year, and the impact of tougher trading conditions on Oystercatcher and ESVAGT.

Chart 1: Portfolio return by asset (year to 31 March 2019)



Movements in portfolio value

The movement in portfolio value was driven principally by the realisation of the Company's holding in XLT for a price considerably above its opening valuation, and by new investments during the year, as well as by the delivery of planned cash flows and other asset outperformance. A reconciliation of the movement in portfolio value is shown in Chart 2 below. The portfolio summary shown in Table 1 on page 22 shows the analysis of these movements by asset. Changes to portfolio valuations arise due to several factors, as shown in Table 2 opposite.

Economic infrastructure portfolio

The economic infrastructure portfolio generated a value gain of £209.7 million in the year (or £213.2 million including exchange movements).

The sale of **XLT** for a 27% premium to the September 2018 valuation reflected the impressive reliability performance of the trains, a scarcity of similar assets attracting aggressively priced bids and a well-run sale process with good competitive tension.

Infinis completed a full refinancing in August 2018 which reduced the all-in cost of debt and will be used to fund growth capital expenditure. This supported value growth of £19.5 million in the year and also funded £40.0 million of the total shareholder loan repayments received of £45.7 million.

WIG acquired Arqiva's Indoor Networks business in the UK and, in Ireland, it acquired Highpoint Communications Limited. Both acquisitions were self-funded by WIG. In August 2018, WIG completed a refinancing on more favourable terms than assumed in our investment case, which contributed to a £20.1 million value uplift and resulted in a £43.5 million repayment of shareholder loan.

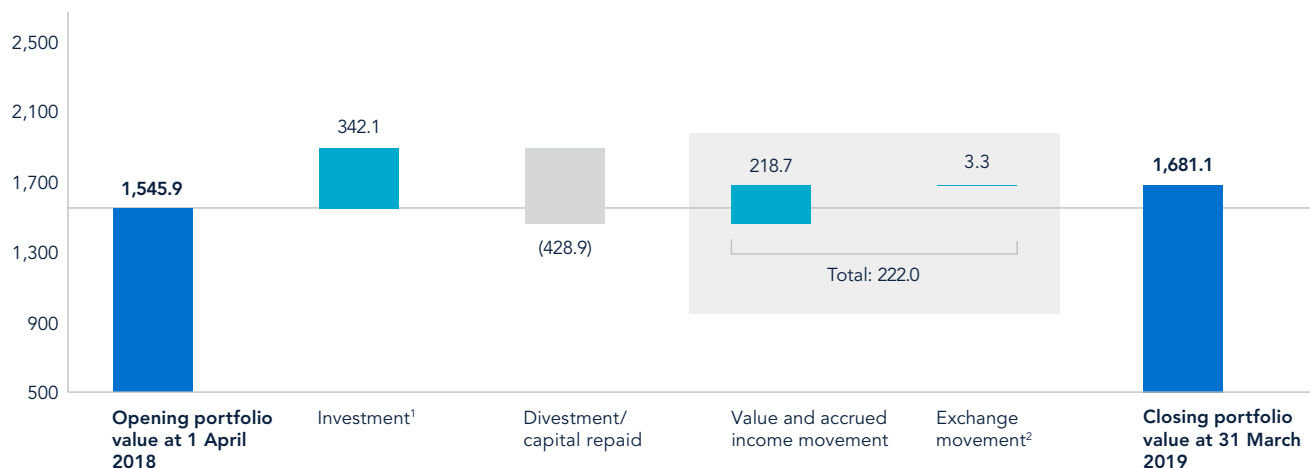
Tampnet has performed above our investment case since the investment was signed in July 2018, leading to a valuation uplift.

TCR completed the acquisition of Aerolima, a French competitor in the GSE leasing market. The transaction was self-funded by TCR. In June 2018, TCR completed a refinancing on attractive terms, which contributed to a £9.8 million value uplift. The increase in value in the year also reflects continued growth of the business.

ESVAGT had a negative value movement of £8.6 million as we have assumed a slower recovery in the Emergency Rescue and Response Vessel ('ERRV') market resulting in lower average utilisation of the fleet in the short term.

The value reduction in **Oystercatcher** of £31.9 million was driven principally by lower profit expectations over the near term reflecting softer demand for storage of certain product types, resulting in downward pressure on pricing, some customer churn and some vacant capacity. The valuation of Oystercatcher is exposed to the euro and Singapore dollar exchange rate, and the value loss was partially offset by positive currency movements as the Singapore dollar strengthened against sterling during the year. The euro and Singapore dollar exposures are partially hedged, as described in Chart 5 on page 44 of the Financial review.

Chart 2: Reconciliation of the movement in portfolio value (year to 31 March 2019, £m)



¹ Excludes investment commitments, is net of syndication and includes capitalised interest.

² Excludes movement in the foreign exchange hedging programme (see Chart 5 in the Financial review).

Attero achieved value growth of £16.3 million principally due to updated third-party power price forecasts and a refinancing achieved on improved terms. Attero also delivered two key strategic initiatives in the year, as described on page 18.

Valorem increased in value in the year with a reduction in the discount rate as the business continued to develop its pipeline of projects into operation.

Projects portfolio

The projects portfolio increased in value, reflecting the investment of £9.5 million in the La Santé prison project in France and £19.9 million in the A9 motorway project in the Netherlands as these projects approached operational status in the year. The investments in La Santé and A9 were made in September and, therefore, the return for those investments was for part of the year only.

India Fund

The India Fund declined in value by £7.3 million due to continued delays in project completion and funding constraints for the road projects.

We achieved a partial sale of the KMC roads portfolio within the India Fund and are continuing to pursue exits for the remaining assets.

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

Table 2: Components of value movement (year to 31 March 2019, £m)

Value movement component	Value movement in the year	Description
Planned value growth	56.2	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 in the year.
Other asset performance	71.8	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. Includes the uplift on the sale of XLT since the half year.
Discount rate movement	73.1	Value movement relating to changes in the discount rate applied to the portfolio cash flows. Includes a reduction in the discount rate of XLT in the first half of the year.
Macro-economic assumptions	1.1	Value movement relating to changes to macro-economic out-turn or assumptions, eg inflation, interest rates on deposit accounts and taxation rates. This includes changes to regulatory returns that are directly linked to macro-economic variables.
Total value movement before exchange	202.2	
Foreign exchange retranslation	3.3	Movement in value due to currency translation to year-end date.
Total value movement	205.5	

Movements in portfolio value

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 2019. During the year, the weighted average discount rate increased following the sale of XLT and the new investments in Tampnet and Attero.

Investment track record

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

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

These have contributed to a 19% annualised asset 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 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.

The valuation of the India Fund, which represents approximately 1% of the portfolio, has been affected by currency and macro-economic issues, as well as a number of issues related to specific investments.

Portfolio asset returns in Chart 4, and in the Review of investments section (pages 30 to 39), include an allocation of FX hedging where applicable. In the Review of investments section, this is shown within cash distributions, which also includes cash income and proceeds on disposals.

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

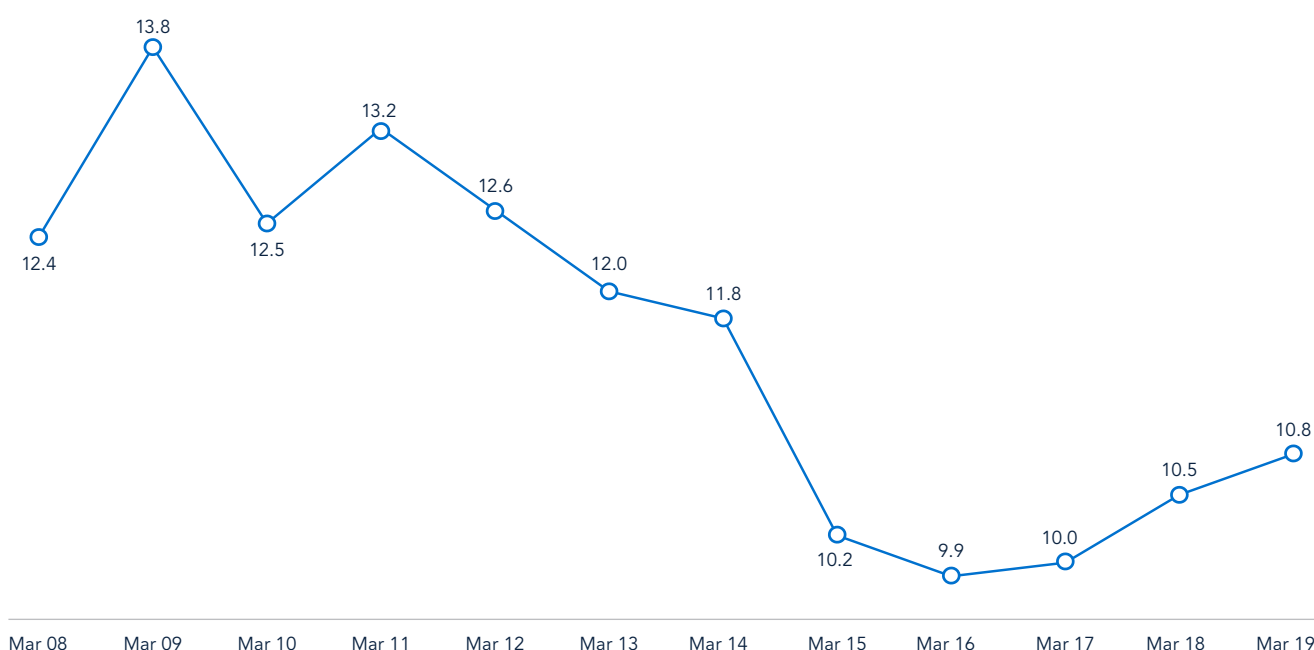
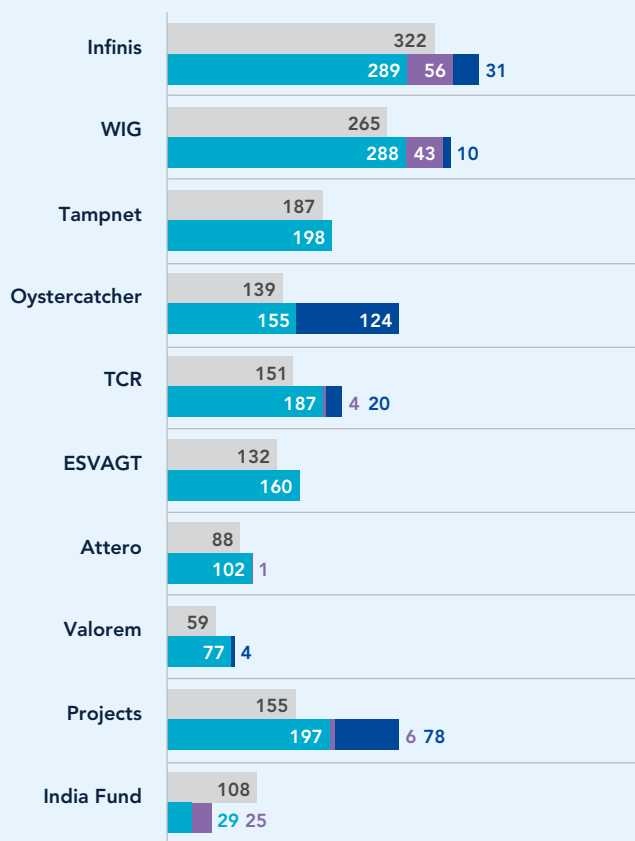
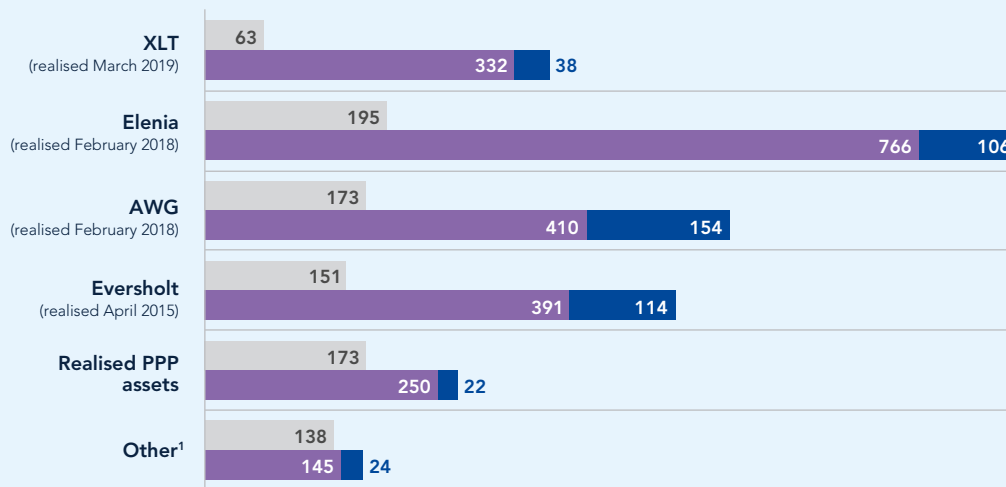


Chart 4: Portfolio asset returns throughout holding period (since inception, £m)**Existing portfolio**

Total return

19%Annualised asset
IRR from IPO
to 31 March 2019**Realised assets**

Total return

5.9x**4.5x****3.3x****3.3x****1.6x****1.2x**

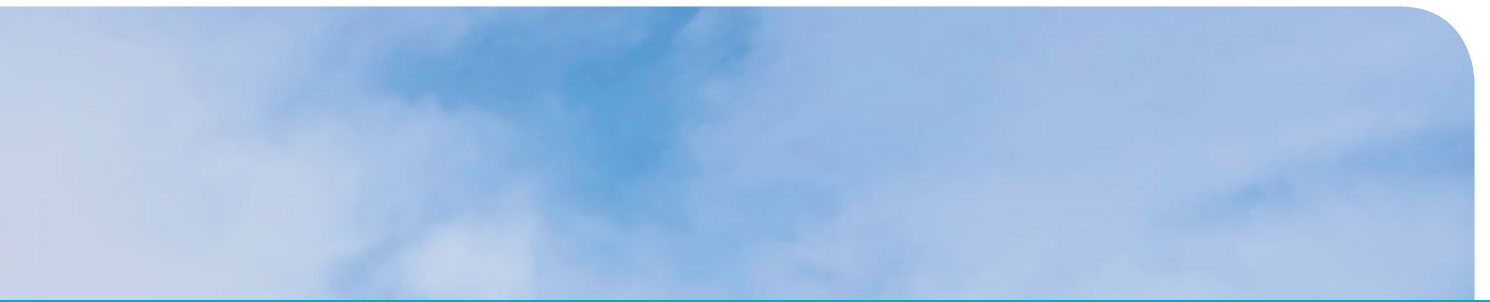
● Total cost ● Value including accrued income
● Proceeds on disposals/capital returns ● Cash income

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

¹ Other includes junior debt portfolio, T2C and Novera.

Review of investments

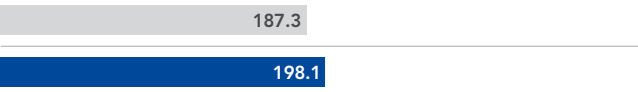




Review of investments



Performance (£m)



● Total cost ● Closing value ● Cash distributions


Ownership 50%	Date invested March 2019	Management Team HQ Stavanger, Norway
Country Norway	Currency NOK	Sector Communications

Developments in the year

Tampnet has outperformed our investment case since we committed to invest in July 2018, largely due to the increased services requested by its clients in the North Sea.

During the year, the business has continued to build out deepwater base stations in the Gulf of Mexico, which will increase Tampnet’s coverage in the region and will provide a new source of revenue generation. In the North Sea, Tampnet was awarded a long-term contract to operate the telecommunications infrastructure on the Dutch continental shelf.

The desire of market players to invest in digital transformation in the oil and gas market is high, and the business continues to evaluate and pursue a number of growth opportunities internationally.

 **For further information about our investments**
www.3i-infrastructure.com





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 continues to be a strong contributor to the Company’s yield, as anticipated in our investment case.

Its core business, generating electricity from landfill gas and coal mine methane, performed well in the year, on the back of strong baseload power prices. The integration of Alkane Energy, acquired in early 2018, is complete and management is focused on delivering synergies and improving engine availability at the former Alkane Energy sites.

The combined business was refinanced during the year, extending debt maturities, securing attractive terms and providing flexibility for further growth. The refinancing funded an additional £40 million distribution to the Company.

Infinis has continued to exploit spare engine and grid connection capacity to develop power response (‘PR’) generation activities. As at 31 March 2019, it had 30 operational PR sites with an installed capacity of 180 MW, and a pipeline of further projects in construction or at the planning stage of over 100 MW.

The outlook for the ‘embedded benefits’ that Infinis presently receives is uncertain pending an industry-wide regulatory review of these being undertaken by Ofgem and, separately, all payments under capacity market contracts, including those to Infinis, are currently suspended in response to a European Court of Justice ruling.

 **For further information
about our investments**
www.3i-infrastructure.com



**Wireless
Infrastructure
Group**

Performance (£m)



● Total cost ● Closing value ● Cash distributions

Ownership
93%

Date invested
June 2016 and
January 2018

**Management
Team HQ**
Bellshill, UK

Country
UK

Currency
GBP

Sector
Communications


Developments in the year

WIG is performing well operationally and financially. Its priority in the coming years will be to work with its customers as they seek to upgrade and extend their networks to improve coverage and capacity. The introduction of 5G is expected to provide further opportunities for WIG.

WIG has established itself as the market leader in UK Indoor Networks and contracted a record number of systems in the year. WIG acquired Arqiva's entire UK Indoor Networks portfolio, and now works with 20 of the UK's largest 30 shopping centres, a growing number of stadium venues such as Anfield, Lord's and Murrayfield, and large campuses such as King's Cross, MediaCityUK and Canary Wharf.

WIG also acquired a small portfolio of towers in Ireland from Highpoint Communications. WIG has been shortlisted for the Transport for London project to deploy a Distributed Antenna System on the London Underground and it is the wireless infrastructure partner to Midlands Future Mobility – the UK's largest pilot project for testing connected autonomous vehicles across roads in the West Midlands.

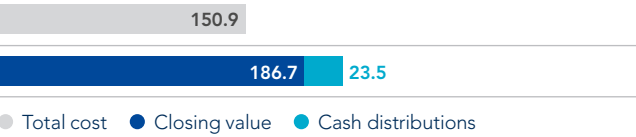
WIG completed a refinancing of its debt on favourable terms, which resulted in a £43.5 million distribution to the Company. The new debt package includes a sizeable capital expenditure facility that provides WIG with the flexibility to deliver organic growth plans and to fund further acquisitions.

 **For further information
about our investments**
www.3i-infrastructure.com

Review of investments



Performance (£m)



Ownership 46%	Date invested July 2016	Management Team HQ Brussels, Belgium
Country Active in 11 European countries, Malaysia, Australasia and the USA	Currency EUR	Sector Transportation/ Logistics

Developments in the year

TCR performed well in the year. It now operates in 139 airports, an increase from 112 at the start of the year. It has won new business across its established operations in Europe and Asia and commenced its first leasing contracts in the US and Australasia. Following its acquisition of Emerge Engineering and Maintenance in 2017, TCR signed a sizeable sale and lease-back fleet conversion in Australia and New Zealand.

Contract renewal levels in its core European markets remain very high, demonstrating the defensive nature of the cash flows and TCR’s strong position in a growing market. Customers continue to value the improved efficiency, flexibility and reliability to their operations that contracting with TCR brings.

As planned at acquisition, Tom Bellekens was appointed CEO in October 2018. Former CEO and founder, Marc Delvaux, remains with the business as a non-executive director.

TCR was refinanced in June 2018 with long-term institutional funding on attractive terms, alongside a sizeable capital expenditure facility to support further growth.

Aerolima acquisition

TCR acquired Aerolima, another lessor of GSE in France. The transaction adds approximately 2,000 pieces of equipment, 20 airports and 12 workshops to TCR’s existing business.


For further information about our investments
www.3i-infrastructure.com



ESVAGT

Performance (£m)

131.9

159.8

● Total cost ● Closing value ● Cash distributions

Ownership
50%

Date invested
September 2015

Management Team HQ
Esbjerg, Denmark

Country
Denmark, Norway and UK

Currency
DKK

Sector
Natural Resources/
Energy

Developments in the year

The market conditions in which ESVAGT operates are gradually improving. Stable oil prices combined with a reduced cost base in oil and gas companies are improving the demand dynamics, which should lead to increasing contract coverage and rates in the emergency rescue and response vessel ('ERRV') market for ESVAGT's vessels, albeit on shorter contract durations than previously experienced.

Peter Lytzen became CEO in September 2018 and Sisse Mai was appointed as CFO in December 2018.

Offshore wind business

The wind service operation vessels ('SOVs') segment has continued to grow ahead of our initial expectations. ESVAGT signed contracts with MHI Vestas for three new SOVs in the year and the pipeline for new opportunities remains healthy in this high growth market.

