6 May 2010

Results for the year to 31 March 2010

Assets performing strongly

	Investment basis[1]		Consolidated IFRS basis[2]	
	Mar 2010	Mar 2009	Mar 2010	Mar 2009
Total return	£82.5m	£73.2m	£81.2m	£79.1m
Total return on shareholders' equity[3]	9.3%	8.8%	9.3%	9.5%
Total dividend per share	5.5p	5.3p	5.5p	5.3p
Diluted net asset value ("NAV") per share	116.3p	111.9p	116.7p	112.4p
Diluted NAV per share after deducting final dividend	113.0p	108.7p	113.4p	109.2p
Portfolio value	£648.1m	£536.7m	£926.5m	£862.4m

(1) The investment basis accounts for majority investments and subsidiaries formed specifically for investment purposes in the same way as minority investments and does not consolidate these entities as required by International Financial Reporting Standards ("IFRS").
(2) For the consolidated IFRS basis, the total return in this measure is the total comprehensive income attributable to equity holders of the parent and does not include minority interests. The gross consolidated total return for the year was £94.1 million (2009: £88.9 million).
(3) For 2009 the total return was measured on average shareholders' equity, defined as the weighted average of (i) opening shareholders' funds, less the final prior-year dividend paid and (ii) proceeds raised through the placing and open offer, less costs associated with the fundraising in July 2008.

Commentary

- Delivering our yield objective, with a total dividend of 5.5p, or 5.0% of opening NAV
- Attractive capital growth, with a total return of 9.3% on shareholders' equity, underpinned by an asset return of 17.5%
- Robust asset performance, with year-on-year EBITDA growth in underlying equity investments of 11.2%
- Substantial liquidity to invest in improving market, with cash balances of £314 million at 31 March 2010 (or £287 million net of the proposed final dividend) to invest in a strong pipeline of opportunities

Peter Sedgwick, Chairman of 3i Infrastructure plc, said: "We are increasingly confident about the market opportunity, and the assets in the portfolio are generating strong returns, supporting the delivery of the Company's objectives."

Cressida Hogg, Managing Partner, Infrastructure, 3i Investments plc, added: "The pipeline of investment opportunities is stronger than last year. With substantial liquidity to invest and premium market access through the Investment Adviser, the Company is optimally positioned to capitalise on improved market conditions."

– ends –

For further information, please contact:

Peter Sedgwick, Chairman, 3i Infrastructure plc	Tel: 01534 711 444
Stuart Howard, Interim CFO, Infrastructure, 3i Investments plc	Tel: 020 7975 3310
Silvia Santoro, investor enquiries	Tel: 020 7975 3258
Jennifer Letki, press enquiries	Tel: 020 7975 3190
Peter Hewer, Tulchan	Tel: 020 7353 4200

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

Notes to editors

3i Infrastructure plc ("3i Infrastructure" or the "Company") is a Jersey-incorporated, closed-ended investment company that invests in infrastructure businesses and assets and is regulated under the provisions of the Collective Investment Funds (Jersey) Law 1988. The Company listed on the London Stock Exchange in March 2007, raising £703 million in an Initial Public Offering and a further £115 million in a subsequent Placing and Open Offer in July 2008. The Company is a constituent of the FTSE 250 index.

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

Chairman's statement

3i Infrastructure ("the Company") has continued to deliver a good return and an attractive dividend yield despite a struggling economic recovery and volatile markets, proving the robustness of the portfolio assets' performance, as well as the strengths of the investment advisory team.

In the year to 31 March 2010, the Company achieved a total comprehensive income attributable to equity holders of the parent, on a consolidated IFRS basis, of £81.2 million, or 9.3% of opening shareholders' equity. On an investment basis, which the Board also uses to monitor investment performance, the Company generated a total return of £82.5 million, or 9.3% on opening shareholders' equity, underpinned by a strong asset return of £93.8 million, or 17.5% of opening portfolio value, which was diluted by the low interest earned on the cash balances held by the Company throughout the year.

This strong performance was made possible by the ongoing robust operational performance of most of our portfolio assets, and further confirms the resilience of the infrastructure asset class in volatile conditions. Average earnings (before interest, tax, depreciation and amortisation) in the portfolio rose by 11.2% compared to last year, and the portfolio generated income of £30.3 million in the year.

On the basis of these results, the Board is pleased to propose a final dividend of 3.3p per share, which, added to the interim dividend of 2.2p per share paid in December 2009, brings the total dividend for the year to 5.5p per share, which is in line with the Company's dividend objective.

Conditions for investment in infrastructure remained difficult for much of the past year, resulting in low transaction volumes across the market. 3i Infrastructure invested £73.4 million in the year to 31 March 2010, of which £39.1 million was a new investment in Elgin Infrastructure Limited ("Elgin"). The remaining balance was invested in the existing portfolio to increase the Company's holdings in assets such as AWG, the junior debt portfolio and Alpha Schools, which continue to deliver attractive returns. The new investment in Elgin fits the Company's investment strategy, providing exposure to a relatively low-risk, cash-generative and highly attractive asset, which will contribute to the delivery of 3i Infrastructure's yield objective.

Looking forward, the Company has considerable financial resources to invest, with cash of £313.7 million on an investment basis at 31 March 2010 (or £286.9 million net of the proposed final dividend). The Investment Adviser continues to add to the pipeline of investment opportunities, and the environment for investment has become more positive, with asset price volatility subsiding and vendors proving more willing to transact. I, along with the rest of the Board, remain confident that 3i Infrastructure's financial resources will be invested in assets with the appropriate yield and return characteristics.

We view our rigorous approach to corporate responsibility as key to achieving our return objectives. The Company and the Investment Adviser have comprehensive procedures in place, outlined in the Corporate responsibility report, to ensure that our investment activity is carried out to the best standards.

There have been a few changes to the composition of the Board this year. Charlotte Valeur was appointed as a non-executive Director and a member of the Audit Committee at the end of September 2009, succeeding Martin Dryden who retired from the Board following the AGM in July 2009. Peter Wagner, who had been a Board member since the Company's inception, resigned from the Board in February 2010. I would like to thank them for their significant contribution.

In summary, we are increasingly confident about the market opportunity and the assets in the portfolio are generating strong returns, supporting the delivery of the Company's objectives.

Peter Sedgwick
Chairman
5 May 2010

Investment Adviser's review

Investing in infrastructure

The infrastructure asset class – key characteristics
Infrastructure assets generally have a strong market position, often operating within regulated markets, or with revenues underpinned by strong, long-term contracts. Infrastructure assets can be described as "essential", either because they support economic activity and economic growth, such as utilities or transport infrastructure, or because they support important social functions, such as education or healthcare facilities. Infrastructure assets are typically characterised by the following features:

– Strong market positions
– Capital-intensive businesses
– Some degree of inflation linkage
– Low cyclical volatility
– Predictable, income-oriented returns when operational
– Potential for capital growth

Infrastructure assets typically have only a low correlation with other asset classes, including equities and fixed income. The quality and predictability of cash flows tends to result in attractive distributions to shareholders.

The infrastructure asset class – risk/return spectrum
The infrastructure asset class offers the possibility of diversifying investments across the risk/return spectrum. Returns typically range between 8% and 15% or greater, depending on the risks associated with the investment.

Risk-return spectrum

	Social Infrastructure	"Core" infrastructure	"Hybrid" infrastructure
Returns	8-12%	10-16%	>15%
Characteristics	• High inflation correlation	• Low volume / market / GDP risk	• Private equity risk characteristics (i.e. higher market / volume risk and higher GDP correlation)
	• Mainly government-backed revenue streams	• Quasi monopolies, concessions with regulatory protection or long-term contracts	• Operational expertise in managing the assets more important
	• Lower risk/return profile with strong yield when fully operational	• Asset backed, with low volatility across economic cycles	
Examples	Operational PFI/PPP projects	• Transport assets, such as motorway concessions, ports and airports	• Investments with higher market / operational risk
	• Hospitals	• Regulated utility companies, including water, electricity and gas networks	• Infrastructure businesses in developing countries
	• Schools	• Renewable energy projects with contracted revenue streams	
	• Government accommodation		

About the Investment Adviser

3i Investments plc ("3i Investments"), a wholly-owned subsidiary of 3i Group plc ("3i Group"), acts as investment adviser (the "Investment Adviser") to the Company through its infrastructure investment team (the "investment advisory team"). The investment advisory team provides advice to the Company on the origination and completion of new investments, on the realisation of investments and on funding requirements, as well as on the management of the investment portfolio.

The investment advisory team is managed as a separate business line within 3i Group and operates from hubs in London, Mumbai and New York. All investment professionals have significant experience in investing in, or advising on, infrastructure or private equity assets. The investment advisory team can also draw on 3i Group's network of investment professionals, based in 13 countries, to originate infrastructure investments.

3i Group was among the subscribers to 3i Infrastructure's Initial Public Offering and subsequent Placing and Open Offer and currently owns 33.2% of the equity in the Company.

Investment Adviser’s strategy

3i Infrastructure’s overall objective is to provide shareholders with a total return of 12% per annum, to be achieved over the long term. Within this overall objective the Company targets an annual distribution yield of 5% of opening net asset value.

In advising the Company on delivering this overall objective, the Investment Adviser adopts a three-pronged strategy: (i) clear geographical focus; (ii) targeted sector approach; and (iii) diversification along the asset lifecycle.

Clear geographical focus
The Investment Adviser has identified Europe, India and North America as the most attractive regions for investment.

UK & Continental Europe	India	North America
• Mature assets in the utilities sector with stable regulatory regimes	• Indian government estimates investment of $450 billion by 2012	• Legacy of underinvestment
• Variety of opportunities across roads, rail, sea and air transport	• 3i India Infrastructure Fund focused on four sectors: power, roads, ports and airports	• Limited but growing private sector role
• Increasing focus on social infrastructure due to public sector budget constraints	• Early-stage/greenfield developments	• Opportunities to refurbish existing assets in transport, utilities and midstream energy
	• Opportunity for private equity returns from infrastructure	• Potential to become the world’s largest infrastructure market

- The factors underpinning the Investment Adviser’s focus on these three regions include stable legal frameworks providing clarity on asset ownership, favourable competitive environments and strong macroeconomic fundamentals.
- The diversification of 3i Infrastructure’s current portfolio by geography is shown in the Portfolio section.
- The Company aims to limit emerging markets exposure to no more than 20% of net assets. This exposure is focused through the Company’s commitment to the 3i India Infrastructure Fund.

Targeted sector approach
The Investment Adviser focuses on three main sectors which can deliver suitable returns and that are supported by strong market fundamentals; Social Infrastructure, Utilities and Transport.

Social Infrastructure	Utilities	Transport
• Primary & secondary PFI	• Power generation	• Airports
• Public Private Partnerships (“PPP”)	• Energy transmission	• Ports
• Government accommodation	• Electricity & gas distribution	• Ferries
• Healthcare	• Waste processing	• Toll roads
• Education	• Water	• Rail & bus
	• Communication networks	

- Through this sector focus, 3i Infrastructure aims to build a portfolio of asset-intensive businesses, providing essential services over the long term, often on a regulated basis, or with a significant component of contracted revenues.
- While these three sectors have different market dynamics and are subject to varying degrees of market/GDP risk, they all share the fundamental characteristics of the infrastructure asset class.
- As shown in the Portfolio section, 3i Infrastructure's current portfolio is already well diversified on a sector basis.

Diversification along the asset lifecycle

The Investment Adviser targets investment opportunities throughout the asset lifecycle, to build a portfolio with a balance of yield and capital growth.

- Delivering the 12% total return objective over the long term and a 5% annual distribution yield requires investing in a portfolio of assets that generate a robust yield as well as attractive capital growth.
- 3i Infrastructure's current portfolio is invested across a range of asset maturities, from mature, typically high-yielding assets, to early-stage development projects (through the exposure to the 3i India Infrastructure Fund), which typically provide a lower yield but higher potential for capital growth.