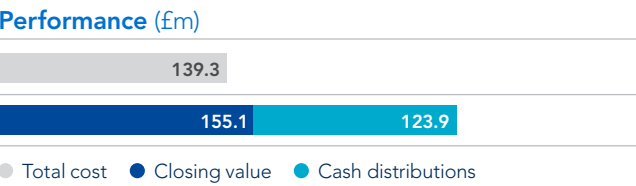


**For further information
about our investments**
www.3i-infrastructure.com

Review of investments



Oystercatcher



Ownership 45%	Date invested August 2007 and June 2015	Management Team HQ Various
Country The Netherlands, Belgium, Malta and Singapore	Currency EUR	Sector Transportation/Logistics

Developments in the year

The oil storage market has continued to face challenges caused by an extended period of backwardation in oil product markets, alongside uncertainty in the bunker fuel market in the lead up to the introduction, on 1 January 2020, of the International Maritime Organisation’s new regulation restricting the sulphur content of fuel used for shipping (‘IMO 2020’).

We expect the market backdrop to improve later in 2019 as implementation of IMO 2020 nears. Furthermore, the oil products market will continue to switch between periods of backwardation and contango.

The high quality of the Oystercatcher portfolio provides significant protection against the adverse impacts of market conditions. An example is the signing in the year of a new long-term contract for jet fuel storage, taking advantage of the existing dedicated pipeline from Oiltanking Amsterdam to Schiphol airport.

The biggest contributor to value is Oiltanking Singapore. In the medium to long term, a growing imbalance between demand for and supply of gasoline storage in the Asia Pacific region underpins our expectation that the storage market in Singapore will again strengthen.

 **For further information about our investments**
www.3i-infrastructure.com



Performance (£m)



Ownership
25%

Date invested
June 2018

Management Team HQ
Apeldoorn,
The Netherlands

Country
The Netherlands

Currency
EUR

Sector
Utilities


Developments in the year

Since our acquisition, market supply and demand dynamics have been favourable and resulted in increasing gate fees. Power price forecasts have also increased, which may positively impact future revenues from the sale of electricity. The acquisition debt was refinanced during the year, achieving an investment grade structure and resulting in better terms than assumed in our investment case.

Growth initiatives

A new steam offtake pipeline and electricity turbine was commissioned, creating an environmentally friendly and renewable source of electricity. A new Polymer Recycling Plant ('PRP') started operations at the Wijster site. The PRP will enable Attero to recycle 24,000 tonnes of used plastic packaging into high quality regranulate each year.

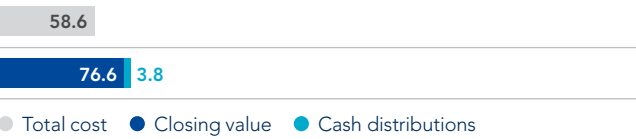
Attero's contribution to the circular economy is discussed in the Sustainability report on page 60.


**For further information
about our investments**
www.3i-infrastructure.com

Review of investments



Performance (£m)



Ownership 28.5%	Date invested September 2016	Management Team HQ Bègles, France
Country France	Currency EUR	Sector Utilities

Developments in the year

Valorem’s performance continues to be driven by the expansion of its asset base in an attractive and growing market. During the year, 92 MW of generating capacity entered into construction, which will lead to a total capacity of 340 MW. The pipeline of both wind and solar projects is developing faster than in our investment case. Earnings from electricity generation grew strongly during the year.

The political environment in France continues to be supportive, with an official Government objective to more than double renewable electricity generation capacity in 10 years and specific support for increasing solar capacity.

French wind farm tariffs are demonstrating resilience, due to reduced competition in recent auctions. Valorem’s current portfolio (operational and under construction) is relatively young, with an average residual life of the power purchase agreement of approximately 12 years.

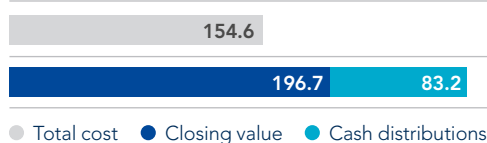
The Finnish wind and French hydro pipelines are also maturing in a supportive market environment.

 **For further information about our investments**
www.3i-infrastructure.com



Projects portfolio

Performance (£m)



Developments in the year

Overall, the projects in the Company's portfolio continued to perform well during the year. All operational assets delivered a good level of income and the portfolio had negligible exposure to Carillion plc and Interserve plc, the failed facilities management and construction companies.

Three projects remain under construction: the Condorcet Campus in France as well as the A27/A1 road and the Hart van Zuid social accommodation projects in the Netherlands.

During the year, the Company invested €33 million into two projects as they approached operational status:

- La Santé, a project to refurbish and maintain a prison in Paris, France; and
- the A9 motorway, a project to reconstruct and expand the road between Diem and Holendrecht in the Netherlands.



**For further information
about our investments**
www.3i-infrastructure.com

Image:

© Saïda Dalmau, SBDA, Campus Condorcet, 2015

Financial review, Risk and Sustainability





Financial review



"We run an efficient balance sheet, avoiding dilution of returns from holding surplus cash and we have liquidity available for further selected investments from our pipeline."

James Dawes
CFO, Infrastructure
8 May 2019

Key financial measures (year to 31 March)

	2019	2018
Total return ¹	£258.5m	£479.6m
NAV	£1,901.8m	£1,710.2m
NAV per share	234.7p	211.0p
Total income ²	£114.9m	£100.0m
Total income and non-income cash	£201.2m	£156.4m
Portfolio asset value ²	£1,681.1m	£1,545.9m
Cash balances ²	£265.8m	£284.6m
Total liquidity ³	£549.5m	£534.0m

1 IFRS Total comprehensive income for the year.

2 Reconciliation of measures to the financial statement balances is set out in Tables 8 and 9 on page 49.

3 Includes cash balances of £256.8 million (2018: £282.0 million), unrestricted cash in subsidiaries of £9.0 million (2018: £2.6 million) and £283.7 million (2018: £249.4 million) undrawn balances available under the Company's revolving credit facility.

The Company delivered another year of strong financial performance. The proceeds from the realisation of XLT, together with the remaining cash from the large realisations of Elenia and AWG in the prior year, were reinvested in Attero, Tampnet and the commitment to Joulz. We have run an efficient balance sheet throughout the year, avoiding dilution of returns to shareholders from holding surplus cash balances, and we have liquidity available for further investments from our pipeline.

The portfolio at the end of March 2019 has the income-generating capacity to support the progressive dividend policy. The target for FY20 of 9.20 pence per share is an increase of 6.4% over FY19. This dividend is expected to be fully covered, and to continue to grow progressively in future years.

Returns

Total return

The Company generated a total return for the year of £258.5 million, representing a 15.4% return on opening NAV (2018: £479.6 million, 28.6%). This performance is ahead of the target return of 8% to 10% per annum over the medium term.

This outperformance was driven by the outstanding return from the sale of XLT and by the delivery of planned cash flows and other asset outperformance. 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 on pages 24 and 25.

Total income and non-income cash of £201.2 million in the year was 29% higher than last year. Both elements of this measure contributed to this significant increase.

Total income of £114.9 million in the year grew by 15% on the previous year, reflecting XLT distributions following full delivery of the fleet and growth in the portfolio. The dividend to shareholders for FY19 was fully covered, with a significant surplus.

This growth in income was supported by non-income cash receipts of £86.3 million during the year following refinancing activity (2018: £56.4 million). These 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 below, 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 8 on page 49.

Capital return

The capital return is the largest element of the total return. The portfolio generated a value gain of £203.9 million in the year to 31 March 2019 (2018: £520.3 million), as shown in Chart 6 on page 44. These value movements are described in the Movements in portfolio value section of the Investment Manager's review.

During the year, the Company sold its equity investment in the RIVM project to an existing shareholder at book value and the corresponding commitment was cancelled with no impact on the capital return. This followed extended delays in agreeing an appropriate design for the building.

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

	2019	2018
Capital return (excluding exchange)	203.9¹	520.3
Foreign exchange movement in portfolio ²	3.3	7.2
Capital return (including exchange)	207.2	527.5
Movement in fair value of derivatives	4.9	(16.2)
Net capital return	212.1	511.3
Total income ³	114.9	100.0
Costs	(69.0)	(133.0)
Other net income/(costs) including exchange movements ²	0.5	1.3
Total return	258.5	479.6

1 Includes the reversal of a provision of £1.7 million introduced in the prior year for the A9 project from draft tax legislation in the Netherlands resulting from BEPS.

2 Foreign exchange movement in portfolio is shown within Net capital return. Non-portfolio foreign exchange movement is shown within Other net income/(costs).

3 Includes negative bank interest receivable of £0.1 million (2018: £0.1 million), reflecting the return on euro cash holdings.

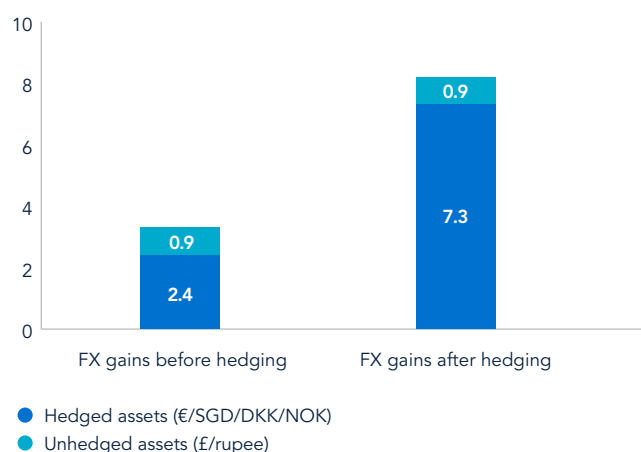
Financial review

Foreign exchange impact

As shown in Chart 5 below, the reported foreign exchange gain on investments of £3.3 million (2018: gain of £7.2 million) included a gain of £0.9 million from the Company's exposure to the Indian rupee, which is not hedged and appreciated by 1.3% against sterling in the year.

There was a £2.4 million foreign exchange gain as sterling weakened against other currencies in the year (2018: £12.1 million). This was accompanied by a £4.9 million gain on the hedging programme (2018: loss of £16.2 million).

Chart 5: Impact of foreign exchange ('FX') movements on portfolio value (year to 31 March 2019, £m)



Note: SGD exposure is within Oystercatcher, a euro denominated investment.

The positive hedge benefit resulted from interest rate differentials on the euro hedging programme.

The hedging programme has been designed to reduce the volatility in the NAV of the Company from currency movements.

Income

The portfolio generated income of £115.0 million in the year (2018: £100.1 million) offset by negative interest receivable of £0.1 million (2018: negative interest of £0.1 million). Of this amount, £35.4 million was through dividends (2018: £23.1 million) and £79.6 million through interest on shareholder loans (2018: £77.0 million). The strong contribution from the economic infrastructure investments offset the loss of contribution from the sales of Elenia and AWG in the prior year. A breakdown of portfolio income is provided in Table 4 opposite.

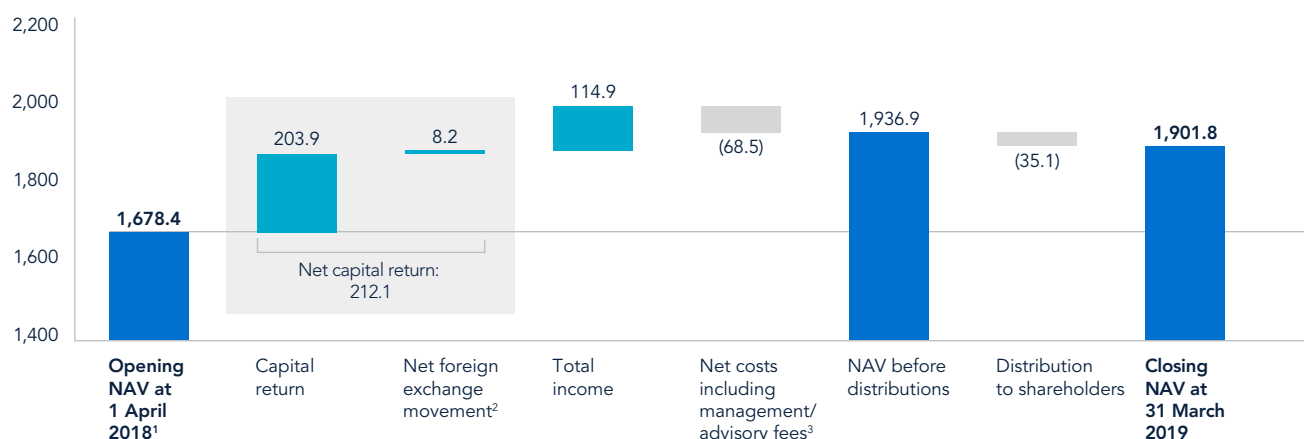
Interest income accrued during the year from Infinis increased to £19.5 million (2018: £12.0 million) following the additional investment to fund the acquisition of Alkane in March 2018.

The additional investment made in WIG at the end of the last financial year to acquire a further stake in the business led to an increase in interest accrued during the year to £12.7 million (2018: £7.3 million).

A dividend was received from TCR following the successful refinancing during the year.

Interest income from ESVAGT increased year-on-year after capitalisation of outstanding interest in December 2018.

Chart 6: Reconciliation of the movement in NAV (year to 31 March 2019, £m)



1 Opening NAV of £1,710.2 million net of final dividend of £31.8 million for the prior year.

2 Foreign exchange movements are described in Chart 5 above.

3 Includes non-portfolio exchange.

A dividend of £8.4 million was received from XLT prior to sale. Income from XLT was higher than in previous years after the full fleet was delivered in the year.

The Projects portfolio generated income of £13.5 million (2018: £10.6 million). The increase in the year was principally due to interest earned on the new investments in La Santé and A9 projects and a full year of income from the Mersey Gateway project.

Interest income from cash and cash equivalents was negative £0.1 million (2018: negative £0.1 million), reflecting negative interest earned on euro balances.

Costs

Management/advisory fees and performance fees

During the year to 31 March 2019, the Company and its unconsolidated subsidiaries incurred advisory and management fees of £30.1 million (2018: £33.2 million). The management/advisory fee, payable to 3i plc, is based on the opening portfolio value and the cost of any new investments or commitments made during the year. The management/advisory fee for new project investments was 1.0%. For non-project investments the management fee is 1.5% reducing to 1.25% for any proportion of an asset held for more than five years. As several of the Company's investments have been held for more than five years, the fee rate chargeable for those investments (eg three of the five terminal investments held within Oystercatcher, Octagon, XLT, Elgin, NMM, Mersey Gateway, a portion of the Dalmore investment and the various assets within the India Fund) was 1.25%.

An annual performance fee was also payable by the Company, amounting to 20% of returns above a hurdle of 8% of the growth in NAV per annum per share and subject to a high water mark requirement. This hurdle was exceeded for the year ended 31 March 2019 resulting in a performance fee payable to 3i plc in respect of the year ended 31 March 2019 of £31.0 million (2018: £89.8 million). For a more detailed explanation of how advisory, management and performance fees are calculated and of the high water mark definition, please refer to Note 18 in the Financial statements on pages 122 and 123.

Following the signing of a new Investment Management Agreement with 3i Investments plc, new management and performance fees are payable from 1 April 2019. These are explained in more detail in the Governance section on page 73.

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 2019, fees payable totalled £0.6 million (2018: £0.4 million).

Table 4: Breakdown of portfolio income (year to 31 March, £m)

	2019		2018		Comments
	Dividends	Interest	Dividends	Interest	
Infinis	–	19.5	–	12.0	Investment in Alkane in March 2018
ESVAGT	–	17.3	–	12.9	Interest capitalised in the year
Oystercatcher	16.9	–	15.9	–	
WIG	–	12.7	–	7.3	Further stake acquired in January 2018
TCR	4.4	11.3	–	11.1	Dividend received following refinancing
Elenia	–	–	–	15.8	Realisation in the prior year
AWG	–	–	3.3	4.2	Realisation in the prior year
XLT	8.4	6.0	–	4.8	Realisation in the year
Valorem	0.6	2.8	–	2.2	Additional investment in the year
Attero	–	1.4	–	–	New investment
Tampnet	–	0.2	–	–	New investment
Projects portfolio	5.1	8.4	3.9	6.7	New investment in A9 and La Santé projects
Total	35.4	79.6	23.1	77.0	

Financial review

Other operating and finance costs

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £3.2 million in the year (2018: £2.8 million). Other professional fees included fees in relation to the transfer of management and tax domicile to the UK.

Finance costs of £4.1 million (2018: £6.8 million) in the year comprised arrangement, commitment and utilisation fees for the Company's £300 million revolving credit facility ('RCF'). These were lower than in the previous year as the facility was not utilised as frequently during the year.

Ongoing charges ratio

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

The Company's ongoing charges ratio is calculated in accordance with the Association of Investment Companies ('AIC') recommended methodology and was 1.81% for the year to 31 March 2019 (2018: 2.06%). 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.

The AIC methodology does not include performance fees or finance costs. However, the AIC recommends that the impact of performance fees on the ongoing charges ratio is noted, where performance fees are payable. The cost items that contributed to the ongoing charges ratio are shown below. The ratio including the performance fee was 3.52% (2018: 7.18%). The total return of 15.4% for the year is after deducting this performance fee and ongoing charges.

Balance sheet

The NAV at 31 March 2019 was £1,901.8 million (2018: £1,710.2 million). The principal components of the NAV are the portfolio assets, cash holdings, the fair value of derivative financial instruments and other net assets and liabilities. A summary balance sheet is shown in Table 6 opposite.

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 9 on page 49.

At 31 March 2019, the Company's net assets after the deduction of the final dividend were £1,866.7 million (2018: £1,678.4 million).

Cash and other assets

Cash balances at 31 March 2019 totalled £265.8 million (2018: £284.6 million), including £9.0 million (2018: £2.6 million) of unrestricted cash balances held within intermediate unconsolidated holding companies. The majority of this cash balance was invested in Joulz on 30 April 2019.

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 liabilities from the prior year represents a decrease in the performance fee accrual.

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, which was extended by a year since the year end. The maturity date is now April 2022, and the facility has a further one-year extension option.

At 31 March 2019, the RCF was not cash drawn but had been used to issue letters of credit for undrawn commitments to projects comprising €6.6 million (£5.7 million) for the A27/A1 project, €7.9 million (£6.7 million) for the Condorcet project and €4.5 million (£3.9 million) for the Hart van Zuid project.

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

	2019	2018
Investment Manager's fee ¹	30.1	33.2
Auditor's fee	0.4	0.3
Directors' fees and expenses	0.5	0.5
Other ongoing costs	1.8	2.0
Total ongoing charges	32.8	36.0
Ongoing charges ratio	1.81%	2.06%

1 Includes Investment Adviser's fee prior to 15 October 2018.

NAV per share

The total NAV per share at 31 March 2019 was 234.7 pence (2018: 211.0 pence). This reduces to 230.4 pence (2018: 207.1 pence) after the payment of the final dividend of 4.325 pence (2018: 3.925 pence). There are no dilutive securities in issue.

Dividend and dividend cover

The Board has proposed a dividend for the year of 8.65 pence per share, or £70.1 million in aggregate (2018: 7.85 pence; £72.1 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 7 below shows the calculation of dividend coverage and dividend reserves. The final dividend cover surplus is £94.9 million for the year (2018: £43.6 million). The retained amount available for distribution, following the payment of the final dividend, will be £678.1 million (2018: £345.3 million).

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. A new APM, Total portfolio return percentage, is presented in this Annual report. The remaining four 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 are 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 page 48.

Table 6: Summary balance sheet (as at 31 March, £m)

	2019	2018
Portfolio assets	1,681.1	1,545.9
Cash balances	265.8	284.6
Derivative financial instruments	(16.4)	(37.3)
Other net liabilities	(28.7)	(83.0)
NAV	1,901.8	1,710.2

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

	2019	2018
Total income, other income and non-income cash	202.4	158.5
Operating costs including management/advisory fees	(37.4)	(42.8)
Dividends paid and proposed	(70.1)	(72.1)
Dividend surplus for the year	94.9	43.6
Dividend reserves brought forward from prior year	345.3	42.4
Realised profits or losses over cost on disposed assets	268.9	774.1
Special dividend paid	–	(425.0)
Performance fees	(31.0)	(89.8)
Dividend reserves carried forward	678.1	345.3

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 page 13.	It is calculated as the total return of £258.5 million, as shown in the Consolidated statement of comprehensive income, as a percentage of the opening NAV of £1,710.2 million net of the final dividend for the previous year of £31.8 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 of page 121.
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 8 opposite. The proceeds from partial realisations of investments are shown in the Consolidated 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 9 opposite, together with the value of future commitments of £205.6 million, as set out in Note 16 to the accounts on page 122. 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 £325.4 million, as shown in Table 1 on page 22, as a percentage of the sum of the opening value of the portfolio and investments in the year (excluding capitalised interest) of £1,861.7 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 on page 22.

In addition to the APMs, the Annual report shows portfolio information including cash and other net assets held within intermediate unconsolidated holding companies. Tables 8 and 9 show a reconciliation of this portfolio information to the information presented in the Consolidated financial statements. Table 10 opposite 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.

Derivatives relating specifically to the Oystercatcher subsidiary are reclassified as capital return in this analysis.

Management fees paid directly to 3i plc by intermediate unconsolidated holding companies are shown as costs in this analysis, instead of a reduction of income or capital in the Financial statements.