Investment Adviser's approach

The Investment Adviser provides the Company with a premium origination network, a rigorous investment process and market-leading portfolio management.

Premium market access and origination

- The Investment Adviser offers premium market access to the Company and its investors, leveraging the resource of its three main infrastructure hubs of London, Mumbai and New York, as well as the wider resources of 3i Group.
- The Investment Adviser focuses on building proprietary knowledge and networks in target sectors and geographies, which helps efficient investment selection.
- Comprehensive market access generates a pipeline of investment opportunities, representing a high proportion of the deal opportunities in the market.

Rigorous investment approach

- The Investment Adviser has a rigorous approach to the assessment of investment opportunities, ensuring that only the most attractive investments are taken through initial screening.
- The Investment Adviser undertakes rigorous due diligence on each opportunity before it is submitted to the Board for approval.
- Consideration of corporate responsibility issues is embedded as a mandatory part of the investment process.

Best-in-class portfolio management

- Portfolio management is a key priority for the Investment Adviser, as it believes this is a core area for adding value.
- A dedicated portfolio management team works with the boards and management teams of portfolio companies to deliver improvements in operational performance, and it

- The Company's policy is to obtain board representation where equity stakes are held. At least one member of the investment advisory team usually attends Board meetings of equity investments held by the Company.

Market and opportunities

Conditions for investment
Despite some evidence of economic recovery, conditions for investing in many asset classes, including infrastructure, were difficult over the past year. Significant market volatility resulted in a disconnect between public market valuations and private market price expectations, which in turn resulted in higher completion risk and depressed transaction volumes in the infrastructure market.

In line with most other investors, we adopted a cautious approach to investment during the year. The only new investment completed during the year (an investment in Elgin, a portfolio of UK PFI assets) was negotiated bilaterally. Here the counterparty was well known to the Investment Adviser and the Company through a previous investment.

We believe that the market environment for infrastructure investment is improving in 2010 and should lead to an increase in overall transaction volumes.

Firstly, we believe asset prices are stabilising, both in the private and the quoted market, where market volatility has subsided considerably relative to the first three quarters of 2009.

Secondly, the macroeconomic backdrop is increasingly positive. There are signs that the recovery is gaining momentum, sustained by continued monetary and fiscal stimulus in many countries, which is now starting to feed through to a pick-up in demand and consumption.

Opportunities
While infrastructure assets have been more resilient in the downturn, macroeconomic growth will have a positive impact across the asset class, and in particular on more pro-cyclical sectors such as transportation, where we are likely to see more opportunities. A gradual increase in inflation will also have a positive impact on some infrastructure assets.

Public sector budgetary constraints should result in governments focusing increasingly on attracting more private capital into infrastructure investment. Many governments have pressing needs to invest in new infrastructure, or to upgrade existing infrastructure to support the recovery and longer-term economic growth, as well as to fulfil essential social needs. We also expect that many governments, as is well publicised already in some cases, will be forced to privatise some infrastructure assets.

Opportunities from the private sector are also improving. With asset valuations stabilising and the decline in GDP largely priced in, we are seeing that corporates are now more willing to transact. Large corporations or banks are seeking to divest non-core assets as they restructure their balance sheets and policy drivers continue to underpin activity in the renewables and social infrastructure space. Larger deals are viable given improvements in the debt markets.

Competitive environment
The competitive environment remains relatively benign after the market shake-up of 2008/09, when many established and emerging competitors exited the infrastructure investment market. There are still significant undrawn funds in the market, raised mostly in 2007/08, available for investment. However, there remain high barriers to entry posed by the increasing importance of experienced investors and operational understanding.

The pipeline of investment is stronger than last year, and with valuations stabilising, completion risk is subsiding. We will maintain our rigorous investment approach, focusing only on opportunities that contribute to the delivery of the Company's objectives in the long term.

Portfolio

Table 1 below summarises the valuation and changes in the portfolio for the year, as well as the total return per asset.

All the financial information presented in this section is prepared according to the investment basis of preparation.

Table 1
Portfolio summary on an investment basis (£m)

Portfolio assets	Directors' valuation March 2009	Investment in the year	Divestment in the year	Capital return in the year	Value movement
AWG	162.9	23.4	-	(11.8)	19.1
Junior debt portfolio	91.9	5.2	(2.2)	-	29.6
Oystercatcher	114.3	-	-	-	9.1
3i India Infrastructure Fund	90.3	2.0	-	-	10.4
Elgin	-	39.1	-	(0.6)	0.2
I^2	28.2	2.2	-	-	-
Octagon	26.0	-	-	-	2.8
Alpha Schools	12.0	1.5	-	-	2.7
T2C	7.3	-	-	-	(7.1)
Novera	3.8	-	(3.8)	-	-
	536.7	73.4	(6.0)	(12.4)	66.8

Table 1 continued
Portfolio summary on an investment basis (£m)

Portfolio assets	Foreign exchange translation(1)	Directors' valuation March 2010	Profit on disposal in the year	Income in the year	Asset total return in the year
AWG	-	193.6	0.9	8.8	28.8
Junior debt portfolio	(0.8)	123.7	0.5	7.2	36.5
Oystercatcher	(4.6)	118.8	-	6.4	10.9
3i India Infrastructure Fund	(4.8)	97.9	-	-	5.6
Elgin	-	38.7	-	2.0	2.2
I^2	-	30.4	-	2.2	2.2
Octagon	-	28.8	-	2.1	4.9
Alpha Schools	-	16.2	-	1.6	4.3
T2C	(0.2)	-	-	-	(7.3)
Novera	-	-	5.7	-	5.7
	(10.4)	648.1	7.1	30.3	93.8

(1) Further details on foreign exchange impact can be found in Table 4.

Asset portfolio by geography as at 31 March 2010	
UK	61%
Continental Europe	24%
Asia	15%

Asset portfolio by sector as at 31 March 2010	
Social infrastructure	18%
Transportation	25%
Utilities	57%

Asset portfolio by maturity as at 31 March 2010	
Early stage	9%
Operational growth	6%
Mature	85%

Movements in portfolio value

As set out in Table 2, the value of 3i Infrastructure's portfolio increased from £536.7 million to £648.1 million over the course of the financial year.