Some dividend income received from Portfolio assets into unconsolidated subsidiaries was not paid up to the Company prior to the year end and is therefore not recognised as income in the Financial statements but appears as a capital return in the Financial statements.

Table 8: Reconciliation of summary total return (year to 31 March 2019, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries	Financial statements
Capital return (including exchange)	207.2	5.8 ^{1,2,3}	213.0
Movement in fair value of derivatives	4.9	(0.8) ¹	4.1
Net capital return	212.1	5.0	217.1
Total income	114.9	(5.2) ²	109.7
Costs	(69.0)	0.3 ²	(68.7)
Other net income/(costs)	0.5	(0.1)	0.4
Total return	258.5	–	258.5

1 Movement in fair value of derivatives relating to hedging specific to the Oystercatcher subsidiary, reclassified as capital return, as it is monitored by the Board as part of the unrealised value movement in Oystercatcher.

2 Dividend income, received by unconsolidated subsidiaries from Portfolio assets, not paid up to the Company prior to the year end is reflected in capital return as it has increased the carrying value of these subsidiaries.

3 Operating expenses of £0.3 million were incurred within unconsolidated subsidiaries. These are reflected in capital returns or income as they have reduced either the carrying value, or the income distributed from these subsidiaries.

Table 9: Reconciliation of summary balance sheet (year to 31 March 2019, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries ¹	Financial statements
Portfolio assets	1,681.1	15.9	1,697.0 ²
Cash balances	265.8	(9.0) ³	256.8
Derivative financial instruments	(16.4)	(0.4) ⁴	(16.8)
Other net assets	(28.7)	(6.5)	(35.2)
NAV	1,901.8	–	1,901.8

1 'Investments at fair value through profit or loss' in the Financial statements includes £9.0 million of unrestricted cash balances and £6.5 million of other net assets with or within intermediate unconsolidated holding companies and a £0.4 million reclassification of derivative liabilities relating to the Oystercatcher subsidiary. The adjustments reclassify these balances to show the underlying value of the portfolio assets, the total cash holdings and other net assets/(liabilities) positions, 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 £9.0 million.

4 A £0.4 million derivative liability relating to hedging specific to the Oystercatcher subsidiary is reclassified as Portfolio assets, as it is monitored by the Board as part of the valuation of Oystercatcher.

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

	2019	2018
Total income	114.9	100.0
Non-income cash	86.3	56.4
Total	201.2	156.4

Risk report



“Assessment and management of risk is not just a periodic exercise, it runs through everything we do as a Board.”

Wendy Dorman
Chair, Audit and Risk Committee
8 May 2019

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

The Board exercises oversight of the risk framework, methodology and process through the Audit and Risk Committee. 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 framework 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 updates from the Investment Manager and other service providers and through representation on portfolio companies’ boards by investment management team members.

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

Further detail on these committees can be found in the Governance section on page 71. The structure of the risk governance is shown on page 51.

Risk framework



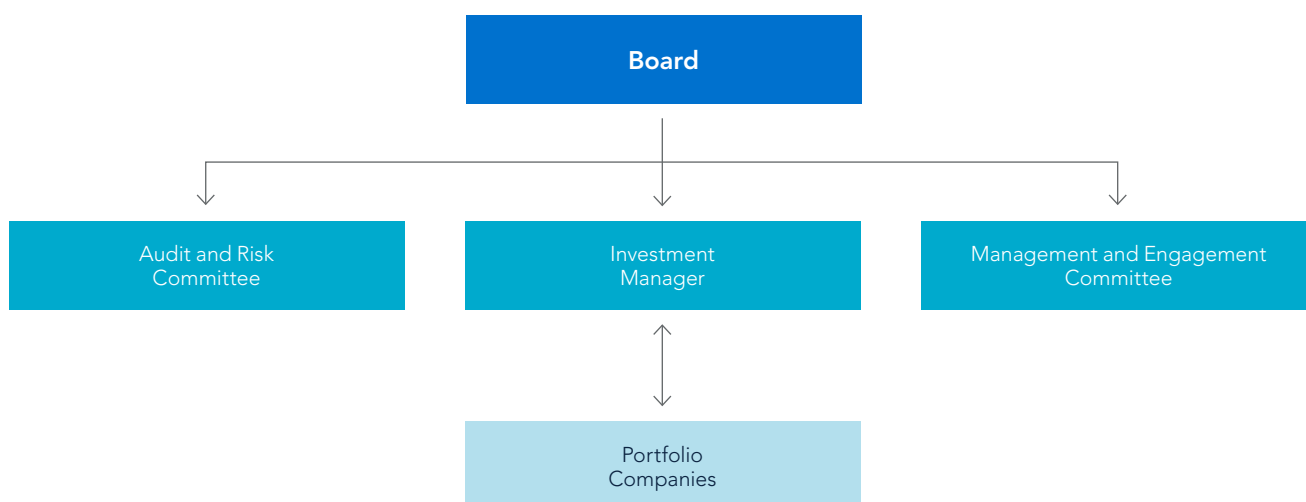
Risk related reporting

Internal

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

External – Annual report

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



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 macro-economic 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, such as the General Data Protection Regulation ('GDPR'), Packaged Retail and Insurance-based Investment Products Regulation and UK Corporate Governance Code;
- liquidity management;
- analysis of changes in operational, financial and regulatory risk following the move in management and tax domicile of the Company from Jersey to the UK;
- consideration of scenarios which may impact the viability of the Company;
- assessment of emerging risks; and
- review of the Company's risk log.

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

The Committee maintains a risk matrix, onto which the key risks are mapped by impact and likelihood. The principal risks are identified on the risk matrix as those with the highest combination of impact and likelihood scores. The Company considers these principal risks in greater detail with regard to the assessment of the Company's viability. A number of scenarios have been developed to reflect 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 Board. The modelling relates to the Company's investment portfolio, as the Company is an investment company and this is therefore most relevant to an assessment of viability. The resulting assessment of viability is included in this Risk report.

Risk report

Risk appetite

The Committee has reviewed the risk matrix and set out the Company's appetite for each of the key risks. As an investment company, the Company seeks to take investment risk. The appetite for investment risk is described in the Investment policy, with a risk/return graph on page 7 which shows the investment focus of the Company. The Company seeks to limit or manage exposure to other risks to acceptable levels.

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 materially affect 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.

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

External risks – market and competition

The markets in which the Company seeks to invest, and in particular the European economic infrastructure market, are competitive, with strong demand for new investments. This has supported value gains for existing assets in the portfolio and realisations. In this challenging environment, the Investment Manager continues to leverage its network and skills to make investments that can deliver attractive and sustainable risk-adjusted returns to the Company's shareholders.

The terms on which the UK could leave the EU remain uncertain and create a generally less favourable financial environment for the Company and its investments. The majority of the Company's investments are in domestic businesses with limited cross-border trading. This mitigates the risk to the Company of the UK leaving the EU without a withdrawal deal. Attero imports waste from the UK, which is not a traded good at risk of tariffs. Potential delays in transporting waste from the UK to the Netherlands are not expected to have a material impact on Attero.

Inflation has increased in Europe whilst decreasing in the UK. This has been beneficial for the European 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. This had positive implications for some of the portfolio assets and contributed to the favourable refinancing of debt in WIG, TCR, Infinis and Attero.

There was significant volatility in sterling exchange rates during the year, in response to continuing uncertainty concerning the UK leaving the EU. Sterling ended the year 1.7% stronger against the euro. The Company's objective is to hedge substantially its direct and indirect euro, Danish krone, Norwegian krone and Singapore dollar exposures. The revaluation of the hedging programme is impacted by movements in forward exchange rates which are not necessarily matched exactly by an equivalent change in the spot exchange rate at which the assets are translated. This benefited the Company this year.

The exposure to the Indian rupee remains unhedged. The Board's assessment remains that the cost of hedging this exposure would outweigh the potential benefits, primarily due to the significant interest rate differential between sterling and rupee.

The Board monitors the effectiveness of the Company's hedging policy on a regular basis. During the year, the foreign exchange gains on revaluation of the assets were accompanied by gains from the foreign exchange hedging derivatives.

Although the revenues of Infinis are underpinned by the inflation-linked UK Renewables Obligation Certificate regime until 2027, the valuation of the business is also dictated by the evolution of long-term power prices, fluctuations in the power price and UK energy market policy.

At Attero, increasing power price forecasts have given positive momentum to future fees expected from the sale of electricity. The supply of waste exceeds treatment capacity across much of Europe resulting in gate fees at waste treatment plants increasing significantly. The majority of Attero's capacity is contracted, so the short-term impact of higher pricing is muted.

The recovery and stabilisation of the oil price during the year led to increasing contract rates and demand for ESVAGT's vessels. However, this recovery remains in its early stages.

As expected, the oil storage market has continued to face challenges caused by an extended period of backwardation in oil product markets and a simultaneous period of uncertainty in the bunker fuel market prior to the introduction of IMO 2020. We expect the market backdrop to improve later in 2019 as IMO 2020 nears. We expect the market to continue to alternate between periods of backwardation and contango as has been observed over recent decades, resulting in an improved market environment for Oystercatcher.

External risks – regulatory and tax

Further to the review of the impact of tax changes resulting from the OECD's BEPS initiative, the management and tax domicile of the Company moved from Jersey to the UK on 15 October 2018 and the Company successfully applied to HM Revenue & Customs

for approved investment trust status. With effect from 15 October 2018 the Company is subject to tax compliance requirements applicable to UK tax domiciled companies and will also need to comply with certain conditions to maintain its approved investment trust company status. The affairs of the Company will be directed to enable it to maintain its UK tax domiciliation and its approved investment trust company status. The impact of BEPS is no longer considered a principal risk following these changes.

The Company's investment in Infinis is exposed to regulatory risk around the receipt of embedded benefits for exporting power directly to distribution networks. The outlook for these embedded benefits is currently uncertain. Ofgem believes that the current charging regime results in an inefficient use of networks with higher costs passed onto the consumers. The process of reform which started in 2017 with the announcement of the phasing out of 'triad' embedded benefits is therefore underway. The Capacity Market ('CM') has been suspended since November 2018 following a European Court of Justice ruling on illegal state aid and as such CM payments have not been received by Infinis.

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. Following the receipt of proceeds from the sale of XLT, the Company reinvested some of the proceeds into Tampnet and had sufficient cash available to complete the committed investment in Joulz. The Company has good liquidity available for future investment through the RCF. The facility includes a £200 million accordion feature which the Company could seek to exercise if required.

The projects portfolio is based on long-term contracts with public sector counterparties. There is a risk, particularly in the UK, that the public sector may wish to terminate these contracts early. In most cases, the contracts have robust provisions which set out the basis on which investors will be compensated in the event of early termination at the request of the public sector. Where such provisions do not exist, termination and associated compensation is subject to mutual agreement. The Company's projects portfolio is widely diversified by counterparty and legal jurisdiction, and represents 11% of the total portfolio including investment commitments, of which 8% is UK PFIs.

Overall, we consider the risk of a material loss arising from widespread early termination of the projects to be low.

Following the sale of XLT, the portfolio is less exposed to the UK, and following the investments in Tampnet and Joulz is more diversified across sector and geography. No investment is now above 15% of portfolio value.

Investment risks

The Company made two new investment commitments during the year, in Tampnet and Joulz. In line with the Company's investment focus, described on page 7, these new investments have characteristics which may increase volatility in returns from time to time, for example from exposure to demand or technology 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 refinancings undertaken for TCR, WIG, Infinis and Attero mitigates against this risk by extending the maturity of their debt.

The performance of the investments in the India Fund remains weak. The remaining portfolio, which now represents approximately 1% of the Company's portfolio, is being managed for realisation.

Operational risk




The key areas of operational risk include the loss of 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 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. The Board reviewed its service providers during the year as part of the project to move management of the Company to the UK. A new investment management agreement was put in place with 3i Investments plc, previously the Investment Adviser to the Company. A depositary, Citibank Europe plc, was appointed together with a new corporate company secretary, 3i plc. The residual Jersey administration and compliance services continue to be provided by Link Asset Services.

Emerging risks

The Company is a long-term investor and therefore needs to consider the impact of both identified key risks, as detailed above, and risks that are considered emerging or longer term. This emerging risk category includes 'megatrends' such as climate change, urbanisation, resource scarcity and technical disruptions. 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 risk and which are an opportunity. As part of the ongoing risk identification and management of the Company, the Board considers whether these emerging risks should be added to the Company's risk register.

Risk report

Principal risks and mitigations

Principal risks	Risk description	Risk mitigation
External		
Market/economic  Risk exposure has increased	<ul style="list-style-type: none"> • Macro-economic or market volatility flows through to pricing, valuations and portfolio performance • Fiscal tightening impacts market environment • Risk of sovereign default lowers market sentiment and increases volatility • Misjudgement of inflation and/or interest rate outlook • Change to the political environment that impacts market sentiment, infrastructure projects or portfolio companies 	<ul style="list-style-type: none"> • 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
Competition  Risk exposure has increased	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 has increased	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
Strategic		
Unbalanced portfolio  Risk exposure has decreased	<ul style="list-style-type: none"> • Failure to ensure adequate spread of assets invested to minimise concentration risks (eg by geography, sector, demand driver, regulator) and fulfil investment policy • Difficulty in maintaining geographical diversity, or sale of large assets, may lead to unbalanced portfolio • Misjudgement of risk when entering new sectors, industries or geographies 	<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 has become more diverse

Principal risks	Risk description	Risk mitigation
Strategic		
Deliverability of return target  No significant change in risk exposure	<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 	<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
Investment		
Inappropriate rate of investment  Risk exposure has decreased	<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 	<ul style="list-style-type: none"> • Good flow of new investment opportunities • Portfolio concentration measures, including vintage diversification, are reviewed periodically by the Board • The Investment Manager undertakes a concentration review for each new investment • Efficient balance sheet maintained and monitored regularly by the Board
Security of assets  Risk exposure has increased	<ul style="list-style-type: none"> • Destruction of value and reputation from 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 	<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
Operational		
Loss of senior Investment Manager staff  No significant change in risk exposure	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Benchmarked compensation packages and deferred remuneration • Notice periods within employment contracts • Size of the senior team and strength of the 3i Group brand

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 Investment Manager has a strong track record of investing in carefully selected businesses and projects, and 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 2022. The Directors have taken account of the current position of the Company, and the principal risks it faces which are documented in this Risk report.

The Directors have considered the potential impact on the Company of a number of scenarios in addition to the Company's business plan and recent forecasts, which quantify the financial impact of the principal risks occurring. These scenarios represent severe, plausible but remote 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. The analysis included the impact of a Brexit outcome that is unfavourable to the Company, consideration of dramatic political events and widespread economic turmoil, a tightening of debt markets and the loss 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 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.

The Directors consider that a three-year period to March 2022 is an appropriate period to review for assessing the Company's viability. This reflects greater predictability of the Company's cash flows over that time period, the term of the Company's RCF, 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 2022.

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 on pages 1 to 61 and in the Financial statements and related Notes on pages 99 to 125. The financial position of the Company and its consolidated subsidiary, its cash flows, liquidity position and borrowing facilities are described in the Financial statements and related Notes on pages 99 to 125.

In addition, Note 9 to the Financial statements on page 118 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 Company has liquid financial resources and a strong investment portfolio providing a predictable income yield and an expectation of medium-term capital growth. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully and to cover its dividend in the next financial year. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and accounts.

Sustainability report

There is a strong link between companies that have high environmental, social and governance ('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 Company has a long history of investing into businesses that align to long-term sustainability megatrends around decarbonisation, management of scarce resources and the treatment and management of waste. The Company, through its Investment Manager, has embedded sustainability as a core part of the tool set that is used to manage the portfolio. This involves both addressing and mitigating material risks within each portfolio company, but also seeking opportunities to increase financial returns through the smart application of technologies and policies aligned to the most material sustainability issues facing each company.



 **For further information**
[www.3i-infrastructure.com/
about-us/sustainability](http://www.3i-infrastructure.com/about-us/sustainability)

Investing responsibly

We aim to invest responsibly. The Investment Manager is a signatory to the UN Principles for Responsible Investment and has embedded responsible investing policies in its investment and asset management processes. For more information on 3i Group's corporate responsibility policies, please refer to its website: www.3i.com/sustainability. The adoption of these policies by the Investment Manager meets the Company's objectives in this area.

 **To view 3i's statement under section 54 of the Modern Slavery Act 2015**
www.3i-infrastructure.com

Our influence and approach to ESG management

We use our influence, as an investor, to promote a commitment in our portfolio companies to mitigate any adverse environmental and social impacts and enhance positive effects on the environment, workers and relevant stakeholders.

The Investment Manager uses a proprietary ESG assessment tool to review prospective investments and to monitor, with direct input from our portfolio company management teams, the performance of the existing portfolio. This tool has been developed in house and has been in use by the Investment Manager for over eight years. During the year, we conducted a bottom-up review of this tool, benchmarking the assessment against a number of third-party standards-based sustainability models.

The Investment Manager completes the assessment for every new investment and prepares and prioritises, alongside management, an action plan for the business based on the recommendations from the assessment. The Investment Manager's engaged asset management approach seeks to improve and enhance the ESG performance of businesses that we acquire, through implementing and upgrading policies and procedures as a priority following a new investment, working with management teams to define long-term sustainable business plans, and working with lenders and other providers of finance to put in place a sustainable financing structure for the business.

This process also actively considers ESG value creation opportunities. These ideas are then reviewed and prioritised with the portfolio company management teams for further action.

Low carbon economy

We support the transition to a low carbon economy, investing in businesses such as Valorem and Infinis which contribute towards sustainable energy generation (see Chart 7 below). Our most recent investment, Attero, is a leader in the waste treatment market. This business sorts and treats waste for recycling, alongside composting and anaerobic digestion facilities, and produces sustainable electricity for 350,000 households by converting waste to energy.

Regulation and tax

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 and the Jersey Financial Services Commission. We encourage our portfolio companies to comply with their respective statutory obligations, and monitor this through our engaged asset management process.

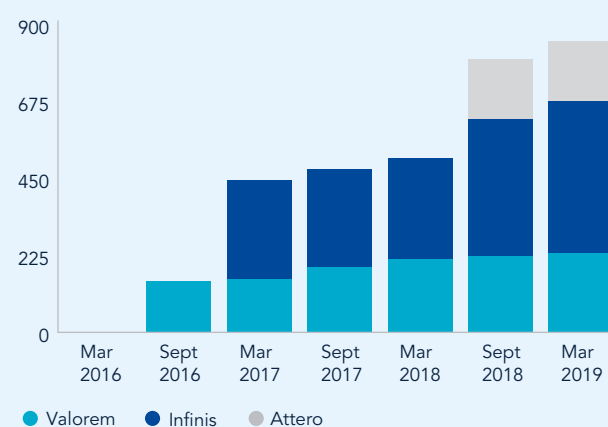
We moved the tax domicile and management of the Company from Jersey to the UK with effect from 15 October 2018. This is expected to simplify the management of its portfolio of investments across Europe.

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.

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 almost 900 MW, enough to power all of the households in Ireland. This is set to grow to more than 1 GW from new capacity already in development by our portfolio companies, and we have a long pipeline of new potential generating capacity for future development. Chart 7 shows the growth in renewable energy generating capacity over the last three financial years.

Chart 7: Renewable energy installed capacity
(year to 31 March 2019, MW)



Sustainability report

Attero: Contributing to the circular economy

We own 25% of Attero, a leading Energy from Waste (‘EfW’) operator and waste management provider in the Netherlands.

Attero takes unsorted household and commercial waste from a range of countries across Europe. Through a process of sorting, separation and treatment, the business converts this waste into raw material and recycled products which can be resold, along with heat and power. This reduces the amount of waste going to landfill, increases the volume of recycled materials in use and provides a source of renewable energy.

Attero’s business model is backed by important environmental policy targets across Europe. The EU Action Plan for the Circular Economy prescribes a steep reduction in landfilling of waste across Europe.

Attero is one of the largest providers of integrated waste management processing in Europe supporting this important goal.

Energy from EfW plants is considered renewable energy generation in the Netherlands.

Since our investment in June 2018, the Dutch and UK waste markets have continued to experience insufficient capacity in EfW and plastics recycling installations, a trend which continues to support Attero’s business model. In the last six months, Attero unveiled a new steam turbine which can supply 120 MW to the grid, as well as a new Polymer Recycling Plant which can convert 24,000 tons

of waste plastics per year into low-density polyethylene which is widely used to manufacture plastic containers and bags.

The investment into these new capabilities grows Attero’s footprint across the waste processing chain and sustainable energy generation.












100% of the organic waste is turned into compost and energy and only a minimal amount of the ash generated from the thermal treatment of residual waste is sent to landfill.



Waste input

c. 3.2m tons



Megatrend	Investment themes	Our portfolio
Resource scarcity (Circular economy)	Waste treatment and recycling	
Transitioning to a lower carbon economy	Renewable Energy Generation	   
	Electrification/energy transition	
	Shared resources	
Infrastructure congestion & scarcity	Enhancing our existing infrastructure	Road projects Social infrastructure projects
	Increasing connectivity	 
Digitisation & technology disruption	Automation and digital operations	
Globalisation	Global trade and transport	

Global megatrends and our portfolio

Megatrends are shaping the world around us, influencing decision making and changing the demands placed on our economy and services. Through the Investment Manager, the Company seeks to identify investments that benefit from one or more of these trends, 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 resource scarcity.