The drivers of this value movement are further investment of £73.4 million, an unrealised value growth of £66.8 million, divestment and capital returns of £18.4 million, and foreign exchange losses of £10.4 million (detailed in Table 4).

Investment
As set out above, 3i Infrastructure adopted a cautious approach to investment during the year. The Company invested £73.4 million in the year to 31 March 2010, of which £39.1 million was invested in Elgin and £34.3 million in existing portfolio companies.

Elgin
The Company invested £39.1 million for a 49.9% stake in Elgin, a company newly incorporated by Robertson Capital Projects Limited ("RCP"). Elgin holds a portfolio of 16 education and healthcare PFI projects in Scotland and Northeast England, 15 of which are fully operational. RCP, a well-established participant in the UK PFI market, will retain a 50.1% stake in Elgin. This investment delivers on the Company's stated intention to increase its exposure to Social Infrastructure following the sale of I^2. Social Infrastructure assets generate very stable and low-risk cash flows, which support the delivery of the Company's yield objective in the long term.

AWG
£23.4 million was invested in the purchase from 3i Group of an additional holding in 3i Osprey LP, the vehicle through which 3i Infrastructure and 3i Group hold their stakes in AWG. As a result of this transaction, the Company's indirect stake in AWG increased by 1.3% to 10.3%.

Junior debt portfolio - Viridian
A further £5.2 million was invested in a junior facility issued by Viridian (Electricinvest Holding Company Limited £500 million Junior Facility), in which the Company had already invested as part of the junior debt portfolio.

Other investments
Of the remaining balance of £5.7 million, a further £2.0 million was invested in the 3i India Infrastructure Fund to fund a small additional investment in Adani Power before its Initial Public Offering, £1.5 million was invested in Alpha Schools, and the balance of £2.2 million was capitalised interest relating to the I^2 loan notes.

Realisations

3i Infrastructure generated realised proceeds of £13.1 million during the year, at an aggregate uplift of £7.1 million on the 31 March 2009 valuation.

In December 2009, the Company completed the sale of its 8.6% equity interest in Novera Energy plc ("Novera"), for a total consideration of £9.5 million, or 77p per share. This represents an uplift of £5.7 million over the asset valuation at 31 March 2009. The holding in Novera was purchased by Infinis Energy Limited, which announced its intention to make an offer for the entire share capital of Novera on 7 October 2009.

In December 2009, 3i Infrastructure disposed of its junior debt investment in Associated British Ports for a consideration of £2.7 million, representing a £0.5 million uplift over the value at 31 March 2009. The average remaining maturity of the debt investments in the portfolio at 31 March 2010 was 4.5 years. Over the year, there was also a £0.9 million realised value gain as the result of a reorganisation of shareholdings within 3i Osprey LP, through which the Company owns AWG.

Table 2
Reconciliation of movements in portfolio value on an investment basis (£m)

Opening portfolio value at 31 March 2009	536.7
New/further investments	73.4
Realisations/capital returns	(18.4)
Value movement	66.8
Foreign exchange movement	(10.4)
Closing portfolio value at 31 March 2010	648.1

Capital returns
In February 2010, AWG redeemed £11.8 million of senior preference shares. These funds had been provided to AWG in March 2009 to ensure that it continued to maintain a healthy buffer relative to its debt covenants, against a backdrop of rapidly declining RPI. Capital of £0.6 million was also returned from Elgin.

Unrealised value movement
The portfolio generated an unrealised value gain of £66.8 million (2009: £13.7 million loss), driven by the continued solid operational performance of portfolio assets and by the strong performance of the junior debt portfolio. The key unrealised value movements are summarised below:

Junior debt portfolio
As shown in Table 3, the mark-to-market valuation of the junior debt portfolio was up by over 30% in the year, from £91.9 million at 31 March 2009 to £123.7 million at 31 March 2010

(net of a further investment of £5.2 million in Viridian notes and a divestment of £2.2 million of Associated British Ports notes), benefiting from a market-wide recovery in the trading of junior debt instruments.

AWG
Ofwat's Final Determination for the next five-year regulatory period, published at the end of November 2009, was more positive than anticipated following the publication of the Draft Determination in July 2009, which had been reflected in the changes to the valuation of AWG made in September 2009. Net of the new investment of £23.4 million in an additional 1.3% of the company and of the £11.8 million redemption of the senior preference shares, the value of AWG increased by £19.1 million, reflecting both the Final Determination and the adoption of the company's business plan for the five-year period. AWG also benefited from the reversal in deflationary trends over the last six months.

3i India Infrastructure Fund
The valuation of the Fund rose by £5.6 million, net of foreign exchange movements and including a further investment of £2.0 million in Adani Power. All assets in the portfolio are performing well operationally. Adani Power is now being valued on a mark-to-market basis. Since its IPO in August, Adani Power shares have increased in value by 16%. The Fund is denominated in US dollars, however the underlying investments of the Fund are made in rupees, giving rise to a US dollar/rupee exchange movement.

T2C
A full provision was taken against the valuation of T2C, which at 31 March 2010 was valued at £nil (from £7.3 million at 31 March 2009), reflecting continued delays in the completion of the construction phase of the plant and persisting difficulties in securing the supply of refuse-derived fuels in a weak market environment.

Foreign exchange impact
Foreign exchange rates were very volatile during the year but stabilised in the last quarter. Movements in foreign exchange rates generated overall gains of £5.3 million on non-sterling assets. A £5.6 million loss on the euro exposure was largely offset by the impact of the hedging programme currently in place, while a £4.8 million loss on the US dollar exposure was offset by gains of £11.2 million generated through the appreciation of the Indian rupee against the US dollar, as shown in Table 4.

Table 3
Junior debt valuation movements (£m)

	Total investment	Value at 31 March 2010	Value at 31 March 2009	Value movement
Viridian				
Electricinvest Holding Company Limited £500 million Junior Facility	**42.0**	43.2(1)	28.5	9.5
NGW Arqiva				
Macquarie UK Broadcast Enterprise Limited £475 million Junior Facility	**32.4**	29.7	26.6	3.1
TDF				
Tyrol Acquisition 2 SAS €470 million Second Lien Facility	**24.2**	33.4	20.8	12.6(2)
Thames Water				
Kemble Water Structure Limited £835 million Term Loan Facility	**18.9**	17.4	13.8	3.6
Associated British Ports				
ABP Acquisitions UK Limited £350 million subordinated credit facility	**-**	-	2.2	-
	117.5	123.7	91.9	28.8

(1) Includes £5.2 million further investment in the year.
(2) Includes a £0.8 million unrealised exchange loss.

Table 4 **Impact of foreign exchange movements on portfolio value** year to 31 March 2010 (£m)	
Translation of asset £/€	(5.6)
Translation of asset £/$	(4.8)
Foreign exchange losses on investments	(10.4)
Asset valuation $/rupee	11.2
Hedging impact £/€	4.5
Other foreign exchange movements	15.7
Net foreign exchange gain	5.3

(1) Contained within unrealised profits/(losses) on revaluation on Table 6.

Portfolio valuation methodology

Summary of valuation methodology
Investment valuations are calculated at the half year and at the financial year end by the Investment Adviser and then reviewed and approved by the Board. Investments are reported at the Directors' estimate of fair value at the reporting date. The valuation principles used are based on International Private Equity and Venture Capital ("IPEV") valuation guidelines, generally using a discounted cash flow ("DCF") methodology, which the Board considers to be the most appropriate valuation methodology for unquoted infrastructure equity investments.

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

– earnings multiples
– recent transactions
– quoted market comparables
– regulated asset base multiples

Discounted cash flow and discount rates
Over two thirds of the portfolio was valued on a DCF basis. The weighted average discount rate applied at 31 March 2010 was 12.5% (31 March 2009: 13.8%), deriving from a range of 8.2% (an operational PFI asset) to 18.0% (an asset in the 3i India Infrastructure Fund). Table 5 shows the movement in the weighted average discount rate applied to the portfolio in each six-month period since inception.

The discount rate applied to each investment is reviewed at each valuation date. The rate selected reflects the risk inherent in the business, taking into account movements in "risk-free" rates of return in the relevant country and in relevant risk premia.

The reduction in the discount rate compared to March 2009 was attributable principally to the change in valuation methodology used for Adani Power (held within the 3i India Infrastructure Fund), which, having achieved a successful IPO in August, is now valued on a mark-to-market basis. Adani was previously valued on a DCF basis, using a discount rate towards the top end of the range. The other main contributing factors to the change are the acquisition of Elgin, which is valued using a discount rate towards the bottom of the indicated range, and the provision taken against the valuation of T2C, which had been valued using a discount rate above the weighted average.

The discount rates used for valuing the other assets within the portfolio were not changed, with the exception of a slight reduction for Soma (held within the 3i India Infrastructure Fund), as a result of progress achieved in the construction phase of some of the projects in its portfolio.

Other unquoted valuations

The Company's investment in the 3i India Infrastructure Fund was valued as the Company's share of net assets held by the Fund. Of the underlying investments of the Fund, Adani Power is valued on a mark-to-market basis using closing bid prices and the other two on a DCF basis, with the exception of Soma, part of which is valued using comparable earnings multiples derived from direct comparables.

Junior debt portfolio

The Company's investment in the junior debt portfolio was valued using bid prices at 31 March 2010 provided by third-party brokers.

Table 5
Portfolio weighted average discount rate

September 2007	13.1%
March 2008	12.4%
September 2008	12.0%
March 2009	13.8%
September 2009	12.8%
March 2010	12.5%

Underlying asset performance

The fully operational assets in which the Company holds an equity stake continued to perform strongly, despite the difficult macroeconomic conditions experienced for most of the year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") for these assets increased by 11.2% on a like-for-like basis compared to last year, underpinning continued robust income generation from the portfolio.

This increase is evidence of the continued improvements in the operational performance of 3i Infrastructure's portfolio companies, as well as of the robustness of the infrastructure asset class as a whole. An improving global macroeconomic environment should support continued stability in the underlying performance of the Company's assets.

Assets excluded from this analysis are those substantially still in construction, such as T2C, those within the 3i India Infrastructure Fund, as well as Elgin, which was purchased only at the end of the financial year.

Review of investments

AWG

Description

Anglian Water Group Limited ("AWG") is the parent company of Anglian Water, the fourth largest water supply and wastewater company in England and Wales as measured by regulatory capital value. The majority of the group's revenue is earned through tariffs regulated by Ofwat and linked to RPI. The group also includes Morrison Facilities Services, a support services business focused on the local authority and social housing sectors, and a small property development business.

The investment is held through 3i Osprey LP, an intermediary limited partnership that is managed separately by 3i Investments and in which 3i Group also has a small interest.

Investment rationale

AWG has strong infrastructure characteristics, with a regulated near-monopoly position in its geographical area for the provision of water supply and sewerage treatment, stable and predictable earnings through RPI-linked tariffs and largely predictable operating costs.

Developments in the year

AWG continues to perform well operationally. For the year ending 31 March 2010, EBITDA for the group had increased by 7.1% over the prior year. Anglian Water was ranked in the top two places in Ofwat's Overall Performance Assessment for the third year running.

In November 2009, Ofwat published its Final Determination, setting out price limits and capital expenditure allowances for the period from 2010 to 2015. The outcome of the Final Determination was more favourable than the proposals set out in the Draft Determination, and confirmed Anglian Water's position as among the most efficient of the water supply and waste water companies.

In July 2009, 3i Infrastructure invested £23.4 million to acquire an additional 1.3% interest in AWG from 3i Group. In February 2010 AWG redeemed senior preference shares (issued to 3i Infrastructure in March 2009) with a face value of £11.8 million.

AWG complies with the Walker Code and its report and accounts are available on www.awg.com.

Cost	£161.9m
Current value	£193.6m
Equity interest	10.3%
Further investment in the year	£23.4m
Capital return in the year	£11.8m
Income in the year(1)	£9.7m
Asset total return in the year	£28.8m
Valuation basis	DCF

(1) Includes a £0.9 million realised value gain.
The value on a consolidated IFRS basis is £282.6 million.