Benefits for communities

Investing in infrastructure assets has economic and social sustainability benefits for communities in our target markets. Examples of this include our renewable energy generation assets, the essential mobile communication infrastructure that WIG provides and our road projects in the Netherlands.

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.

This Strategic report, on pages 1 to 61,
is approved by order of the Board.

Authorised signatory

3i plc
Company Secretary
8 May 2019



Governance



Introduction to Governance



“The Board has continued to focus on and develop the Company’s corporate governance arrangements to support the delivery of a long-term sustainable return to shareholders aligned with our strategic objectives.”

Richard Laing
Chair, 3i Infrastructure plc
8 May 2019

Good governance is a fundamental part of how we do business and the Board remains focused on the evolving regulatory environment and changing social expectations on business.

This section explains how the Board is organised and operates, including the roles and composition of each of its Committees, and provides details on our Board members and how they are remunerated. The Board encourages a culture of strong governance and adheres to the requirements of the 2016 UK Corporate Governance Code (the ‘2016 Code’). Following the publication by the Financial Reporting Council of the 2018 UK Corporate Governance Code (the ‘2018 Code’) the Board reviewed and updated the Board Committee Terms of Reference and Schedule of Matters Reserved to the Board to ensure ongoing compliance with the regulatory environment.

The Board has worked with 3i Investments plc (the ‘Investment Manager’) to articulate a clear purpose for the Company that aligns the aims of the Company with the requirements of the 2018 Code.

Having the right balance of skills 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.

 [Further details on Company Leadership](#)
Page 66-71.

During the year, there were seven main scheduled meetings of the Board of Directors. Due to the nature of the Board’s involvement in the operation of the Company and in making all investment related decisions until the appointment of the Investment Manager in October 2018, there were five additional ad hoc Board meetings arranged at short notice. Details of the Directors’ attendance at the main scheduled Board meetings and at Board Committee meetings can be found on page 71.

The Company’s policy is to have a Board with a diverse range of skills, professional backgrounds and gender. To that end it will continue to ensure that in making appointments to the Board it, and any executive 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 page 79, the Board is committed to ensuring that its composition will satisfy, in the medium term, the diversity targets set by the Hampton-Alexander review.

An Extraordinary General Meeting (‘EGM’) of the Company was held on 17 September 2018, at which shareholders approved the terms of the new investment management agreement between the Company and the Investment Manager. This led to the appointment of 3i Investments plc as the Investment Manager and the transfer of the management and tax domicile of the Company from Jersey to the UK.

Further details on the investment management agreement and the leadership of the Investment Manager can be found on pages 68 and 69 and page 73. The Management Engagement Committee oversees the relationship with the Investment Manager and monitors its performance. Further details of its oversight can be found on page 83.

The Board recognises the importance of engaging with shareholders. It is my responsibility to ensure that there is the opportunity for shareholders to enter into dialogue with the Board on strategy, corporate governance and any other matter they wish to raise. I welcome the opportunity to meet with shareholders as required. I am grateful to all our shareholders for their continued support and to those who have given feedback. Where shareholders have expressed concern over particular issues (as a small number of shareholders did at the EGM on the terms of the appointment of the Investment Manager), we seek to understand those concerns and address them where possible.

The Board, working with the Audit and Risk Committee, is responsible for ensuring that its Financial statements are fair, balanced and understandable, for establishing and maintaining the risk management and internal controls systems, and exercising oversight over the risk management framework. Further details on the work of the Audit and Risk Committee can be found on pages 80 to 82.

The role of the Remuneration Committee is to determine and maintain a fair reward structure to attract and retain the right talent and incentivise non-executive Directors to deliver the Company's strategic objectives and maintain a positive working relationship with the Investment Manager. Further details on remuneration can be found on page 84.

During 2019 the Board conducted an externally facilitated Board performance evaluation and the findings have 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 77.

Compliance with the 2016 Code

We are reporting the Company's compliance with the 2016 UK Corporate Governance Code, but where appropriate have aligned the content of each section of the Governance report to recognise the requirements of the 2018 UK Corporate Governance Code.

Leadership

The Board is responsible for leading the business in a way which it believes will deliver a long-term sustainable return to shareholders from investing in infrastructure.

 [Read more](#)
Pages 66-71

Division of responsibilities

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

 [Read more](#)
Pages 72-75

Composition, succession and evaluation

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

 [Read more](#)
Pages 77-78

Audit, Risk and Internal Control

The Board defines strategy and identifies potential risks and how best to mitigate against them. The Audit and Risk Committee is appointed to oversee this process on behalf of the Board.

 [Read more](#)
Pages 80-82

Remuneration

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

 [Read more](#)
Page 84

Leadership

Board of Directors

1 **Richard Laing** Non-executive Chair

Richard brings long-standing experience of investing in international infrastructure along with a deep knowledge of investment companies and financial matters.

Richard was Chief Executive of CDC Group plc from 2004 to 2011, having joined the organisation in 2000 as Finance Director. Prior to CDC, he spent 15 years at De La Rue, latterly as the Group Finance Director. He also worked in agribusiness and at PricewaterhouseCoopers and Marks & Spencer. His current non-executive appointments include chair roles at Perpetual Income and Growth Investment Trust plc and Miro Forestry Company Limited, and director roles at JPMorgan Emerging Markets Investment Trust plc, Plan International UK and Tritax Big Box REIT plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA).

Chair and Board member since 1 January 2016. Chair of the Nomination Committee and Management Engagement Committee. Resident in the UK.

2 **Doug Bannister** Independent non-executive Director

Doug has over 25 years of experience in the transportation sector, having led businesses trading around the world for P&O Nedlloyd and Maersk Line.

He became the Chief Executive of Dover Harbour Board in January 2019 and was the Group CEO of the Ports of Jersey (Airport & Harbours) from 2011 to 2018. Doug provides experience in turnaround, restructuring and transformation of capital intense businesses to the Board, as well as specific knowledge in the transportation and distribution sectors. In 2016, Doug was awarded the Institute of Directors Jersey Director of the Year for large businesses.

Board member since 1 January 2015. Resident in the UK.

3 **Wendy Dorman** Independent non-executive Director

Wendy brings to the Board leadership and corporate governance experience, alongside expertise in accounting and taxation.

Wendy has over 25 years' tax experience, principally in the taxation of UK and offshore investment funds, advising on tax aspects of fund structuring, risk mitigation and compliance. She led the Channel Islands tax practice of PwC from 2008 to 2015. Wendy was Chair of the Jersey branch of the Institute of Directors from 2014 to 2016 and is a former President of the Jersey Society of Chartered and Certified Accountants. She is a non-executive Director of Jersey Finance Limited and a non-executive Director and Chair of the Audit and Risk Committee of Jersey Electricity plc and CQS New City High Yield Fund Limited. Wendy is a Chartered Accountant.

Board member since 1 March 2015. Chair of the Audit and Risk Committee. Resident in Jersey.

4 **Robert Jennings CBE** Independent non-executive Director

Robert brings significant experience as a corporate financier in the UK, European and Asian infrastructure markets. In his career he has focused particularly on railways and water, but also has experience of airports, ports and ferries, and renewable energy.

He previously worked in HM Treasury as a special adviser to the transport team. He has been Chair of Sequoia Economic Infrastructure Fund Limited since its inception in 2015, and was one of the Department for Transport nominated non-executive Directors of Crossrail Limited. He was Chair of Southern Water until February 2017. He qualified as a Chartered Accountant early in his career and was joint head of UBS's Infrastructure Advisory business until he retired from the bank in 2007.

Board member since 1 February 2018. Resident in the UK.

5 **Paul Masterton** Independent non-executive Director, Senior Independent Director

Paul brings extensive experience in leading and developing large companies, mergers and acquisitions, together with an international business perspective having worked in the USA, Europe and Asia.

He spent 25 years with RR Donnelley, latterly as president for the company's businesses in Europe, Russia and India. More recently, Paul chaired and led the formation of Digital Jersey, a development agency, and brings a digital technology perspective to the Board. His current non-executive appointments include Insurance Corporation CI (Chair), States of Jersey Development Company (Senior Independent Director), and the Channel Islands Competition & Regulatory Authority (Senior Independent Director). From 2008 to 2013, Paul was Chief Executive of the Durrell Wildlife Conservation Trust, an international wildlife charity.

Board member since 4 April 2013. Senior Independent Director and Chair of the Remuneration Committee. Resident in Jersey.

6 **Ian Lobley** Non-executive Director

Ian has been a Partner at 3i since 1994 and has been an active investor and board member across Europe, Asia and the USA.

In his role as Managing Partner – Asset Management, Ian has responsibility for investments in companies across a variety of sectors and is an experienced board member across multiple geographies. Over 30 years of investing and asset management, combined with an engineering background, allows Ian to bring valuable experience and insight into the assessment of new investments and the management of the portfolio to the 3i Infrastructure Board. He is a member of the 3i Group Investment Committee. Ian has recently been appointed as a non-executive Director of BSI Group.

Board member since 6 May 2014. Resident in the UK.



Leadership

Investment management team

1 **Phil White** Managing Partner

Phil joined 3i in 2007 and is Managing Partner and Head of 3i's Infrastructure business, and a member of 3i's Executive Committee, Investment Committee and Group Risk Committee.

Phil is a non-executive Director of Wireless Infrastructure Group.

Prior to joining 3i, he was Division Director in Macquarie's Infrastructure Funds business, where he managed investments in the transport sector. Phil has over 20 years of infrastructure investment, advisory and finance experience from earlier roles at Barclays and WestLB.

2 **James Dawes** CFO

James is Chief Financial Officer ('CFO') of 3i's Infrastructure business and joined 3i in January 2016. He manages the operational, financial and reporting requirements for the Infrastructure business within 3i Group, as well as performing CFO duties for 3i Infrastructure.

Prior to joining 3i, James was with Legal & General Investment Management, where he held a number of senior finance roles, including Finance Director of LGV Capital from 2007 to 2015.

3 **Anna Dellis** Partner

Anna joined 3i in 2006, is a Partner in the Infrastructure team in London, and leads asset management for the portfolio of economic infrastructure investments. Over the last 12 years, Anna has had a leading role on many of the large infrastructure investments made by 3i, including Elenia and Eversholt Rail. In 2015, she led the successful bid for 45% stakes in Oiltanking terminals in Ghent and Terneuzen.

Anna holds board positions at the Oiltanking companies in Singapore, Amsterdam, Terneuzen, Ghent and Malta.

Prior to 3i, Anna advised on infrastructure transactions at PricewaterhouseCoopers. She is a member of the Institute of Chartered Accountants of England and Wales.



4 John Cavill Partner

John is a Partner in 3i's Infrastructure team in London and joined 3i in 2013. John leads the portfolio management activity for the projects portfolio and is responsible for: setting the strategy for asset management activities; overseeing implementation of value protection and enhancement activities; and overseeing performance reporting. He works closely with investee company non-executive Directors and Infrastructure Managers Limited, the business's main SPV management services provider.

John is a non-executive Director of Wireless Infrastructure Group.

Previously, John was a director at Barclays Infrastructure, St Modwen Properties plc, Land Securities Trillium and Vinci Investments.

5 Stéphane Grandguillaume Partner

Stéphane is a Partner in 3i's Infrastructure team in Paris and joined 3i in 2013. Stéphane leads 3i's infrastructure business in France and is responsible for origination and execution of investment opportunities in projects across Europe. Stéphane joined 3i from Barclays Infrastructure where he was a Director and prior to this was head of Egis Investment Partners.

Stéphane led the investment in Valorem and sits on its Board.

6 Nigel Middleton Partner

Nigel is a Partner in 3i's Infrastructure team in London and joined 3i in 2013.

Nigel is involved in investment appraisal and management of investments in infrastructure projects in various funds managed by 3i. In the early 2000s, he led the formation and management of Infrastructure Investors ('I2'), a pioneering secondary market infrastructure fund established as a joint venture between Barclays, Société Générale and 3i Group. He established and continues to manage BIIF, a long-term 'buy and hold' PPP fund which acquired I2 in 2009.

Previously, Nigel was a Managing Director at Barclays Infrastructure and, prior to that, head of PFI/PPP Advisory Services at PwC and worked at HM Treasury.

7 Scott Moseley Partner

Scott joined 3i in 2007 and is a Partner in the Infrastructure team in London. With Bernardo he leads the team's origination and execution platform. He has extensive experience in European infrastructure, spanning utilities, transportation and social infrastructure.

Scott led the investments in Tampnet, ESVAGT, Elenia and XLT, and was a senior team member on Eversholt. He 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.

He is currently a non-executive Director on the boards of Tampnet and ESVAGT.

8 Tim Short Partner

Tim joined 3i in 2007 and is a Partner in 3i's Infrastructure team in London, where his focus is on the origination, execution and debt financing of infrastructure investments.

His transaction experience includes Attero, Belfast City Airport, East Surrey Pipelines, Elenia, ESVAGT, Infinis, Oystercatcher, Scandlines, Tampnet, TCR and WIG. Tim is currently a non-executive Director of Infinis.

Prior to joining 3i, he was at RBC Capital Markets, having started his career in the European financial restructuring group at Houlihan Lokey.

9 Bernardo Sottomayor Partner

Bernardo is a Partner in 3i's Infrastructure team in London and joined 3i in 2015, and with Scott leads the team's origination and execution platform. He was a senior deal team member on the recent investments by the Company in TCR, Infinis, Attero, Alkane Energy and the recent acquisition of Joulz.

Bernardo holds board positions at TCR, Attero and Joulz.

Bernardo has over 20 years' experience of investing and advising in infrastructure and was previously a partner at Antin Infrastructure, which managed funds investing in infrastructure opportunities across Europe. Prior to Antin, Bernardo was Managing Director, Head of Acquisitions for Deutsche Bank's European infrastructure fund. His prior experience was in utilities, as Head of M&A at Energias de Portugal, and in infrastructure advisory with UBS and Citigroup.

Leadership

Role of the Board

Overview

The Company has no employees and its investment and portfolio monitoring activities are carried out by 3i Investments plc, in its role as Investment Adviser (the 'Investment Adviser') and from 15 October 2018 as Investment Manager. It is the Board's responsibility to ensure that the Company has a clear strategy and that its Investment Manager has the resources and capabilities to support the delivery of this strategy.

The Board also has direct access to the Company's external advisers, including the Company's Auditor, corporate brokers, financial adviser and legal advisers. The Board receives advice on a range of subjects, but particularly on the infrastructure market, taxation, UK and Jersey legal matters and equity market issues.

Board of Directors and 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 71.

The committees have terms of reference, which are available on www.3i-infrastructure.com.

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

Further details on the key responsibilities and areas of focus of the Board and its Committees, as well as details of attendance at scheduled full Board meetings, are set out on page 71, pages 74 and 75 and pages 79 to 84.

Changes to the Board of Directors

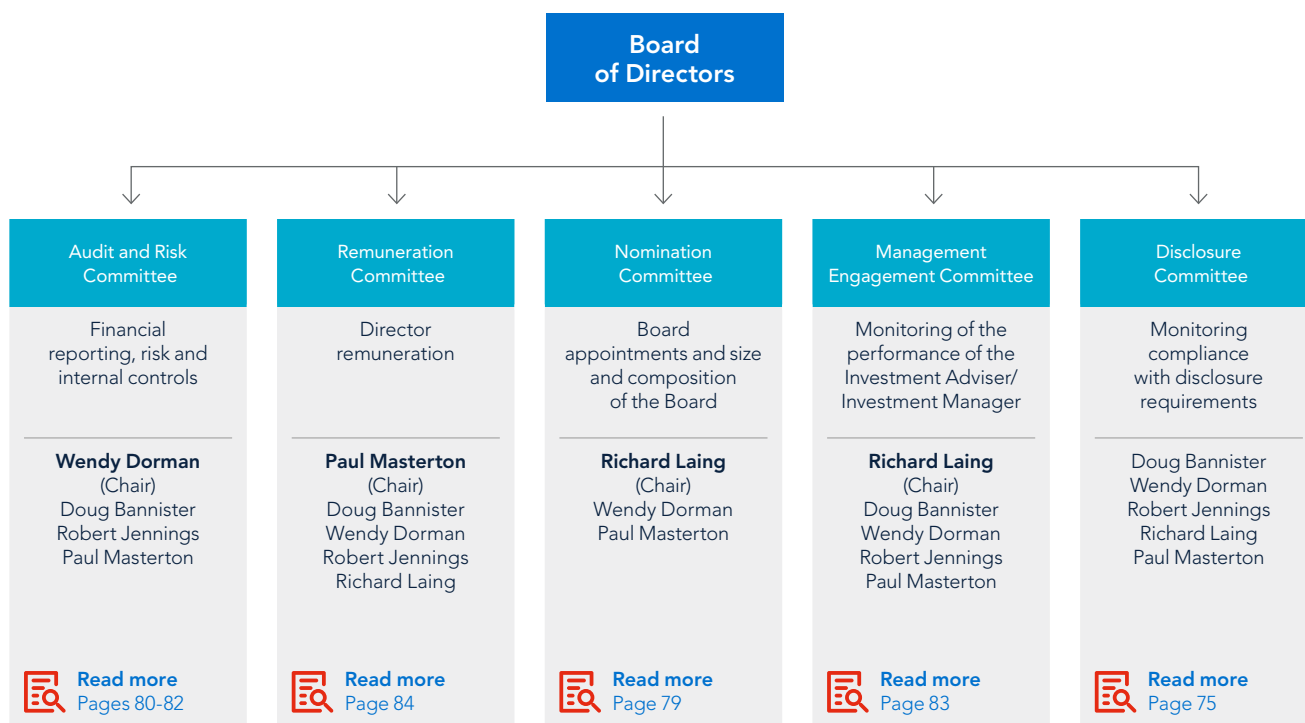
There have been no changes to the Board of Directors or to the membership of the Board Committees during the year.

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. Prior to 15 October 2018, the Board took all investment and divestment decisions, taking into account the advice it received from 3i Investments plc in its role as Investment Adviser. Following the appointment of 3i Investments plc as Investment Manager, it is the Investment Manager who takes 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 also require Board approval. The Investment Manager provides reports and papers that are circulated to the Directors in a timely manner in preparation for Board and Board Committee meetings. These papers are supplemented by information specifically requested by the Directors from time to time.

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 75.

Board Committees



Meetings of the Board

The table below sets out the attendance of the Directors at the main 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	7(7)	–	1(1)	1(1)	2(2)	2(2)
Doug Bannister	7(7)	4(4)	1(1)	–	2(2)	2(2)
Wendy Dorman	7(7)	4(4)	1(1)	1(1)	2(2)	2(2)
Robert Jennings	7(7)	4(4)	1(1)	–	2(2)	2(2)
Ian Lobley	7(7)	–	–	–	–	–
Paul Masterton	7(7)	4(4)	1(1)	1(1)	2(2)	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 to increase their understanding of the principal risks in and activities of the business.

Division of responsibilities

The Chair of the Board

The Chair, Richard Laing, leads the Board in the determination and implementation of its strategy and culture. The Chair is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. 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. The Chair facilitates the effective contribution of all the Directors and constructive relations between the Company's advisers, including 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 remain aware of their views. The Chair ensures, with the co-operation of the Investment Manager, that a programme of effective communications with shareholders is in place, including with the Chair and Senior Independent Director, when shareholders so wish and ensures that the Directors remain aware of shareholders' views.

Senior Independent Director

Paul Masterton is the Senior Independent Director. In accordance with the 2016 Code, any shareholder concerns can be conveyed to the Senior Independent Director. The contact details of the Senior Independent Director are freely available on the Company's website.

Directors

The Board comprises the Chair and five non-executive Directors. Biographical details for each of the Directors are set out on page 66. All Directors served throughout the year under review. The Directors were re-elected at the Company's AGM in July 2018.

No Director has a contract of employment with the Company, nor are any such contracts proposed. Each of the Directors has an appointment letter which reflects the best practice guidelines published in December 2011 by the Institute of Chartered Secretaries and Administrators. Following the change of tax domicile and the transfer of the management of the Company from Jersey to the UK, along with the introduction of the 2018 Code, the opportunity has been taken to update the appointment letters for each of the Directors. Copies of the appointment letters are available from the Company Secretary upon request.

Following the formal appraisal process of Directors, and in accordance with Section B.7.2 of the 2016 Code, the Chair will propose the re-election of all Directors at the forthcoming 2019 AGM.

The Directors' appointments can be terminated, without compensation for loss of office, in accordance with the 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, and on ceasing to be a Director if they fail to be re-elected at any AGM. The office of director is vacated if the Director resigns, becomes bankrupt or is prohibited by law from being a Director or 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.

In addition to fulfilling their legal responsibilities as Directors, the non-executive Directors are expected to bring independent judgement to bear on issues of strategy, performance, investment appraisal 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 meetings, the Directors receive monthly management accounts, reports and information which enable them to scrutinise the Company's performance against agreed objectives.

Directors' independence

All the Directors, with the exception of Ian Lobley, who is the 3i Group nominated Director to the Board, are considered by the Board to be independent for the purposes of the 2016 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. 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 Lobley did not participate in the Board's evaluation in 2018 of the performance of the Investment Adviser.

The Company Secretary

Link Alternative Fund Services (Jersey) Limited ('Link') served as Company Secretary until 15 October 2018. On the appointment of 3i Investments plc as the Investment Manager on 15 October 2018, Link resigned and 3i plc was appointed as Company Secretary. 3i plc 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, which advises the Board, through the Chair, on governance 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 the full Board.

Investment Adviser/Investment Manager

From 1 April 2018 to 15 October 2018, the Board received advice from 3i Investments plc in its role as Investment Adviser under the terms of an Investment Advisory Agreement. On 11 May 2018, the Company announced its intention to move the tax domicile and management of the Company from Jersey to the UK and to become an investment trust for UK tax purposes. This aligns the Company's tax and commercial arrangements to be fully compliant with the BEPS initiatives implemented by OECD countries. The Board considered that it would be detrimental to the interests of all shareholders not to move the Company's place of management to the UK before the end of 2018 because of the likelihood that the Company's investment returns would be reduced if it took no action. As a result, an EGM was held on 17 September 2018, and shareholders approved a resolution regarding the terms of the new investment management agreement (the 'Investment Management Agreement') between the Company and 3i Investments plc in its role as Investment Manager. The Board has continued to engage with shareholders since the EGM, including those who voted against the resolution.

On 15 October 2018, the Company appointed 3i Investments plc as its Investment Manager with discretionary investment management authority, other than in respect of transactions which exceed certain financial thresholds, which still require a decision of the Board. The management and tax domicile of the Company moved from Jersey to the UK on 15 October 2018.

With effect from 1 April 2019, 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%

The performance fee is described in more detail in Note 18 on pages 122 and 123.

Until 31 March 2019, the existing fee arrangement under the Investment Advisory Agreement remained in place. 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 will be committed to the Investment Management Agreement until 15 October 2022 at the earliest. Further, 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 fees payable are set out in the Company's notice of EGM dated 24 August 2018 and available at www.3i-infrastructure.com.

The Board, through the Management Engagement Committee, carried out the 2018 annual evaluation of the Investment Adviser and managed the relationship with the Investment Adviser on behalf of the Company. The Management Engagement Committee will continue this work in respect of the Investment Manager. Further details on the Management Engagement Committee can be found on page 83.

Division of responsibilities

Board activity during the year

The Board's responsibilities are set out on page 70. The principal matters considered by the Board during the year in relation to those responsibilities included:

Strategy and returns

- approval of the Company's overall strategy, plans and annual operating budget;
- implementation of the strategy for moving to an investment management structure with the tax domicile and management of the Company moving from Jersey to the UK;
- review and approval of the terms of the Investment Management Agreement and the appointment of the Investment Manager under such agreement;
- annual review and continued approval of key agreements with service providers;
- review of the infrastructure market segments in which the Company operates, and of competitors' activity and the returns available from investing in those markets;
- approval to maintain the Company's target total return at 8-10% over the medium term;
- approval to maintain the dividend policy targeting a progressive annual dividend per share;
- approval of the dividend target for FY19 of 8.65 pence per share, as announced with the Company's full-year results to 31 March 2018;
- appointment of 3i plc as Company Secretary;
- appointment of a new Compliance Officer, Money Laundering Compliance Officer and Money Laundering Reporting Officer;
- approval of the Company's policies; and
- approval of the policy not to have an internal audit function.

Investment and portfolio

- approval of new investment in Tampnet;
- approval of the syndication of the investment in Attero;
- approval of the divestment decision for XLT;
- review of regular reports relating to investment activity;
- review of reports relating to the infrastructure market;
- review of investment opportunities in a number of European target geographies;
- review of UK infrastructure market options;
- regular reviews of portfolio performance, including the underlying performance of assets and review of the expected future returns from the portfolio; and
- review of the valuation of the portfolio investments by the Investment Manager at 30 September 2018 and at 31 March 2019, including the benchmarking of those valuations in the context of prevailing market conditions.

Financial management

- approval of the Company's half-yearly and annual Financial statements;
- review of the Company's liquidity policy;
- approval of the refinancing of the Company's three-year £300 million multicurrency RCF on more favourable terms;
- approval of the Company's annual budget for the year to 31 March 2019; and
- assessment of the Company's viability through consideration of scenario and stress testing.

Manage relations with the Investment Adviser/Investment Manager

- a review with the Investment Adviser/Investment Manager of its origination and asset management capabilities; and
- formal evaluation of the performance of the Investment Adviser/Investment Manager.

Other

- succession planning;
- consideration of the market practice for offering a scrip dividend alternative to shareholders;
- the impact of and adherence to the GDPR regulation;
- director independence;
- approval of amendments to the Board Committee Terms of Reference and Schedule of Matters Reserved to the Board (including the disbanding of the Investment Implementation Committee and the Standing Committee); and
- approval of the Directors and Officers Indemnity Insurance.

Disclosure Committee report

The Disclosure Committee met during the year to consider matters within its remit, in particular in relation to the treatment of inside information during a number of transactions.

Internal control

The Board has overall responsibility for the Company's risk management and internal control, 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 2019.

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 reports on the control systems and their operation from its main service providers, including from the internal audit and compliance departments of the Investment Manager, the risk log containing a description of events that have occurred and relevant actions/mitigants taken, and reports from the Company's Compliance Manager. The Audit and Risk Committee is responsible for the assessment and evaluation of these reports in the context of the delegated investment management and support services and for determining the effectiveness of those internal controls.

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.

Relations with shareholders

Approach to Investor Relations

The Board recognises the importance of maintaining a purposeful relationship with shareholders and the Company has a comprehensive Investor Relations programme, devised and implemented by the Investment Manager, to help existing and potential investors to understand the Company's activities, strategy and financial performance. The Chair maintains a dialogue with shareholders on strategy and corporate governance as required and shareholders are offered the opportunity to meet with the Chair and with the Senior Independent Director. The Board receives updates from the Chair and the Investment Manager following shareholder meetings, as well as updates from the Company's brokers on shareholder issues. Directors are invited to attend the Company's presentations to analysts and have the opportunity to meet shareholders at the AGM.

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. Any significant concern raised by shareholders in relation to the Company is communicated to the Board. Research published by investment banks on the Company is circulated to the Board on a regular basis.

The Board also receives periodic feedback from existing shareholders and potential investors through the Company's corporate brokers and advisers: JP Morgan Cazenove, RBC Capital Markets and Scott Harris.

Annual General Meeting

The Company uses its AGM as an opportunity to communicate with its shareholders. At the meeting, business presentations are generally 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.

Extraordinary General Meeting

The Company held an EGM on 17 September 2018. Further details of the EGM can be found on page 73.

Annual and half-yearly results presentations

The Chair and Investment Manager present the annual and half-yearly results to a broad group of analysts.

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 investor programme



The Investment Manager meets with existing and potential investors as required following the release of the Company's annual results. The Investment Manager holds regular meetings with existing and potential investors in the UK and internationally to communicate the strategy and performance of the Company.



The AGM is an opportunity for the Company's Directors and members of the Investment Manager's team to meet attending shareholders in person.



Following the release of the Company's half-year results, the Investment Manager holds meetings with existing and potential investors in the UK and internationally to communicate the strategy and performance of the Company.

The Company's website provides a description of its strategy and portfolio, as well as a full archive of news and historical financial information and details of forthcoming events for shareholders and analysts.



www.3i-infrastructure.com

These meetings continue throughout the year, as required.

Composition, succession and evaluation

Evaluation and training

Performance evaluation

Board and Committees

The Company engaged Lintstock in 2017, a specialist consultancy that is independent of the Company and the Investment Manager, to undertake an evaluation of the performance of the Board and its Committees. The Lintstock engagement spans a three-year period, with this, the third year, involving the completion by all Directors of a questionnaire. The Investment Manager's Managing Partner, Phil White, and Chief Financial Officer, 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.

The report subsequently prepared by Lintstock addressed a range of matters including the following:

- the composition of the Board, its expertise and Board dynamics;
- the Board's understanding of the views and requirements of investors;
- the performance of, and the Board's relationship with, the Investment Manager;
- the management and focus of the Board meetings, and the quality of the information and support provided to the Board;
- the changes in corporate structure and tax domicile;
- the Board's oversight of risk management, internal control and strategy;
- the Directors' views of the top strategic issues facing the Company;
- Board culture;
- the performance of the Audit and Risk, Nomination and Remuneration Committees, the Chairs, and that of individual Directors;
- the Audit and Risk Committee's oversight of the external Auditor; and
- the engagement of the Chair with shareholders.

Lintstock facilitated a discussion on the report with all participants. The Board noted that the results of the review showed a high degree of overall satisfaction with the composition and expertise of the Board, and the dynamics between Directors. The performance of the Board was seen to have improved again 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 negotiations which led to the successful appointment of the Investment Manager were commented upon in the review.

It noted that progress had been made against the recommendations made in the previous year's review, with consideration having been given by the Board to:

- the future composition and succession requirements for the Board, particularly in light of the move of the management of the Company from Jersey to the UK;
- increased focus on risk mitigation plans across the portfolio which was addressed in the review and assessment of the risk management framework; and
- the differentiation of strategy relative to other UK listed infrastructure companies, where the Board recognised that the Company does not have a comparable peer group.

The following recommendations were made in the review this year:

- to continue to address the future composition of the Board through any new appointments and in the succession plan, in particular in relation to gender diversity;
- to embed the new governance structure following the move of management and tax domicile from Jersey to the UK; and
- to give greater consideration to macro-economic factors at this point in the economic cycle.

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

Composition, succession and evaluation

Evaluation and training

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, Auditor, tax adviser, financial adviser and legal advisers.

On appointment, all Directors have discussions with the Chair and Company Secretary, following which appropriate briefings on the responsibilities of Directors, the Company's business, the Company's procedures and, where appropriate, briefings on the infrastructure market 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 senior members of the investment management team who in turn can arrange, as required, visits to portfolio investments or support teams.

This year, the Directors received presentations on aspects of the infrastructure market and briefings in relation to changes to laws and regulations in Jersey and the UK, corporate governance and the 2018 Code, the Market Abuse Regulation, valuations, technical accounting and corporate reporting, cyber security and investment trust status and UK corporation tax compliance.

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




Nomination Committee report



“The Committee aims to ensure that the Board composition is balanced and effective with the necessary skills and experience to enable the Company to deliver its strategic objectives.”

Richard Laing
Chair, Nomination Committee

All members served throughout the year.

 **For terms of reference**
www.3i-infrastructure.com/investors/governance/board-committees

Committee remit

The Committee is responsible for adopting a formal and transparent procedure for the appointment of new Directors. Final decisions on nominations, however, are taken by the entire Board. The Nomination Committee can use the services of external search consultancies when new Directors are being recruited. As well as seeking an appropriate balance of expertise and experience, especially in finance and infrastructure, the nominations process considers diversity in its widest sense. Until 15 October 2018, when the management and tax domicile of the Company moved from Jersey to the UK, the Committee was required to ensure that a majority of independent non-executive Directors recommended to the Board for appointment (other than the Chair) were Jersey resident.

Matters reviewed in the year

The Committee has undertaken succession planning to ensure that processes and plans are in place with regards to future Board appointments dealing with both succession and diversity. The Committee recognises that the composition of the Board falls short of the gender diversity targets set by the Hampton-Alexander review. The Committee is committed to ensuring that the Board composition will satisfy these requirements in the medium term, and it will develop its succession plan in line with both the Hampton-Alexander review targets and the wider diversity requirements of the 2018 Code.

Since the transfer of tax domicile and management of the Company from Jersey to the UK, the Company is now required to have only two Jersey resident independent non-executive Directors and this will enable future appointees to be selected from a wider and more diverse candidate pool.

The Board membership remained unchanged this year with the Jersey based directors, Doug Bannister, Wendy Dorman and Paul Masterton agreeing to remain on the Board following the change of tax domicile of the Company and the transfer of management from Jersey to the UK. Doug Bannister has subsequently become a UK resident.

The Committee reviewed its Terms of Reference to ensure that it is still operating effectively. Amendments to the Committee's Terms of Reference were approved by the Board in January 2019.

Richard Laing
Chair, Nomination Committee
8 May 2019

Audit, Risk and Internal Control

Audit and Risk Committee report



“The Committee has a focus on financial reporting, risk management and the Auditor’s independence, effectiveness and objectivity to support the Company in meeting its strategy.”

Wendy Dorman
Chair, Audit and Risk Committee

All members served throughout the year. All the members of the Audit and Risk Committee are independent non-executive Directors who have the necessary range of financial, risk, 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.



For terms of reference

www.3i-infrastructure.com/investors/governance/board-committees

Committee remit

The Committee reviewed its Terms of Reference to ensure that the Committee is still operating effectively and amendments to these were approved by the Board in January 2019.

Matters reviewed in the year

The principal matters reviewed by the Audit and Risk Committee during the year are described below.

Financial 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 most significant recurring matters of judgement considered by the Committee were:

- valuation of the Company’s investment portfolio – this year, the areas examined included the current and projected performance of portfolio companies, the cash flow projections and level of discount rates applied in valuation models, with a particular focus on those used for economic infrastructure assets. These matters were discussed with the Investment Manager and the Auditor, including the Auditor’s infrastructure valuation expert;
- investment income recognition – the Committee reviewed management information for the portfolio and individual portfolio companies to identify where variances of income from expectations required further examination;
- calculation of the advisory, management and performance fees payable to the Investment Manager. 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 work to agree that the advisory and performance fees were calculated in accordance with the underlying Investment Advisory Agreement or the Investment Management Agreement, as appropriate; and

- investment entity considerations – the Committee reviewed the assessment that the Company continues to meet the criteria of an investment entity. As part of this exercise, the Committee assessed the new entities which were invested into during the year. All of these are considered to be investment holding companies or project SPVs and therefore they are held at fair value through profit or loss.

The Committee considered the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 with which it is complying voluntarily, in line with best practice reporting. The Committee specifically reviewed the 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 required for companies with a Premium Listing under the 2016 Code. As part of this review, the Committee considered if 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.

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

- valuation of derivative financial instruments;
- the Company's investment trust status, the related policies and procedures, the Company's satisfaction of the retention test and the application of the interest streaming rule in accordance with the Statement of Recommended Practice – Financial Statements of Investment Companies and Venture Capital Trusts issued by the UK Association of Investment Companies;
- post balance sheet events;
- the impact of accounting standards, particularly IFRS 9 and IFRS 15; 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 and that it provided the information necessary for the shareholders to assess the Company's position, performance, business model and strategy.

External audit

Shareholders approved the appointment of Deloitte LLP as external Auditor for the year ended 31 March 2019 at the Company's July 2018 AGM. Jacqueline Holden has been the audit partner for Deloitte LLP since first appointment in 2018.

The Audit and Risk Committee reviewed the effectiveness of the external audit process during the year, considering performance, objectivity, independence and relevant experience demonstrated by reports and presentations from the 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 LLP's valuation practice to support the audit of the portfolio valuations, the technical knowledge of the team and staff turnover within the Deloitte LLP 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 high level of engagement from the audit partner throughout the audit process;
- the audit matched the process set out in the audit plan;
- 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; and
- the final report was presented based on a good understanding of the Company's business and included granularity around the valuation assumptions.

The Committee concluded that the audit was effective and that there should be a resolution to shareholders to recommend the reappointment of Deloitte LLP at the 2019 AGM.

Audit, Risk and Internal Control

Audit and Risk Committee report

In addition, 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 Auditor's independence or objectivity. In order to safeguard Auditor objectivity and independence, the chair of the Audit and Risk Committee is required to approve all non-audit work undertaken by the Auditor for the Company and its subsidiaries in advance, and as a general rule the Auditor will not be engaged on investment-related work. However, exceptions to this may be permitted if (i) the Company is acting in a consortium, (ii) the Auditor is considered a specialist in the sector, or (iii) the Auditor is best placed to undertake the work through its knowledge of the Company's financial systems, procedures and internal controls.

Deloitte LLP and its associates provided non-audit services to the consolidated Group for fees totalling £65,929 for the year to 31 March 2019 (2018: £55,765). This related to agreed-upon procedures on the advisory, management and performance fees (£7,000), a review of the interim Financial statements (£40,000) and interim dividend reports for two of the Luxembourg subsidiaries (£18,929). In this financial year, in line with the Company's policy, Deloitte LLP provided non-audit services during the year 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 Group. 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 Group or by the investee companies.

Risk and internal control

As detailed on page 50 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 full 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;
- conducted risk reviews as detailed in the Risk report on pages 50 to 57;
- regularly reviewed the risk log;
- considered reports from the Company's Compliance Officer, Money Laundering Compliance Officer and Money Laundering Reporting Officer;

- considered the presentation of risk-related matters in the Annual report and accounts;
- considered reports on the controls systems and their operation from the main service providers, including from the internal audit department 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 given the structure of the Company.

Other matters

Other matters reviewed by the Committee during the year were:

- the Company's compliance with its regulatory requirements generally;
- the treasury counterparty credit risk review on limits, limit usage and foreign exchange hedging activities;
- 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;
- tax, governance and regulatory considerations relating to the move from Jersey to UK management and tax domicile;
- the Company's compliance with its regulatory obligations in Jersey, including a review of compliance with the Codes of Practice for Certified Funds; and
- the Group structure, with consideration being given to ensuring it is still appropriate for both current legislation and the transfer of management from Jersey to the UK.

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
8 May 2019

Management Engagement Committee report



“Management of the relationship with the Investment Manager is key to the performance of the Company.”

Richard Laing

Chair, Management Engagement Committee

All members served throughout the year. The Committee comprises all Board members (with the exception of Ian Lobley, the 3i Group nominated Director).



For terms of reference

www.3i-infrastructure.com

Committee remit

While the remit of the Committee is to manage all aspects of the relationship with the Investment Adviser/Investment Manager, its principal function is to consider annually, and recommend to the Board, whether the continued appointment of the Investment Adviser/Investment Manager is in the best interests of the Company and its shareholders and to give reasons for its recommendation. The Committee also reviews the terms of the Investment Advisory Agreement/Investment Management Agreement.

The Committee monitored the overall relationship with the Investment Adviser/Investment Manager and among specific topics it:

- monitored and reviewed the Investment Adviser/Investment Manager's performance against the Company's targets and 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 advisory or management agreements and fees charged;
- reviewed the fees charged to the Company by the Investment Adviser/Investment Manager for the provision of its advisory/management services;

- reviewed non-investment services provided by the Investment Adviser/Investment Manager;
- considered the appointment of the Investment Manager and reviewed in detail the terms of the Investment Management Agreement; and
- recommended to the Board for approval the entry into the Investment Management Agreement with the intention of appointing 3i Investments plc as Investment Manager and moving the tax domicile and management of the Company from Jersey to the UK.

During the year, the Committee assessed the performance of 3i Investments plc as Investment Adviser up to 15 October 2018 and Investment Manager for the remainder of the financial year. Following its assessment, and based on the good performance of the Investment Adviser/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 122 and 123 is in the interest of shareholders as a whole.

Richard Laing

Chair, Management Engagement Committee
8 May 2019

Remuneration


Remuneration Committee report



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

Paul Masterton
Chair, Remuneration Committee

All members served throughout the year.

 **For terms of reference**
www.3i-infrastructure.com/investors/governance/board-committees

Committee remit

The Remuneration Committee is charged with reviewing the scale and structure of the non-executive Directors' remuneration, and for the year under review comprised all the independent non-executive Directors. All members served throughout the year.

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 for the financial year to 31 March 2019 were as follows:

Directors' fees	Amount paid in the year ended 31 March 2019 £	Amount paid in the year ended 31 March 2018 £
Richard Laing	140,000	140,000
Doug Bannister	54,000	53,583
Wendy Dorman	61,000	55,333
Robert Jennings	54,000	9,000
Ian Lobley ¹	51,000	48,500
Paul Masterton	61,000	60,583

¹ Fee payable to 3i Group plc.

Remuneration review

Following the transfer of management and tax domicile of the Company from Jersey to the UK, a benchmarking exercise was carried out to review the fees of both the Chair and the non-executive Directors. The fees were benchmarked against 40 FTSE listed investment trusts and REITS, placing the 2018 Directors' fees between the median and upper quartiles. As a result of the Company becoming a managed alternative investment fund, which led to a reduced time commitment for Directors, the Committee recommended to the Board for approval that the Chair and non-executive Directors fees be reduced overall by approximately 15%, which included the removal of the Audit and Risk Committee membership fee. The Board approved the fee reduction, to take effect from 1 April 2019.

Directors' fees	Annual fee approved for year beginning 1 April 2019 £	Annual fee for year to 31 March 2019 £	Annual fee for year to 31 March 2018 £
Chair's fee	120,000	140,000	140,000
Non-executive Director base fee	46,000	51,000	51,000 since 1 Sept 2017
Additional fee for the Senior Independent Director	7,000	7,000	7,000
Additional fee for the Audit and Risk Committee Chair	10,000	10,000	10,000
Additional fee for Audit and Risk Committee members	0	3,000	3,000
Additional fee for Directors resident in Jersey	0	0	0 since 1 Sept 2017

Paul Masterton
Chair, Remuneration Committee
8 May 2019

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 124 and 125.