Junior debt portfolio

Description

3i Infrastructure invested in a portfolio of junior debt positions in core infrastructure businesses, with leading positions in the markets in which they operate.

Viridian operates both regulated and unregulated businesses within the Irish energy market, managing power transmission, distribution and supply infrastructure, as well as a power generation business and a business offering power-related services to the power industry.

NGW Arqiva is the leading owner and operator of national broadcast infrastructure supporting television, radio and wireless communication in the UK.

TDF is the leading provider of broadcast transmission infrastructure and services and telecommunications infrastructure in France, Germany, Finland and Hungary.

Thames Water is the UK's largest water and wastewater services company, operating across London and the Thames Valley.

Investment rationale

3i Infrastructure's strategy has been to acquire a portfolio of junior debt investments in core infrastructure businesses at prices below par, delivering attractive equity-like returns to maturity and strong levels of cash yield.

Developments in the year

Market prices were stable during the first part of the year but then rose steadily up to the year end. Income from the portfolio was reduced compared to the previous financial year due to falls in LIBOR, but the unrealised value movement for the year has been relatively strong. Based on the valuation at 31 March 2010, the annualised yield on the portfolio averaged 5.8%, while the expected yield to maturity was 13.9% on valuation. The average remaining maturity of the portfolio at 31 March 2010 was 4.5 years.

The Company took the opportunity in December 2009 to realise its small holding in one facility in ABP, at an attractive uplift to both cost and carrying value.

The reported financial performance of each of the investments within the debt portfolio is monitored by the Investment Adviser and has been in line with expectations, with all the underlying companies performing satisfactorily. For further details on the valuation movements within the Junior debt portfolio, please see Table 3.

Cost	£117.5m
Current value	£123.7m
Further investment in the year	£5.2m
Divestment in the year	£2.2m
Income in the year[1]	£7.7m
Asset total return in the year[2]	£36.5m
Valuation basis	Quoted debt

(1) Includes a £0.5 million realised gain.
(2) Includes a £0.8 million exchange loss.

Oystercatcher

Description

Oystercatcher is the holding company through which 3i Infrastructure invested in 45% stakes in three subsidiaries of Oiltanking GmbH (“Oiltanking”), located in the Netherlands, Malta and Singapore. These businesses provide over 3.5 million cubic metres of oil, petroleum and other oil-related and chemicals storage facilities and associated services to a broad range of clients, including private and state oil companies, refiners, petrochemical companies and traders.

Oiltanking is one of the world’s leading independent storage partners for oils, chemicals and gases, operating 69 terminals in 21 countries with a total storage capacity of 17.2 million cubic metres.

Investment rationale

This business meets the Company’s infrastructure investment criteria through long-term demand for oil storage capacity, coupled with the shortage of competing supply and low customer turnover. Each of the three operating companies enjoys a strong market position in key oil and oil product trading hubs, and has a strong defensive position and reliable cash flows. Contracts are let on a use-or-pay basis with fixed terms of up to 10 years, often with tariffs linked to local inflation rates.

Developments in the year

Market conditions were favourable throughout the year, with all three terminals experiencing increased throughput and full capacity utilisation. In Singapore, a capacity expansion project was completed in June, taking capacity up 13% to 1.4 million cubic metres.

At all three terminals, operating costs were well managed, contributing to an improvement in EBITDA for the year ending 31 December 2009 of 17.9% compared to the prior year.

Cost	£84.5m
Current value	£118.8m
Equity interest	45.0%
Income in the year	£6.4m
Asset total return in the year(1)	£10.9m
Valuation basis	DCF

(1) Includes a £4.6 million exchange loss.
The value on a consolidated IFRS basis is £308.1 million.

3i India Infrastructure Fund

Description

The 3i India Infrastructure Fund (the "Fund") is a US$1.2 billion fund closed in 2007 to invest in a diversified portfolio of equity (or equivalent) infrastructure investments in India, focusing on the port, airport, road and power sectors.

3i Infrastructure has committed US$250 million to the Fund. As at 31 March 2010, the Fund was 42% invested, having completed three investments, totalling US$506 million, and 3i Infrastructure had an outstanding commitment of US$143.8 million, or £95.0 million.

Investment rationale

The macroeconomic outlook in India is favourable, with strong projected growth, and the fundamentals for infrastructure investment remain attractive, with the current infrastructure deficit in the country providing significant opportunity for private investment. The investment in the Fund offers 3i Infrastructure exposure to a diversified pool of assets and larger investments than the Company could access on its own account, at no additional cost to the Company. The Fund remains strongly positioned, with a well-established presence in its market, its agreement with the India Infrastructure Corporation Limited in place and the investment team's broad network of contacts.

Developments in the year

Adani Power Limited is building a portfolio of power generation projects in India. The asset continues to make significant progress, with the first 330MW unit of the Mundra project operational since June 2009 and the second unit commissioned in March 2010. The company raised US$610 million through an IPO in August 2009 at 100 rupees per share, sufficient to finance the 6,600MW currently under construction. The shares closed at 116 rupees on 31 March 2010. In June 2009, the Fund drew US$3.3 million (£2.0 million) from the Company to invest in a pre-IPO financing round.

Soma Enterprise Limited is an infrastructure engineering and construction company, with an order book comprising projects diversified across sectors such as hydro power, irrigation, railways, power transmission and urban infrastructure, and BOT road projects aggregating to approximately 800 km. Soma is performing well, continuing to add significant projects to its order book.

Krishnapatnam Port Company Limited has a concession to develop, operate and maintain the port of Krishnapatnam in the state of Andhra Pradesh. Having exceeded financial year 2008/09 total cargo volumes in the first six months of this period, the management team is continuing to build out the infrastructure to ensure the provision of best-in-class facilities to customers.

Cost	£58.3m
Current value	£97.9m
Partnership interest	20.9%
Further investment in the year	£2.0m
Asset total return in the year(1)	£5.6m
Valuation basis	LP share of funds

(1) Includes a £4.8 million exchange loss.