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 Company had already obtained approval of investment trust status from HMRC on a provisional basis in June 2018 ahead of its proposed move to the UK. The approval, which was effective from 15 October 2018, was subsequently confirmed by HMRC on 12 December 2018. The affairs of the Company are directed to enable it to maintain its UK tax domicile and its approved investment trust company status.

Corporate Governance

The Company is committed to upholding the highest standards of corporate governance. It observes the requirements of the 2016 Code, a copy of which is available from the Financial Reporting Council website (www.frc.org.uk), subject to the Financial Conduct Authority ('FCA') Listing Rule 15.6.6(2), and to the extent applicable to the Company, given that it has no executive Directors.

The Company complied with all the provisions of the 2016 Code for the financial year ended 31 March 2019 except as set out below:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

The Board considers that these provisions are not relevant to the Company as it is an externally managed investment trust. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

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 MAR by the Directors.

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 re-election. In addition, under the 2016 Code, all directors of FTSE 350 companies 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 4 July 2019.

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 as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988. It has a Premium Listing on the London Stock Exchange.

AIFMD

The Alternative Investment Fund Managers Directive (the 'Directive') entered into force on 22 July 2013. For the purposes of the Directive, the Company is an alternative investment fund ('AIF'). The Investment Manager is approved as an alternative investment fund manager ('AIFM') by the FCA and is the Company's AIFM. The Company has appointed Citibank Europe plc as its depositary.

Directors' statement

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 2017. Details of the Remuneration Policy are set out in the 3i Group plc Annual report and accounts for 2017. 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.

NMPI

On 1 January 2014, certain changes to the FCA rules regarding the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes ('non-mainstream pooled investments', or 'NMPIs') came into effect.

Since the Company obtained approval as a UK investment trust, with effect from 15 October 2018, its shares are excluded from these rules 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 and its consolidated subsidiary (together referred to as the 'Group') for the year appear on pages 99 to 125. Total comprehensive income for the year was £258.5 million (2018: £479.6 million). An interim dividend of 4.325 pence per share (2018: 3.925 pence) in respect of the year to 31 March 2019 was paid on 7 January 2019.

The Directors recommend that a final dividend of 4.325 pence per share (2018: 3.925 pence) be paid in respect of the year to 31 March 2019 to shareholders on the register at the close of business on 14 June 2019.

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 FY20 of 9.20 pence per share.

Strategy, performance and principal risks

The Strategic report on pages 1 to 61 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

The Company has a non-executive Board of Directors and no employees. Until 15 October 2018, the Board acted as the Company's investment committee and was responsible for the determination and supervision of the investment policy and for the approval of investment opportunities sourced by the Investment Adviser. The Board also supervised the monitoring of existing investments and approved divestments, and further financing of portfolio assets.

Following the appointment of the Investment Manager, the Investment Manager became responsible for the determination and supervision of the investment policy and for the approval of investment opportunities, subject to the investments or divestments remaining below an agreed threshold. Where investments or divestments are above the agreed threshold, the Board is also responsible for approving these opportunities.

Advisory arrangements

3i Investments plc, a wholly-owned subsidiary of 3i Group plc, acted as Investment Adviser to the Company up to 15 October 2018. The investment advisory team provided advice to the Company on the origination and completion of new investments, on the realisation of investments, on funding requirements, as well as on the management of the investment portfolio. It provided its services under an Investment Advisory Agreement, which included an investment exclusivity arrangement in respect of investment opportunities within the Company's investment policy.

Management arrangements

From 15 October 2018, 3i Investments plc acted as Investment Manager to the Company. The investment management team manages the origination and completion of new investments, the realisation of investments, funding requirements, as well as the management of the investment portfolio. It provides its services under the terms of an Investment Management Agreement, which includes an investment exclusivity arrangement in respect of investment opportunities within the Company's investment policy.

Other significant service arrangements

In addition to the arrangements described above, 3i plc and 3i Investments plc (both subsidiaries of 3i Group), in relation to certain regulatory services, have been appointed by the Company to provide support services to the Group, 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 pages 122 and 123.

Until 15 October 2018, Link Alternative Fund Services (Jersey) Limited ('Link') acted as the Administrator and Company Secretary to the Company. From 15 October 2018, 3i plc acted as Company Secretary to the Company and Link continues to act as Jersey fund Administrator.

Revolving Credit Facility

In April 2018, the Company refinanced its £300 million revolving credit facility ('RCF') with the existing lenders. Following the refinancing, the RCF has a lower margin (1.65%) and non-utilisation fee, and a maturity date of April 2021 with two one-year extension options. The first one year extension option has been exercised, so that the maturity date is now April 2022.

The £200 million accordion feature, which allows the Company to increase the size of the RCF on a temporary basis, was not used during the year.

Share capital

The issued share capital of the Company as at 31 March 2019 was 810,434,010 ordinary shares (2018: 810,434,010).

Major interests in ordinary shares

Notifications of the following voting interests in the Company's ordinary share capital as at 31 March 2019 and 30 April 2019, which are notifiable in accordance with Chapter 5 of the FCA's Disclosure and Transparency Rules or section 703 Companies Act 2006, have been received as follows:

Interest in ordinary shares	Number of ordinary shares ¹ as at 31 March 2019	% of issued share capital	Number of ordinary shares ¹ as at 30 April 2019	% of issued share capital
3i Group plc (and subsidiaries)	270,254,027	33.35	270,254,027	33.35
Schroders plc	51,775,697	6.39	51,932,392	6.41

1 Each ordinary share carries the right to one vote.

Directors' statement

Directors' interests

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 FCA Disclosure and Transparency Rule 3.1.2(R)) as at 31 March 2019 are shown below:

Directors' interests and beneficial interests ¹	Ordinary shares at 31 March 2019
Richard Laing	30,000
Doug Bannister	9,868
Wendy Dorman	18,947
Ian Lobley	0
Paul Masterton	21,194
Robert Jennings	60,000

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

In the period from 1 April 2019 to 30 April 2019, there were no changes in the interests of each serving Director.

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 2019 AGM. The Company will seek to renew such authority until the end of the AGM in 2020, specifying the maximum and minimum price at which shares can be bought back. Any buyback of ordinary shares will be made in accordance with Jersey law and the making and timing of any buybacks 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.

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.

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, 3i Infrastructure plc is subject to the FCA's Listing Rules and Disclosure and Transparency Rules, as well as to all applicable laws and regulations of Jersey, where it is incorporated.

Jersey company law requires the Directors to prepare financial statements for each financial period in accordance with generally accepted accounting principles. The Financial statements of the Group are required by law to give a true and fair view of the state of affairs of the Group at the period end and of the profit or loss of the Group 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 Group's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group Financial statements comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group 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 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 Group 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 Group taken as a whole, together with a description of the principal risks and uncertainties faced by the Company.

The Directors of the Company and their functions are listed on pages 66, 71 and 72.

The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2019.

By order of the Board

Authorised signatory

3i plc

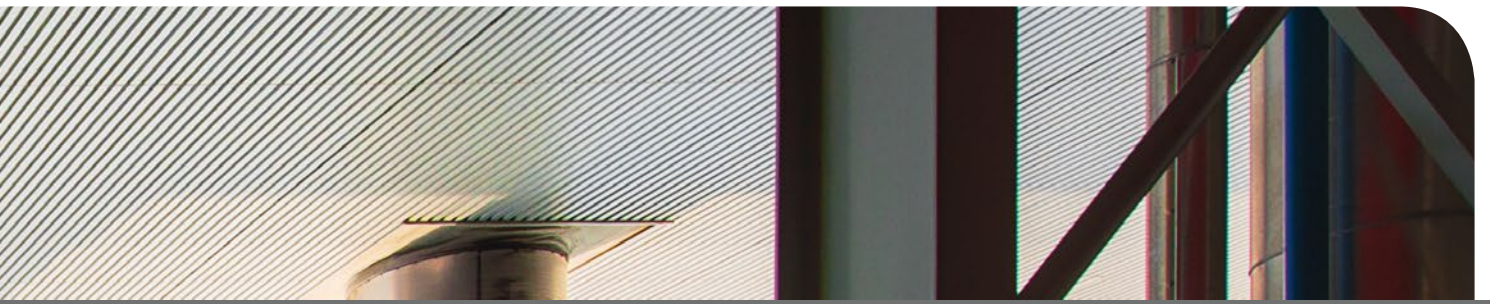
Company Secretary
8 May 2019

Registered Office:

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

A low-angle, upward-looking photograph of industrial infrastructure. In the foreground, a large, light blue cylindrical pipe with dark blue horizontal bands runs vertically. It splits into two smaller pipes that curve upwards and outwards. In the center background, a tall, silver, segmented vertical pipe reaches towards the top of the frame. The top of the image shows a corrugated metal roof structure. The sky is a clear, bright blue with a few wispy white clouds. A dark grey rectangular box is overlaid on the left side of the image, containing the title text.

Accounts and other information



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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of 3i Infrastructure plc (the 'parent company') and its consolidated subsidiary (the 'Group'):

- give a true and fair view of the state of the Group's affairs as at 31 March 2019 and of the Group'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 Consolidated statement of comprehensive income;
- the Consolidated statement of changes in equity;
- the Consolidated balance sheet;
- the Consolidated cash flow statement;
- the reconciliation of net cash flow to movement in net debt;
- the statement of significant accounting policies; and
- the related notes 1 to 19.

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

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 Group 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. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

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

While the parent company is not a public interest entity subject to European Regulation 537/2014, the directors have decided that the parent company should follow the same requirements as if that Regulation applied to the parent company.

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • the fair value of investments; and • the calculation of the performance fee.
Materiality	<p>The materiality that we used for the Group financial statements was £17.2 million which was determined on the basis of approximately 1% of the Group's net assets.</p> <p>A lower materiality threshold of £2.0 million based upon 2% of investment income was applied to amounts in the statement of comprehensive income excluding fair value movements on investments and derivatives.</p>
Scoping	<p>The Group comprises 3i Infrastructure plc and its single direct subsidiary, both of which are in full scope for our audit.</p>
Significant changes in our approach	<p>There have been no significant changes in our audit approach in the current year.</p>

Conclusions relating to going concern, principal risks and viability statement

Going concern	<p>We have reviewed the directors' statement on pages 85 to 89 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.</p> <p>We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.</p> <p>We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.</p>	<p>We confirm that we have nothing material to report, add or draw attention to in respect of these matters.</p>
Principal risks and viability statement	<p>Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:</p> <ul style="list-style-type: none"> • the disclosures on pages 54 and 55 that describe the principal risks and explain how they are being managed or mitigated; • the directors' confirmation on pages 52 and 53 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or • the directors' explanation on pages 56 and 57 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. <p>We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.</p>	<p>We confirm that we have nothing material to report, add or draw attention to in respect of these matters.</p>

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

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 2019, the Group held investments totalling £1,697.0 million (2018: £1,552.3 million) in unquoted companies and unlisted funds 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.

The balance has increased in the year following the acquisitions of Tampnet and Attero. 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 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 measured using a range of different valuation techniques, with discounted cash flow methodology being the most prevalent technique. The complex nature of this methodology, combined with the number of significant judgements, means there is a risk that the fair value of the investments could be misstated. Brexit was considered in the assessment of this Key audit matter. 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 – these include inflation and deposit rates; and
- Forecasted future cash flows – specific investments use certain assumptions in the cash flow forecasts that are particularly complex and judgemental.

This key audit matter is also discussed on page 80 in the Report of the Audit and Risk Committee and disclosed in the significant accounting policies as a key source of estimation uncertainty on page 105 and in the Portfolio valuation methodology on page 127.



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

We have performed the following procedures:

- Tested the operating effectiveness of controls around the overall valuation process adopted by the Investment Manager and the Board;
- Tested that the valuations are compliant with IFRS 13 and IPEV requirements;
- Met with the Investment Manager's Managing Partner, CFO and individual analysts responsible for preparing the valuations to understand the underlying performance of the businesses being valued and how the year-end valuation had been prepared, including challenging key assumptions;
- Involved our Valuation experts to assess the discount rates applied to all investments by performing 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;
- Reviewed the forecasted cash flows for all investments, in particular movements since acquisition or the prior year and changes made in underlying forecast models and sought to agree them to third party support;
- Performed or challenged management's sensitivity analysis on the key valuations to understand the susceptibility of the valuations to changes in key assumptions;
- Engaged with our Valuation experts to apply an additional level of challenge to the investments identified as containing more judgemental cash flows;
- 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; and
- Employed audit analytics on the valuation models to assess them for integrity.



Key observations

We consider the judgements and assumptions utilised in determining the fair value of the Group's investments, when considered in aggregate, to be within an acceptable range. We have not identified any material misstatements in respect of the fair value of the Group's investments at 31 March 2019.

Calculation of Performance Fee



Key audit matter description

For the year ended 31 March 2019 the performance fee was £31.0 million (2018: £89.8 million). The Group earns a performance fee based on 20% of the outperformance of Total Return per Share against an 8% performance hurdle as determined in the Investment Management Agreement. As the calculation of the performance fee is dependent on the financial results of the Group, there is an incentive for the Investment Manager to misstate the performance fee. Incorrect calculation of the performance fee could result in a material misstatement being recognised in the financial statements. We have identified a potential fraud risk associated with the calculation of the performance fee due to its susceptibility to bias from the Investment Manager. The details of the performance fee arrangement are included within Notes 2 and 18. The Audit and Risk Committee have highlighted within their report on pages 80 to 82 their considerations when reviewing the calculation.



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

We have performed the following procedures:

- Re-performed the calculation independent of the Investment Manager's calculation using the Investment Management Agreement between the Investment Manager and the Group;
- Challenged the methodology of the Investment Manager's calculation with reference to the Investment Management Agreement;
- Checked the mechanical accuracy of the Investment Manager's calculation; and
- Agreed the inputs used in the calculation to the valuation model and to the financial statements.



Key observations

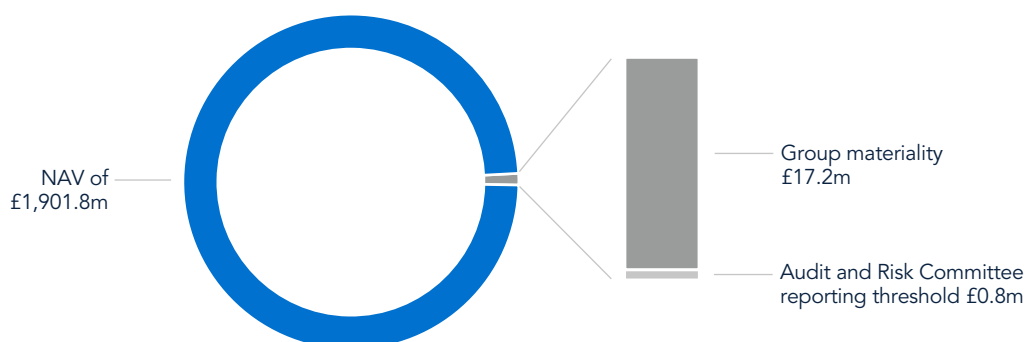
We concluded that the calculation of the performance fee during the year was in accordance with the Investment Management Agreement, appropriately accounted for and disclosed.

Our application of 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:

Group materiality	£17.2 million (2018: £17.1 million).
Basis for determining materiality	Materiality is calculated using approximately 1% of net asset value ('NAV') (2018: 1%).
Rationale for the benchmark applied	We consider NAV to be the key financial statement benchmark used by shareholders of the Group in assessing financial performance.



● NAV ● Group materiality

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

A lower materiality threshold of £2.0 million (2018: £2.0 million) based upon 2% (2018: 2%) of investment income has also been used. This has been applied to all non-fair value movements affecting comprehensive income for the year. A lower materiality threshold has been used to obtain sufficient coverage on comprehensive income.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.8 million (2018: £0.8 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.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Both 3i Infrastructure plc and its single direct subsidiary are in full scope for the purposes of our audit and all the audit work is performed directly by the Group audit team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and Risk Committee reporting** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below. 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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, our procedures included the following:

- enquiring of the Investment Manager, the Investment Manager's internal audit function and the Audit and Risk Committee, including obtaining and reviewing supporting documentation, concerning the Group's 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 related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists and experts, including tax and valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the valuation of the investments, calculation of the performance fee and revenue recognition; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the Companies (Jersey) Law, Listing Rules and the AIFM Directive as approved by the FCA.

Audit response to risks identified

As a result of performing the above, we identified the valuation of the investments and the calculation of the performance fee as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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 relevant laws and regulations discussed above;
- enquiring of the Investment Manager, the Audit and Risk Committee and both external and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing the Investment Manager's internal audit reports pertaining to the Group, reviewing correspondence with HMRC and FCA and reviewing compliance with Investment Trust legislation;
- in addressing the risk of fraud identified in revenue recognition, testing that an appropriate adjustment had been made to the fair value of the investments to prevent double-counting of accrued income; 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 significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records	<p>Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none">• we have not received all the information and explanations we require for our audit; or• proper accounting records have not been kept by the parent company, 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.
---	--	---

Other matters

Auditor tenure	<p>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 ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the years ended 31 March 2018 to 31 March 2019.</p>
-----------------------	---

Consistency of the audit report with the additional report to the Audit and Risk Committee	<p>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).</p>
---	--

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
Recognized Auditor
London, United Kingdom
8 May 2019

Consolidated statement of comprehensive income

For the year to 31 March

	Notes	Year to 31 March 2019 £m	Year to 31 March 2018 £m
Net gains on investments	7	213.0	526.6
Investment income	7	109.8	94.2
Fees payable on investment activities		(0.4)	(0.4)
Interest payable		(0.1)	(0.1)
Investment return		322.3	620.3
Movement in the fair value of derivative financial instruments	5	4.1	(14.7)
Management, advisory and performance fees payable	2	(61.1)	(117.8)
Operating expenses	3	(3.0)	(2.6)
Finance costs	4	(4.2)	(6.8)
Other income		1.0	1.9
Exchange movements		(0.6)	(0.7)
Profit before tax		258.5	479.6
Income taxes	6	–	–
Profit after tax and profit for the year		258.5	479.6
Total comprehensive income for the year		258.5	479.6
Earnings per share			
Basic and diluted (pence)	14	31.9	47.2

Consolidated 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 2019						
Opening balance at 1 April 2018		560.4	1,149.8	–	–	1,710.2
Total comprehensive income for the year		–	163.4	64.3	30.8	258.5
Dividends paid to shareholders of the Company during the year	15	–	(31.8)	–	(35.1)	(66.9)
Closing balance at 31 March 2019		560.4	1,281.4	64.3	(4.3)	1,901.8

	Notes	Stated capital account £m	Retained reserves £m	Capital reserve £m	Revenue reserve £m	Total shareholders' equity £m
For the year to 31 March 2018						
Opening balance at 1 April 2017		560.4	1,174.2	–	–	1,734.6
Total comprehensive income for the year		–	479.6	–	–	479.6
Dividends paid to shareholders of the Company during the year	15	–	(504.0)	–	–	(504.0)
Closing balance at 31 March 2018		560.4	1,149.8	–	–	1,710.2

1 The Retained reserves, Capital reserve and Revenue reserve are distributable reserves. Further information can be found in Accounting policy H on page 109.

Consolidated balance sheet

As at 31 March

	Notes	2019 £m	2018 £m
Assets			
Non-current assets			
Investments at fair value through profit or loss	7	1,697.0	1,552.3
Derivative financial instruments	10	4.6	1.5
Total non-current assets		1,701.6	1,553.8
Current assets			
Derivative financial instruments	10	3.0	4.3
Trade and other receivables	8	3.6	14.1
Cash and cash equivalents		256.8	282.0
Total current assets		263.4	300.4
Total assets		1,965.0	1,854.2
Liabilities			
Non-current liabilities			
Derivative financial instruments	10	(5.8)	(29.7)
Trade and other payables	12	–	(5.9)
Total non-current liabilities		(5.8)	(35.6)
Current liabilities			
Derivative financial instruments	10	(18.6)	(13.7)
Trade and other payables	12	(38.8)	(94.7)
Total current liabilities		(57.4)	(108.4)
Total liabilities		(63.2)	(144.0)
Net assets		1,901.8	1,710.2
Equity			
Stated capital account	13	560.4	560.4
Retained reserves		1,281.4	1,149.8
Capital reserve		64.3	–
Revenue reserve		(4.3)	–
Total equity		1,901.8	1,710.2
Net asset value per share			
Basic and diluted (pence)	14	234.7	211.0

The Financial statements and related Notes were approved and authorised for issue by the Board of Directors on 8 May 2019 and signed on its behalf by:

Doug Bannister
Director

Consolidated cash flow statement

For the year to 31 March

	Year to 31 March 2019 £m	Year to 31 March 2018 £m
Cash flow from operating activities		
Purchase of investments	(403.5)	(349.5)
Repayment of other financial assets	–	19.5
Proceeds from partial realisations of investments	184.0	57.4
Proceeds from full realisations of investments	332.8	1,131.1
Investment income ¹	78.4	79.5
Fees received on investment activities	–	0.2
Fees paid on investment activities	(0.7)	–
Operating expenses paid	(3.2)	(2.4)
Interest paid	(0.1)	(0.2)
Management, advisory and performance fees paid	(123.7)	(27.9)
Amounts (paid)/received on the settlement of derivative contracts	(16.0)	(31.3)
Payments for transfer of investments from unconsolidated subsidiaries	(60.9)	–
Distributions from transfer of investments from unconsolidated subsidiaries	60.1	–
Temporary loan to unconsolidated subsidiaries	(1.9)	–
Other income received	0.9	1.9
Net cash flow from operations	46.2	878.3
Cash flow from financing activities		
Fees and interest paid on financing activities	(3.9)	(7.3)
Dividends paid	(66.9)	(504.0)
Drawdown of revolving credit facility	176.6	272.0
Repayment of revolving credit facility	(176.6)	(372.0)
Net cash flow from financing activities	(70.8)	(611.3)
Change in cash and cash equivalents	(24.6)	267.0
Cash and cash equivalents at the beginning of the year	282.0	17.1
Effect of exchange rate movement	(0.6)	(2.1)
Cash and cash equivalents at the end of the year	256.8	282.0

¹ Investment income includes dividends of £13.6 million (2018: £11.3 million), interest of £41.5 million (2018: £36.5 million) and distributions of £23.3 million (2018: £31.7 million) received from unconsolidated subsidiaries.