Elgin

Description
Elgin Infrastructure Limited ("Elgin") holds a portfolio of PFI project investments, in which Robertson Group Limited ("Robertson") retains a 50.1% holding. Robertson is a private company with activities covering construction, timber products, PFI projects and facilities management services.

The Elgin portfolio comprises five schools projects and 11 community healthcare schemes, all but one of which are fully operational.

Investment rationale
The investment in Elgin delivers on the Company's expressed intention of increasing its investment in social infrastructure assets following the sale of I^2.

Exposure to social infrastructure is helpful in providing the Company's portfolio with lower risk, index-linked cash flows, which are counterweights to some of 3i Infrastructure's higher risk investments, for example those in the 3i India Infrastructure Fund.

The Elgin portfolio is largely operational, delivering immediate yield. In Robertson, the Company is partnering with a well established player in the PFI market, with a good reputation for delivery, and whose development activities may bring future investment opportunities for the Company.

Developments in the year
3i Infrastructure purchased a 49.9% holding in Elgin in January 2010. The asset is performing in line with the investment case.

Cost	£38.5m
Current value	£38.7m
Equity interest	49.9%
Capital return in the year(1)	£0.6m
Income in the year	£2.0m
Asset total return in the year	£2.2m
Valuation basis	DCF

(1) The original investment was £39.1 million. Capital of £0.6 million was returned in the year.

Octagon

Description
Octagon is a concession company under a 35-year PFI contract to build, operate and maintain the Norfolk and Norwich University Hospital. Construction of the hospital was completed in August 2001. Octagon receives RPI-linked payments from the NHS Trust to cover services and buildings maintenance, which are subject to performance deductions for service failures and unavailability. Octagon subcontracts the provision of facilities services to Serco.

Investment rationale
Octagon is a social infrastructure investment in a mature asset providing the Company with a stable, long-term income stream with RPI linkage.

Developments in the year
Octagon continues to perform well financially and operationally. There have been no performance deductions by the NHS Trust in the year.

The National Patient Safety Agency's Patient Environment Action Team awarded the hospital the top "excellent" rating in all three categories of assessment: catering, cleanliness, and privacy and dignity. Octagon's subcontractors have worked with the NHS Trust to reduce the incidence of MRSA and C difficile and the hospital now has one of the lowest infection rates in the country. In March 2010, the Care Quality Commission announced that the Trust would be awarded an unconditional licence under the Health and Social Care Act 2008, which introduced a new, tougher system of regulation of standards in the NHS.

Cost	£20.2m
Current value	£28.8m
Equity interest	36.8%
Income in the year	£2.1m
Asset total return in the year	£4.9m
Valuation basis	DCF

I^2

Infrastructure Investors LP ("I^2") owned a portfolio of equity and subordinated debt investments in over 80 PFI projects. In January 2009 3i Infrastructure sold its stake in I^2 to Barclays Integrated Infrastructure Fund LP ("BIIF LP"), receiving part of the consideration in the form of loan notes with a principal amount of £28.2 million.

The loan notes are unsecured, bear a fixed 8% annual interest rate (part cash pay) and are redeemable over the period to 2018.

During the year, the Company accrued interest of £2.2 million from this investment, which was capitalised. The issuer of the loan notes is BIIF IssuerCo Limited, a holding company through which BIIF LP owns I^2. The loan notes are serviced by cash flows upstreamed from I^2 post senior debt service.

Under the terms of the loan notes, no equity dividends can be paid by BIIF IssuerCo Limited whilst payments of interest or principal are due and outstanding on the loan notes.

3i Infrastructure is accorded information rights similar to those of a senior lender, which allows the Company to monitor the performance of I^2 and the ongoing recoverability of the loan notes. I^2 continues to perform broadly in line with projections at the time of the sale in January 2009.

Cost	£28.2m
Current value	£30.4m
Equity interest	N/A
Further investment in the year(1)	£2.2m
Income in the year	£2.2m
Asset total return in the year	£2.2m
Valuation basis	Cost

(1) Relates to capitalised interest.

Alpha Schools

Description

Alpha Schools is a concession company under a 30-year PFI contract to build, operate and maintain 11 new schools on 10 sites in the Highland region of Scotland. Construction is substantially complete and all schools are operational.

Investment rationale

Alpha Schools is a social infrastructure investment in a portfolio of operational assets providing the Company with a stable, long-term revenue stream with RPIX linkage.

Developments in the year

All schools are operating successfully and operational performance has been good throughout the year. The remaining external works are nearing completion as planned.

3i Infrastructure holds its investment in Alpha Schools through Northern Infrastructure Investments LLP. In July 2009, 3i Infrastructure paid a third party £1.5 million to acquire its indirect financial interest in Alpha and to buy it out of its services contract.

Cost	£9.1m
Current value	£16.2m
Equity interest	50.0%
Further investment in the year	£1.5m
Income in the year	£1.6m
Asset total return in the year	£4.3m
Valuation basis	DCF

T2C

Description

Thermal Conversion Compound ("T2C") is a special purpose company established to build, operate and maintain a waste-to-energy plant on an industrial park near Frankfurt, Germany. The plant will generate steam and power from refuse-derived fuels ("RDF"). Construction is subcontracted to Ebara, a Japanese environmental technology developer and provider, using proven technology. T2C has subcontracted project management, operation and maintenance services to Infraserv GmbH & Co. Hochst KG ("ISH"), which manages the industrial park where T2C is located. T2C has contracted long-term revenues under a 15-year fixed-price take-or-pay contract with ISH, with an upwards only price review after 10 years.

Developments in the year

A provision was taken against the value of T2C, which was valued at £nil at 31 March 2010, due principally to further delays in the completion of construction. During the year significant progress was made both in construction and cold commissioning of the plant, but first fire is now not expected until the second quarter of 2010 and the plant is expected to be fully operational in the third quarter. Also, the economic downturn has led to a significant reduction in the available volume and market price of RDF in Germany. T2C management is working closely with RDF suppliers to secure the RDF necessary to test and operate the plant in 2010 at acceptable prices. These issues mean that a restructuring of T2C's financing arrangements will be necessary, and discussions are ongoing.