Reconciliation of net cash flow to movement in net debt

For the year to 31 March

	Notes	Year to 31 March 2019 £m	Year to 31 March 2018 £m
Change in cash and cash equivalents		(24.6)	267.0
Drawdown of revolving credit facility	11	176.6	(272.0)
Repayment of revolving credit facility	11	(176.6)	372.0
Change in net cash/(debt) resulting from cash flows		(24.6)	367.0
Movement in net cash/(debt)		(24.6)	367.0
Net cash/(debt) at the beginning of the year		282.0	(82.9)
Effect of exchange rate movement		(0.6)	(2.1)
Net cash at the end of the year		256.8	282.0

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 Consolidated financial statements for the year to 31 March 2019 comprise the Financial statements of the Company and its consolidated subsidiary as defined in IFRS 10 Consolidated Financial Statements (together referred to as the 'Group'). The Companies (Jersey) Law 1991 does not require the directors of a company to present separate financial statements where consolidated financial statements are presented and therefore the financial results and position of the Company are not presented alongside the Consolidated financial statements of the Group.

The Financial statements were authorised for issue by the Board of Directors on 8 May 2019.

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

The Financial statements are prepared on a going concern basis as disclosed in the Risk report on page 57, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability and cash flows.

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

The preparation of financial statements in conformity with IFRS requires the Board to make 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.

Basis of consolidation

In accordance with IFRS 10 (as amended), entities that meet the definition of an investment entity are required to fair value certain subsidiaries through profit or loss in accordance with IFRS 9: Financial Instruments (2018: IAS 39 Financial Instruments: Recognition and Measurement), rather than consolidate their results. However, those subsidiaries that are not themselves investment entities and provide investment-related services to the Company are consolidated.

Intragroup balances between the Company and its consolidated subsidiary, 3i Infrastructure Seed Assets GP Limited, a UK incorporated and 100% owned company, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Consolidated financial statements. There are no eliminations in relation to transactions between the Company and subsidiaries held at fair value.

Key judgements

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

- (i) **Assessment as investment entity** – Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them unless they provided investment-related services to the Company. To determine that the Company continues to meet the definition of an investment entity, the Company is required to satisfy the following three criteria:
 - (a) the Company obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
 - (b) the Company commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
 - (c) the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

Key judgements continued

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 Group invests should be classified as structured entities and have concluded that none of the entities should be classified as structured entities as voting rights are the dominant factor in deciding who controls these entities.
- (iii) **Assessment of consolidation requirements** –
The Group holds significant stakes in the majority of its investee companies and must exercise 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 Group 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 106.

During the year, the Company set up a wholly owned subsidiary for the investment in Tampnet and two wholly owned subsidiary entities for the new investment commitment in Joulz. The Company also invested a 50.1% stake, alongside two external co-investors, in a holding company for the investment in Attero. Due to the size of its stake, the Company is considered to exercise control over this entity and it is therefore defined as a subsidiary. 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 Group 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 Consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is in the valuation of the investment portfolio.

The majority of assets in the investment portfolio are valued on a discounted cash flow basis which requires assumptions to be made regarding future cash flows and the discount rate to be applied to these cash flows. The methodology for deriving the fair value of the investment portfolio, including the key estimates, is set out on page 127. 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.

New standards adopted for the current year

IFRS 9 Financial Instruments

The Company adopted IFRS 9 Financial Instruments on 1 April 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting of financial assets and liabilities. IFRS 9 is not applicable to items that have already been derecognised at 1 April 2018, the date of initial application.

Significant accounting policies

Key estimation uncertainties continued

Financial assets that were previously measured at amortised cost under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Therefore, such instruments continue to be measured at amortised cost under IFRS 9.

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated at fair value through profit or loss attributable to changes in credit risk. The Company has not designated any financial liabilities at fair value through profit or loss therefore this requirement has not had an impact on the Company.

IFRS 9 requires the Company to record expected credit losses on all of its financial assets, either on a 12 month or lifetime basis. This requirement has not changed the carrying amounts of the Company's financial assets under IFRS 9. The Company's principal financial assets are investments held at fair value through profit or loss which are not impacted by the adoption of IFRS 9. The Company has cash held in AAA rated money market funds that have maturities of three months or less, which have an immaterial expected credit loss, so this change has not had a material impact on the Financial statements of the Company. IFRS 9 also changes the classification of financial assets and implements new rules around hedge accounting. The Company does not have any financial assets whose classification is impacted by the adoption of IFRS 9 nor does it apply hedge accounting to any of its derivatives.

Comparative figures for the year ended 31 March 2018 have not been restated and are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 Revenue from Contracts with Customers on 1 April 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. The Company's principal revenue streams are dividends and interest from investments, transaction fees, interest on cash balances and other income comprising fees from asset management services. Therefore, there was no impact on the Company from the adoption of IFRS 15.

Amendments resulting from Annual Improvements to IFRS 2014-2016 Cycle

None of these amendments have had a material impact on the Financial statements.

Standards and interpretations issued but not yet effective

As at 31 March 2019, the following new or amended standards and interpretations, which have not been applied in these Financial statements, had been issued by the International Accounting Standards Board (IASB) but are yet to become effective.

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

The Directors have assessed the impact on the adoption of this standard and have concluded that it will not have a material impact on the Financial statements of the consolidated Group in future periods. The adoption of IFRS 16 does not have an impact on the Group as it does not hold any operating leases.

The Directors are still undertaking an assessment of the impact of other new standards issued and not endorsed by the EU. It is not anticipated that they would have a material impact on the Group.

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 Consolidated statement of comprehensive income in the year. The Directors have assessed all entities within the Group structure and concluded that 3i Infrastructure Seed Assets GP Limited is the only subsidiary of the Company that provides investment-related services or activities. This subsidiary has been consolidated with the Company to form 'the Group'.
- (ii) **Associates** – Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the Consolidated balance sheet at fair value even though the Group may have significant influence over those entities.

A Classification continued

(iii) **Joint ventures** – Interests in joint ventures that are held as part of the Group's investment portfolio are carried in the Consolidated 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 (2018: IAS 39 Financial Instruments: Recognition and Measurement), with changes in fair value recognised in the Consolidated statement of comprehensive income in the year.

B Exchange differences

Transactions entered into by the Group in a currency other than its functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated to the functional currency at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation to the functional currency are recognised in the Consolidated 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 Group manages its investments with a view to profiting from the receipt of investment income and obtaining capital appreciation from changes in the fair value of investments. Therefore, all quoted investments and unquoted investments are measured at fair value through profit or loss upon initial recognition and subsequently carried in the Consolidated balance sheet at fair value, applying the Group'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 Consolidated 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 Consolidated 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 Consolidated statement of comprehensive income;
- distributions from investments in Limited Partnerships are recognised in the Consolidated 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.

Significant accounting policies

D Fees

- (i) **Fees** – Fees payable represent fees incurred in the process of acquiring an investment and are measured on the accruals basis.
- (ii) **Management and advisory fees** – Prior to 15 October 2018, an annual advisory fee was payable to 3i plc based on the Gross Investment Value of the Group, as defined in Note 18 on pages 122 and 123. On 15 October 2018 this fee was replaced by a management fee. For the period from 15 October 2018 to 31 March 2019 the management fee was calculated on the same basis as the advisory fee. The fee is payable quarterly in advance and is accrued in the period it is incurred. Further explanations are provided in Note 18.
- (iii) **Performance fee** – 3i plc is entitled to a performance fee based on the total return per ordinary share generated in the period in excess of a performance hurdle (subject to a high water mark requirement being exceeded). The fee is payable annually in arrears and is accrued in the period it is incurred. Further explanations are provided in Note 18.
- (iv) **Finance costs** – Finance costs associated with loans and borrowings are recognised on an accruals basis using the effective interest method.

E Treasury assets and liabilities

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

- (i) **Cash and cash equivalents** – Cash and cash equivalents in the Consolidated balance sheet and cash flow statement comprise cash at bank, short-term deposits with an original maturity of three months or less and AAA rated money market funds. Money market funds are accounted for at amortised cost under IFRS 9. However, due to their short-term and liquid nature, this is the same as fair value. Interest receivable or payable on cash and cash equivalents is recognised on an accruals basis.
- (ii) **Bank loans, loan notes and borrowings** – Loans and borrowings are initially recognised at the fair value of the consideration received, net of issue costs associated with the borrowings. Where issue costs are incurred in relation to arranging debt finance facilities these are capitalised and disclosed within Trade and other receivables and amortised over the life of the loan. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities.

Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

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

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently re-measured to the fair value at each reporting date. All changes in the fair value of derivative financial instruments are taken to the Consolidated 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. All assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows. Any change in levels of impairment is recognised directly in the Consolidated statement of comprehensive income. An impairment loss is reversed at subsequent financial reporting dates to the extent that the asset's carrying amount does not exceed its carrying value, had no impairment been recognised.

G Other liabilities

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the financial reporting date. 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.

H Equity and reserves continued

- (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 will be 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 the subsequent period.

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 Consolidated 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 Consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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.

The main rate of UK corporation tax was reduced from 20% to 19% from 1 April 2017 and will be further reduced to 17% from 1 April 2020. This change will affect future UK corporate taxes payable and the rate at which deferred tax assets are expected to reverse.

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 Group is an investment holding company and does not consider itself to have any customers.

The following is an analysis of the Group's investment return, profit before tax, assets, liabilities and net assets by portfolio segment for the year to 31 March 2019:

	Economic Infrastructure businesses £m	Projects portfolio £m	India Fund £m	Unallocated £m	Total £m
For the year to 31 March 2019					
Investment return/(loss)	308.0	13.9	(6.4)	6.8	322.3
Profit/(loss) before tax	311.4	14.6	(6.4)	(61.1)	258.5
For the year to 31 March 2018					
Investment return/(loss)	621.3	8.9	(3.0)	(6.9)	620.3
Profit/(loss) before tax	608.1	8.9	(3.0)	(134.4)	479.6
As at 31 March 2019					
Assets	1,478.0	195.8	29.6	261.6	1,965.0
Liabilities	(29.4)	(1.9)	–	(31.9)	(63.2)
Net assets	1,448.6	193.9	29.6	229.7	1,901.8
As at 31 March 2018					
Assets	1,364.7	167.9	36.9	284.7	1,854.2
Liabilities	(48.2)	(1.3)	–	(94.5)	(144.0)
Net assets	1,316.5	166.6	36.9	190.2	1,710.2

The following is an analysis of the Group's investment return, profit before tax, assets, liabilities and net assets by geography for the year to 31 March 2019:

	UK and Ireland ¹ £m	Continental Europe ² £m	Asia £m	Total £m
For the year to 31 March 2019				
Investment return/(loss)	261.0	67.7	(6.4)	322.3
Profit/(loss) before tax	193.1	71.8	(6.4)	258.5
For the year to 31 March 2018				
Investment return/(loss)	229.2	394.1	(3.0)	620.3
Profit/(loss) before tax	104.0	378.6	(3.0)	479.6
As at 31 March 2019				
Assets	991.4	944.0	29.6	1,965.0
Liabilities	(32.2)	(31.0)	–	(63.2)
Net assets	959.2	913.0	29.6	1,901.8
As at 31 March 2018				
Assets	1,223.1	594.2	36.9	1,854.2
Liabilities	(94.6)	(49.4)	–	(144.0)
Net assets	1,128.5	544.8	36.9	1,710.2

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 Group's investments in Oiltanking, including those derived from its underlying business in Singapore.

1 Operating segments continued

The Group generated 81.0% (2018: 36.9%) of its investment return in the year from investments held in the UK and Ireland and 21.0% (2018: 63.5%) of its investment return from investments held in continental Europe. During the year, the Group generated 97.6% (2018: 99.1%) of its investment return from investments in Economic Infrastructure businesses, 4.4% (2018: 1.4%) from investments in Projects and (2.0)% (2018: (0.5)%) from its investment in the India Fund. Given the nature of the Group's operations, the Group is not considered to be exposed to any operational seasonality or cyclicity that would impact the financial results of the Group during the year or the financial position of the Group at 31 March 2019.

2 Management, advisory and performance fees payable

	Year to 31 March 2019 £m	Year to 31 March 2018 £m
Management and advisory fee payable directly from the Company	30.1	28.0
Performance fee	31.0	89.8
	61.1	117.8

Total management, advisory and performance fees payable by the Company for the year to 31 March 2019 were £61.1 million (2018: £117.8 million). In addition to the fees described above, no management fees (2018: £5.2 million) were paid to 3i Group plc from unconsolidated subsidiary entities. Note 18 provides further details on the calculation of the management fee, advisory fee, performance fee and management fees from unconsolidated subsidiary entities.

3 Operating expenses

Operating expenses include the following amounts:

	Year to 31 March 2019 £m	Year to 31 March 2018 £m
Audit fees	0.2	0.3
Directors' fees and expenses	0.5	0.5

In addition to the fees described above, fees of £0.08 million (2018: £0.08 million) were paid by unconsolidated subsidiary entities for the year to 31 March 2019 to the Group's auditor.

Services provided by the Group's auditor

During the year, the Group obtained the following services from the Group's auditor, Deloitte LLP.

		Year to 31 March 2019 £m	Year to 31 March 2018 £m
Audit services			
Statutory audit	Group	0.22	0.26
	UK unconsolidated subsidiaries ¹	0.04	0.04
	Overseas unconsolidated subsidiaries ¹	0.04	0.04
		0.30	0.34

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 £65,929 for the year to 31 March 2019 (2018: £55,765). This related to a review of the management, advisory and performance fees (£7,000), an interim dividend report for two of the Luxembourg subsidiaries (£18,929) and the review of the Group interim Financial statements (£40,000). 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 Group. The Company's policy for engaging the auditor for non-audit services is set out on page 82.

Notes to the accounts

4 Finance costs

	Year to 31 March 2019 £m	Year to 31 March 2018 £m
Finance costs associated with the debt facilities	2.5	6.0
Professional fees payable associated with the arrangement of debt financing	1.7	0.8
	4.2	6.8

The finance costs associated with the debt facilities have decreased in the year ended 31 March 2019 as a result of lower average drawings, a lower margin on the new facility and reduced usage of the accordion facility. A one-off charge of £1.2 million was incurred in relation to the write-off of previously capitalised arrangement fees relating to the old facility. The average monthly drawn position in the year was £6 million (2018: £104 million). The accordion facility was not used in the year (2018: 300 days).

5 Movements in the fair value of derivative financial instruments

	Year to 31 March 2019 £m	Year to 31 March 2018 £m
Movement on the fair value of forward foreign exchange contracts	4.1	(14.4)
Movement on the fair value of interest rate swaps	–	(0.3)
	4.1	(14.7)

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 2019 £m	Year to 31 March 2018 £m
Current taxes		
Current year	–	–
Total income tax charge in the Consolidated statement of comprehensive income	–	–

Reconciliation of income taxes in the Consolidated statement of comprehensive income

The Company became a UK tax domiciled approved investment trust with effect from 15 October 2018, prior to which date it was tax domiciled in Jersey and subject to tax at the standard corporate income tax rate in Jersey of 0% (2018: 0%). The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 19% (2018: 19%), and the differences are explained below:

	Year to 31 March 2019 £m	Year to 31 March 2018 £m
Profit before tax	258.5	479.6
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2018: 19%)	49.1	91.1
Effects of:		
Profits subject to tax in Jersey at 0%	(31.1)	(91.1)
Non-taxable capital profits due to UK approved investment trust company status	(16.1)	–
Non-taxable dividend income	(1.9)	–
Total income tax charge in the Consolidated 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. Approved investment trust companies are used as investment fund vehicles. The tax exemption for capital profits which they benefit from allows them to ensure that 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.

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 Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) for each reporting period.

The table below shows the classification of financial instruments held at fair value into the fair value hierarchy at 31 March 2019. For all other assets and liabilities, their carrying value approximates to fair value. During the year ended 31 March 2019, there were no transfers of financial instruments between levels of the fair value hierarchy (2018: none).

Trade and other receivables on the Consolidated balance sheet includes £1.0 million of deferred finance costs relating to the arrangement fee for the RCF. This has been excluded from the table below as it is not categorised as a financial instrument.

Financial instruments classification

	As at 31 March 2019			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	1,697.0	1,697.0
Trade and other receivables	–	2.6	–	2.6
Cash and cash equivalents	256.8	–	–	256.8
Derivative financial instruments	–	7.6	–	7.6
	256.8	10.2	1,697.0	1,964.0
Financial liabilities				
Trade and other payables	–	(38.8)	–	(38.8)
Derivative financial instruments	–	(24.4)	–	(24.4)
	–	(63.2)	–	(63.2)
	As at 31 March 2018			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	1,552.3	1,552.3
Trade and other receivables	–	12.8	–	12.8
Cash and cash equivalents	282.0	–	–	282.0
Derivative financial instruments	–	5.8	–	5.8
	282.0	18.6	1,552.3	1,852.9
Financial liabilities				
Trade and other payables	–	(100.6)	–	(100.6)
Derivative financial instruments	–	(43.4)	–	(43.4)
	–	(144.0)	–	(144.0)

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 2019 £m
Level 3 fair value reconciliation	
Opening fair value	1,552.3
Additions	342.3
Disposal proceeds and repayments	(433.4)
Movement in accrued income	18.1
Fair value movement (including exchange movements)	217.7
Closing fair value	1,697.0

	As at 31 March 2018 £m
Level 3 fair value reconciliation	
Opening fair value	1,815.6
Additions	398.5
Disposal proceeds and repayments	(1,188.4)
Fair value movement (including exchange movements)	526.6
Closing fair value	1,552.3

The table below reconciles the Fair value movement (including exchange movements) shown in the table above to the Net gains on investments shown in the Consolidated statement of comprehensive income.

	As at 31 March 2019 £m	As at 31 March 2018 £m
Fair value movement (including exchange movements)	217.7	526.6
Divestment costs	(4.7)	–
Net gains on investments	213.0	526.6

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

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

Investment income of £109.8 million (2018: £94.2 million) comprises dividend income of £13.6 million (2018: £11.3 million), interest of £71.6 million (2018: £57.5 million) and distributions of £24.6 million (2018: £25.4 million) from unconsolidated subsidiaries.

Unquoted investments

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

The Group'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. Accrued income is now classified within 'Investments at fair value through profit or loss'. In prior periods, immaterial accrued income was classified within 'Trade and other receivables'. As at 31 March 2019, the fair value of unquoted investments was £1,663.9 million (2018: £1,527.3 million). Individual portfolio asset valuations are shown within the Portfolio summary on page 22.

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

Unquoted investments continued

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 sensitivities of which are captured in the Market risk section in Note 9.

A discussion of discount rates applied can be found in the Movements in 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 £132.2 million (2018: £130.1 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £152.5 million (2018: £151.9 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) (2018: 5.0%) to 2.0% (The Netherlands) (2018: 2.0%) including the UK at 2.5% (UK RPI) (2018: 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 £33.9 million (2018: £39.1 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 £33.6 million (2018: £38.6 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 £48.9 million (2018: £56.3 million). Decreasing the interest rate assumption used in the valuation of each asset by 1% would increase the value of the portfolio by £48.0 million (2018: £54.3 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.

Unlisted funds

The Company invests in one externally managed fund, The Dalmore Capital Fund, which is not quoted in an active market. The Company considered the valuation techniques and inputs used in valuing this fund to ensure they are reasonable and appropriate and therefore the NAV of this fund may be used as an input into measuring its fair value. In measuring this fair value, the NAV of the fund is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, the illiquid nature of the investments and other specific factors of the fund and fund manager. The Company classifies the fair value of this investment as Level 3. As at 31 March 2019, the fair value of unlisted funds was £17.2 million (2018: £18.6 million). The fund NAV reflects a 31 March 2019 valuation date (2018: 31 March 2018 valuation date). A 10% adjustment in the NAV of the fund would result in a £1.7 million (2018: £1.9 million) change in the valuation.

Intermediate holding companies

The Company invests in a number of intermediate holding companies that are used to hold the unquoted investments, valued as referred to above. All other assets and liabilities of the intermediate holding companies are held either at fair value or a reasonable approximation to fair value. The fair value of these intermediate holding companies therefore approximates to their NAV and the Company classifies the fair value as Level 3. As at 31 March 2019, the fair value of the other assets and liabilities within these intermediate holding companies was £15.9 million (2018: £6.4 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.

Notes to the accounts

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

Valuation process for Level 3 valuations

The valuations on the Consolidated 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 Group 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 Consolidated balance sheet are approved by the Board.

8 Trade and other receivables

	Year to 31 March 2019 £m	Year to 31 March 2018 £m
Other receivables including prepayments and accrued income	2.6	12.8
Capitalised finance costs	1.0	1.3
	3.6	14.1

The carrying value of the Other receivables including prepayments and accrued income equates to fair value and all balances are expected to be settled within one year (2018: same). Other receivables includes a loan of £2.1 million to Colombo TopCo Limited, a related party (2018: nil).

9 Financial risk management

A full review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Risk report on pages 50 to 57. 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 Group is subject to a full risk assessment through a consistent investment approval process. The Board's Management Engagement Committee and the Investment Manager's investment process are part of the overall risk management framework of the Group.

The funding objective of the Group 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 Group has a continuing commitment to capital efficiency. The capital structure of the Group 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 Group. The type and maturity of the Group's borrowings are analysed in Note 11 and the Group's equity is analysed into its various components in the Consolidated 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 Group 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 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.

9 Financial risk management continued

Capital structure continued

Capital is allocated for investment in utilities, communications, transportation, energy and natural resources and social infrastructure across the UK, continental Europe and Asia, as described on page 4. As set out in the Group'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 Group 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 Group'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. 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. 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 Group'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 Group's investment a fair value movement is recorded equal to the valuation shortfall.

No assets held by the Group were considered to be impaired. The Company had no loans or receivables or debt investments considered past due (2018: 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 2019, the Group 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.

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. See page 4 for an analysis of 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 Group's contractual liabilities.

2019	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	–	(1.4)	–	–	(1.4)
Trade and other payables	(38.8)	–	–	–	(38.8)
Derivative contracts	–	(18.6)	(4.7)	(1.1)	(24.4)
Financial commitments ²	(218.1)	(16.3)	–	–	(234.4)
Total undiscounted financial liabilities	(256.9)	(36.3)	(4.7)	(1.1)	(299.0)

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 Consolidated balance sheet.

Notes to the accounts

9 Financial risk management continued

Liquidity risk continued

2018	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	–	(2.7)	(2.5)	(0.3)	(5.5)
Trade and other payables	(94.7)	–	(5.9)	–	(100.6)
Derivative contracts	–	(13.7)	(21.8)	(7.9)	(43.4)
Financial commitments ²	(213.2)	(33.9)	(16.6)	–	(263.7)
Total undiscounted financial liabilities	(307.9)	(50.3)	(46.8)	(8.2)	(413.2)

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 Consolidated balance sheet.

The derivative contracts liability shown is the net cash flow expected to be paid on settlement. The financial commitments relate to the Group's commitments to invest in Joulz Diensten B.V. and the Condorcet, Hart van Zuid and A27/A1 projects and no discount has been applied. During the year, the Group invested in Attero, in subordinated debt in the A9 and La Santé projects and sold its investment in the RIVM project and, as a result, a prior year financial commitment of £220.7 million was extinguished.

In order to manage the contractual liquidity risk the Group is not dependent on the cash flows from financial assets as it has free cash and debt facilities in place.

Market risk

The valuation of the Group'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 Group'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 section.

An increase of 100 basis points in interest rates over 12 months (2018: 100 basis points) would lead to an approximate increase in net assets and to the net profit of the Group of £2.6 million (2018: £2.8 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 Group, which is more representative of the cash balance during the year, was £147.5 million (2018: £44.4 million) and the weighted average interest earned was (0.03)% (2018: (0.3)%). The risk exposure at this year end is considered to be representative of this year as a whole.

In addition, the Group 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 Group 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 Group's net assets are shown in the table below. The sensitivity analysis demonstrates the exposure of the Group's net assets to movements in foreign currency exchange rates. The hedging strategy is discussed on page 44.

9 Financial risk management continued

(ii) Currency risk continued

	As at 31 March 2019					
	Sterling ¹ £m	Euro £m	NOK £m	DKK £m	US dollar £m	Total £m
Net assets	943.4	573.0	198.1	156.6	30.7	1,901.8
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	60.0	(52.1)	(18.0)	(14.2)	(2.8)	(27.1)

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 2018					
	Sterling ¹ £m	Euro £m	NOK £m	DKK £m	US dollar £m	Total £m
Net assets	859.5	666.5	–	147.3	36.9	1,710.2
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	71.0	(60.6)	–	(13.4)	(3.4)	(6.4)

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.

(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 2019 Investments at fair value £m	As at 31 March 2018 Investments at fair value £m
Increase in net profit and net assets	169.7	155.2

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 Group'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 (2018: same).

The sensitivity analysis in respect of the interest rate, currency and market price risks is considered to be representative of the Group's exposure to financial risks throughout the period to which they relate (2018: same).

Notes to the accounts

10 Derivative financial instruments

	As at 31 March 2019 £m	As at 31 March 2018 £m
Non-current assets		
Forward foreign exchange contracts	4.6	1.5
Current assets		
Forward foreign exchange contracts	3.0	4.3
Non-current liabilities		
Forward foreign exchange contracts	(5.8)	(29.7)
Current liabilities		
Forward foreign exchange contracts	(18.6)	(13.7)

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 2019, the notional amount of the forward foreign exchange contracts held by the Company was £917.9 million (2018: £871.4 million).

11 Loans and borrowings

On 30 April 2018, the Company entered into a new three-year, secured £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 down amount. As at 31 March 2019, the Company had drawn down cash of nil (2018: 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 March 2019, the Company agreed the first one-year extension to the maturity date, to 27 April 2022.

As at 31 March 2019, the Company had utilised the RCF to issue Letters of Credit for the investments into Condorcet, Hart van Zuid and A27/A1 which totalled €19.0 million (£16.3 million) (2018: €57.7 million, £50.6 million). These are disclosed as contingent liabilities in Note 17.

12 Trade and other payables

	As at 31 March 2019 £m	As at 31 March 2018 £m
Management and performance fees	31.0	93.7
Accruals and other creditors	7.8	6.9
	38.8	100.6

The carrying value of all liabilities is representative of fair value (2018: same). Other creditors includes £6.5 million owed to Oystercatcher Luxco 1 S.à r.l., an unconsolidated subsidiary and related party (2018: £5.9 million).

13 Issued capital

	As at 31 March 2019		As at 31 March 2018	
	Number	£m	Number	£m
Authorised, issued and fully paid				
Opening balance	810,434,010	1,272.8	1,026,549,746	1,272.8
Share consolidation	–	–	(216,115,736)	–
Closing balance	810,434,010	1,272.8	810,434,010	1,272.8

13 Issued capital continued

Aggregate issue costs of £19.3 million arising from IPO and subsequent share issues were offset against the stated capital account in previous years. In addition, the stated capital account was reduced by Court order on 20 December 2007 with an amount of £693.1 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Therefore, as at 31 March 2019, the residual value on the stated capital account was £560.4 million.

In the prior year, on 29 March 2018, the Company paid a special dividend of £425.0 million to shareholders. In order to maintain the comparability of the Company's share price before and after the special dividend, a share consolidation took place. On 14 March 2018, an Extraordinary General Meeting ('EGM') was held to approve the share consolidation, which was set at a ratio of 15 new ordinary shares for every 19 existing shares. The share consolidation ratio was based on a share price of 197.8 pence per share, being the closing share price on the preceding day of posting the EGM circular, and the special dividend was therefore equivalent to approximately 21% of the market capitalisation of the Company at that time.

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 2019	Year to 31 March 2018
Earnings per share (pence)		
Basic and diluted	31.9	47.2
Earnings (£m)		
Profit after tax for the year	258.5	479.6
Number of shares (million)		
Weighted average number of shares in issue	810.4	1,016.5
Number of shares at the end of the year	810.4	810.4

	As at 31 March 2019	As at 31 March 2018
Net assets per share (pence)		
Basic and diluted	234.7	211.0
Net assets (£m)		
Net assets	1,901.8	1,710.2

15 Dividends

	Year to 31 March 2019		Year to 31 March 2018	
	Pence per share	£m	Pence per share	£m
Declared and paid during the year				
Special dividend paid on ordinary shares	–	–	41.400	425.0
Interim dividend paid on ordinary shares	4.325	35.1	3.925	40.3
Prior year final dividend paid on ordinary shares	3.925	31.8	3.775	38.7
	8.250	66.9	49.100	504.0

The Company proposes paying a final dividend of 4.325 pence per share (2018: 3.925 pence) which will be payable to those shareholders that are on the register on 14 June 2019. On the basis of the shares in issue at year end, this would equate to a total final dividend of £35.1 million (2018: £31.8 million).

The final dividend is subject to approval by shareholders at the AGM in July 2019 and has therefore not been accrued in these Financial statements.

Notes to the accounts

16 Commitments

	As at 31 March 2019	As at 31 March 2018
Unquoted investments	234.4	263.7

As at 31 March 2019, the Group was committed to investing a further US\$37.5 million (£28.8 million) (2018: US\$37.5 million, £26.7 million) of loan commitment in the India Fund and subordinated debt of £16.3 million (2018: £61.1 million) in PPP projects including Hart van Zuid, Condorcet and A27/A1. In addition, the Group committed to invest €219.7 million (£189.3 million) for the acquisition of Joulz Diensten B.V. This investment completed on 30 April 2019. During the year, the Group invested in Attero and the A9 and La Santé projects, sold its investment in the RIVM project and completed a follow-on investment in Valorem. As a result, opening commitments of £220.7 million were extinguished.

17 Contingent liabilities

As at 31 March 2019, the Company had issued €19.0 million (£16.3 million) (2018: €57.7 million, £50.6 million) in the form of Letters of Credit, drawn against the RCF, for future investments into the Hart van Zuid, Condorcet and A27/A1 PPP projects.

18 Related parties

Transactions between 3i Infrastructure and 3i Group

3i Group plc ('3i Group') holds 33.3% (2018: 33.6%) 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 £22.3 million (2018: £169.3 million) from the Company.

In 2007 the Company committed US\$250 million to the India Fund to invest in the Indian infrastructure market. 3i Group also committed US\$250 million to the India Fund. No commitments (March 2018: nil) were drawn down by the India Fund from the Company during the year. In total, commitments of US\$183.7 million or £140.9 million re-translated (2018: US\$183.7 million or £130.9 million) had been drawn down at 31 March 2019 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 2019, the outstanding commitment was US\$37.5 million, or £28.8 million re-translated (2018: US\$37.5 million or £26.7 million).

In the prior year, 3i Networks Finland Limited, a subsidiary of 3i Group, received a priority profit share from 3i Networks Finland LP, an unconsolidated subsidiary of the Company. Following the sale of Elenia, which was the only investment held by 3i Networks Finland LP, no further priority profit share is expected to be paid. During the year, no fee (2018: £2.3 million) was payable in this regard to 3i Group, of which the Company's share was nil (2018: £2.0 million). There was therefore nothing to offset in this regard against the total management fee payable by the Company. As at 31 March 2019, no fee remained outstanding (2018: nil).

In the prior year, 3i Osprey GP Limited, a subsidiary of 3i Group, received a priority profit share from 3i Osprey LP, an unconsolidated subsidiary of the Company. Following the sale of Anglian Water Group, which was the only investment held by 3i Osprey LP, no further priority profit share is expected to be paid. During the year, no fee (2018: £4.6 million) was payable in this regard to 3i Group, of which the Company's share was nil (2018: £3.2 million). There was therefore nothing to offset in this regard against the total management fee payable by the Company. As at 31 March 2019, no fee remained outstanding (2018: nil).

The management and tax domicile of the Company moved to the UK on 15 October 2018 with 3i Investments plc, a subsidiary of 3i Group, being appointed as the Company's Alternative Investment Fund Manager that will provide its services under an Investment Management Agreement ('IMA'). Prior to this date, 3i Investments plc acted as the exclusive Investment Adviser to the Company and provided its services under an Investment Advisory Agreement ('IAA'). 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 it is now doing pursuant to the terms of the IMA.

Under the IAA, an annual advisory fee was payable to 3i Investments plc based on the gross investment value of the Group at the end of each financial period. While the IAA was replaced by the IMA with effect from 15 October 2018, the basis of calculating the fees, for both the ongoing fee and the performance fee, has continued to apply as under the IAA in respect of the financial year to 31 March 2019. Gross Investment Value is defined as the total aggregate value (including any subscription obligations) of the investments of the Group as at the start of a financial period plus any investment (excluding cash) made during the period valued at cost (including any subscription obligations). The applicable annual rate is 1.5%, dropping to an annual rate of 1.25% for investments that have been held by the Group for longer than five years.

18 Related parties continued

Transactions between 3i Infrastructure and 3i Group continued

A lower fee of 1% per annum is applicable in relation to certain investments in greenfield projects. The fee accrues throughout a financial period and quarterly instalments are payable on account of the fee for that period. The fee is paid to 3i plc and is not payable in respect of cash or cash equivalent liquid temporary investments held by the Group throughout a financial period. For the year to 31 March 2019, £30.1 million (2018: £33.2 million) was payable and no fee remained due to 3i plc at 31 March 2019 (2018: £3.9 million). This amount includes no fees (2018: £5.2 million) which were paid directly from unconsolidated subsidiary entities to 3i plc.

The IAA also provided for an annual performance fee to be payable to 3i Investments plc. This became payable when the Group's total return for the period exceeded 8% ('the performance hurdle'). If the performance hurdle was exceeded, the performance fee was equal to 20% of the Group's total return in excess of the performance hurdle for the relevant financial period. In addition, the performance fee included a high water mark requirement so that, before payment of a performance fee, besides the performance hurdle, the return must also exceed the performance level in respect of which any performance fee has been paid in the previous three financial years. The performance hurdle and high water mark requirement was exceeded for the year to 31 March 2019 and therefore a performance fee of £31.0 million (2018: £89.8 million) was recognised. The outstanding balance payable at 31 March 2019 was £31.0 million (2018: £89.8 million).

Under the IMA, with effect from 1 April 2019, the performance fee will continue to be equal to 20% of the Group's total return in excess of 8%, but any performance fee will be payable in three equal annual instalments. The second and third instalments will only be payable if either (a) the Group'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 Group'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 will be no high water mark requirement. The management fee and transaction fees under the IMA are described in more detail on page 73.

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.

Prior to the replacement of the IAA by the IMA, the Company also paid 3i plc an annual fee for the provision of support services, under a UK Support Services Agreement. This agreement was terminated on 15 October 2018 and these support services (which are ancillary and related to the investment management service) are now also provided under the IMA. In consideration of the provision of support services under the IMA, the Company pays the Investment Manager an annual fee of £1.0 million. The cost for the support services incurred for the year to 31 March 2019 was £0.9 million (2018: £0.8 million). The outstanding balance payable as at 31 March 2019 was nil (2018: £0.2 million).

Regulatory information relating to fees

Under AIFMD, 3i Investments plc acts as an 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:

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

Notes to the accounts

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 Networks Finland LP	UK	87%
3i Osprey LP	UK	69%
3i Infrastructure Seed Assets LP	UK	100%
3i India Infrastructure Fund A LP	UK	100%
BIF WIP LP	UK	100%
BIFWIP Dutch Holdco B.V.	The Netherlands	100%
Heijmans Capital B.V.	The Netherlands	80%
NMM Company B.V.	The Netherlands	80%
C3 Investments in Ayrshire College Education Holdco Limited	UK	100%
C3 Investments in Ayrshire College Education Limited	UK	100%
Quartier Santé SAS	France	80%
Heijmans A12 B.V.	The Netherlands	80%
Serendicité SAS	France	80%
3i ERRV Denmark Limited	Jersey	100%
3i WIG Limited	Jersey	100%
3i Envol Limited	Jersey	100%
Coeur du Sud B.V.	The Netherlands	97%
3Angle B.V.	The Netherlands	59%
3i WH Limited	UK	100%
Force Holdco B.V.	The Netherlands	100%
Force Bidco B.V.	The Netherlands	100%
Infinis Group:		
3i LFG Holdings Limited	Jersey	100%
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%
Aveley Methane 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%
Blackborough End Energy Limited	UK	100%
Costessey Energy Limited	UK	100%
Mayton Wood Energy Limited	UK	100%
Infinis Alternative Energies Limited	UK	100%
Infinis Energy Services Limited	UK	100%
Novera Energy Services UK Limited	UK	100%
Infinis China (Investments) Limited	UK	100%
Infinis Hydro Holdings Limited	UK	100%

19 Unconsolidated subsidiaries and related undertakings continued

Name	Place of incorporation and operation	Ownership interest
Infinis (COE) Limited	UK	100%
Infinis Acquisitions Limited (formerly Novera Acquisitions Limited)	UK	100%
Novera Energy Pty Limited	Australia	100%
CPL Polska Sp. z o.o.	Poland	80%
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%
WIG Group:		
WIG Holdings I Limited	UK	93.1%
WIG Holdings II Limited	UK	93.1%
UK WIG I Limited	UK	93.1%
UK WIG II Limited	UK	93.1%
Wireless Infrastructure Group Limited	UK	93.1%
Fields & Towers Limited	UK	93.1%
The Wireless Development Company Limited	UK	93.1%
The Wireless Resources Company Limited	UK	93.1%
The Wireless Infrastructure Company Limited	UK	93.1%
The Wireless Asset Company Limited	UK	93.1%
Telecommunications Wireless & Infrastructure Services Limited	UK	93.1%
Kiolpa Limited	Ireland	93.1%
Telecomms Infrastructure Suppliers Limited	Ireland	93.1%
Open Network Systems Limited	UK	93.1%
WIG (Netherlands) B.V.	The Netherlands	93.1%

The list above comprises the unconsolidated subsidiary undertakings of the Group as at 31 March 2019.

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 (2018: none). No such financial or other support was provided during the year (2018: 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 by the Company except in the case of Oystercatcher Luxco 2 S.à r.l.

Oystercatcher Luxco 2 S.à r.l. has total borrowings of €226.7 million or £197.6 million (2018: €226.7 million, £198.7 million). These consist of three euro denominated term loans (EUR Private Placement ('PP') tranches) totalling €182.7 million or £157.4 million and a Singapore dollar denominated term loan (SGD PP tranche) of SGD 71.0 million or £40.2 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 2019 was £348.3 million (2018: £378.0 million).

Investment policy

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

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

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

The Company may also consider investing in other fund structures (in the event that it considers, on receipt of advice from the Investment 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 Group (valuing investments on the basis included in the Group's accounts).

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

Portfolio valuation methodology

A description of the methodology used to value the investment portfolio of 3i Infrastructure and its consolidated subsidiary ('the Group') is set out below in order to provide more detailed information than is included within the accounting policies and the Investment 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 Group accounting policy and held at fair value or approximate to fair value.

Quoted investments

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

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

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

DCF

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

Sales basis

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

Cost less fair value adjustment

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

Information for shareholders

Financial calendar

Ex-dividend date for final dividend	13 June 2019
Record date for final dividend	14 June 2019
Annual General Meeting	4 July 2019
Final dividend expected to be paid	8 July 2019
Half-yearly results	November 2019

Registrars

For shareholder services, including notifying changes of address, the registrar details are as follows:

Link Market Services (Jersey) Limited
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands

e-mail: registrars@linkgroup.je
Telephone: +44 (0)371 664 0445
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 9.00am–5.30pm, Monday to Friday, excluding public holidays in England and Wales. Please note calls may be monitored and recorded for training and quality purposes.

Website

For full up-to-date investor relations information including the latest share price, recent reports, results presentations and financial news, please visit our investor relations 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 may be found on our website at www.3i-infrastructure.com/shareholder-centre.

Warning to shareholders – boiler room scams

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or are offered an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

Most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

Protect yourself

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the Financial Services Register at www.fca.org.uk/register to ensure that they are authorised.
3. Use the details on the Financial Services Register to contact the firm.
4. Call the Financial Conduct Authority Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
5. Search the Financial Conduct Authority's list of unauthorised firms and individuals to avoid doing business with.
6. Remember: if it sounds too good to be true, it probably is. If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Report a scam

If you are approached about a share scam you should tell the Financial Conduct Authority using the share fraud reporting form at www.fca.org.uk, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

3i Infrastructure plc

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

Tel: +44 (0)371 664 0445

Registered in Jersey No. 95682
3i Infrastructure plc is regulated by the
Jersey Financial Services Commission.



This report is printed on Revive Recycled Silk, an environmentally friendly stock made with ECF (Elemental Chlorine Free) pure cellulose. This paper is FSC® certified and contains 50% recycled material.



Printed by Pureprint Group using environmental print technology and vegetable-based inks throughout. 99% of the dry waste and 95% of the cleaning solvents associated with this production were recycled.

Designed and produced by Radley Yeldar
www.ry.com




3i Infrastructure plc

Registered office:
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands
T +44 (0)371 664 0445
www.3i-infrastructure.com

Annual report online

To receive shareholder communications electronically in future, including annual reports and notices of meetings, please go to:

 www.3i-infrastructure.com
for details of how to register