Cost	£6.5m
Current value	£nil
Equity interest	16.7%
Asset total return in the year(1)	£(7.3)m
Valuation basis	DCF

(1) Includes a £0.2 million exchange loss.

Returns and Risk

Key performance indicators

Total return		Dividend	
Objective	To provide shareholders with a total return of 12% per annum, to be achieved over the long term.	Objective	To target an annual distribution yield of 5% of the opening NAV.
Measurement	Total return for the period expressed as a percentage of opening shareholders' equity.	Measurement	Dividend for the financial year, expressed as a percentage of opening shareholders' equity.
Status	9.3% total return for the year to 31 March 2010.	Status	Total dividend of 5.5p equates to a 5.0% distribution on opening shareholders' equity.

Table 6
Summary of total return on an investment basis (£m)

	Year to 31 March 2010	Year to 31 March 2009	Consolidated IFRS basis Year to 31 March 2010
Realised profits over value on the disposal of investments	**7.1**	25.9	7.8
Unrealised gains/(losses) on the revaluation of investments	**66.8**	(13.7)	76.8
Foreign exchange (losses)/gains on investments	**(10.4)**	38.4	(1.1)
Capital return	**63.5**	50.6	83.5
Portfolio income			
Dividends receivable	**10.9**	25.6	23.4
Income from loans and receivables	**12.2**	6.9	16.1
Income from quoted debt investments	**7.2**	8.7	7.2
Fees payable	**(3.0)**	(2.0)	(3.0)
Interest receivable	**2.4**	13.1	2.4
Investment return	**93.2**	102.9	129.6
Advisory, performance and management fees payable	**(11.7)**	(10.5)	(12.8)
Operating expenses	**(2.1)**	(2.3)	(2.2)
Finance costs	**(1.4)**	(1.4)	(13.6)
Movements in the fair value of derivative financial instruments	**4.5**	(13.4)	1.9
Other income/(expenses)	**-**	(2.3)	0.3
Profit for the year	**82.5**	73.2	103.2
Exchange difference on translation of foreign operations	**-**	-	(9.1)
Total comprehensive income attributable to minority interests for the year	**-**	-	(12.9)
Total comprehensive income "Total return"	**82.5**	73.2	81.2

Returns

The commentary in this section analyses the key drivers of the Company's returns in more detail, according to the investment basis of preparation, as shown in Table 6. The basis of preparation for the investment basis is shown later in this document along with an analysis of the key differences in accounting treatment to information prepared in accordance with IFRS.

3i Infrastructure generated a total return for the year to 31 March 2010 of £82.5 million, representing a 9.3% return on opening shareholders' equity (2009: £73.2 million, 8.8%).

The return for the year was driven principally by strong unrealised value gains on the portfolio, as well as good portfolio income, but was diluted by the low interest generated by the cash balances held by the Company throughout the year.

Capital return

Realised capital return
There was a realised return of £7.1 million (2009: £25.9 million), principally as a result of the divestment of the holding in Novera (£5.7 million), of the Company's holding in the ABP junior debt tranche (£0.5 million), as well as through the reorganisation of shareholdings within 3i Osprey LP (£0.9 million), through which the Company owns its stake in AWG.

Unrealised capital return
The portfolio generated an unrealised value gain of £66.8 million (2009: £13.7 million loss), underpinned by the continued solid operational performance of the portfolio assets and the strong mark-to-market performance of the junior debt portfolio.

Foreign exchange impact
Foreign exchange rates were volatile during the year but stabilised during the last quarter. Foreign exchange losses on investments were £10.4 million, which were offset by the impact of the euro hedging programme, as well as by the movement of the rupee against the US dollar, which is recognised in unrealised gains. This results in a net gain of £5.3 million, as shown in Table 4.

Portfolio income
Income generation from the portfolio has remained robust, totalling £27.3 million, net of fees payable (2009: £39.2 million).

The portfolio generated income from dividends totalling £10.9 million (2009: £25.6 million). The March 2009 figure included a special dividend of £10.3 million, which was received from AWG in relation to proceeds from the sale of Morrison Utilities Services. The like-for-like decline is due in large part to the fact that AWG paid interest on the senior preference shares this year, and this amount was deducted from the ordinary dividend payment.

Interest income from the portfolio totalled £19.4 million (2009: £15.6 million), despite persistently low LIBOR rates, which continue to affect interest receivable from the junior debt portfolio.

Fees payable totalled £3.0 million (2009: £2.0 million) and were attributable to costs relative to the acquisition of Elgin, as well as to transaction costs in relation to deals which did not reach, or have yet to reach final completion.

Interest income
Interest income from financial assets totalled £2.4 million in the year (2009: £13.1 million). The significant reduction in interest receivable during the year is attributable to the decline in interest rates on cash balances. The Company's cash balances during the year to 31 March 2010 generated interest at an average rate of 0.7% (2009: 4.1%), resulting in a dilution of the asset return.

Advisory fees, performance fees and other operating costs

The Company incurred advisory and performance fees totalling £11.7 million during the year (2009: £10.5 million). The advisory fee, payable to 3i plc, is calculated as 1.5% of the Gross Investment Value, which is based on the opening portfolio value and the cost of new investments made during the year. The performance fee, calculated as 20% of returns above a performance hurdle of 8% growth in Net Asset Value, totalled £2.6 million (2009: £0.5 million). For a more detailed explanation of how fees are calculated, please refer to Note 20.

Operating expenses, comprising Board fees, service provider costs and other professional fees, totalled £2.1 million for the year (2009: £2.3 million).

Finance costs of £1.4 million (2009: £1.4 million) comprise the commitment fees for the Company's £225 million revolving credit facility.

Movements in the fair value of derivatives of £4.5 million (2009: £(13.4) million) are the fair value movements of the hedging programme that was put in place to partially hedge the exchange rate exposure from the euro denominated assets.

Balance sheet and net asset value

At 31 March 2010 the Company's net assets totalled £954.8 million, or £928.0 million after the deduction of the proposed final dividend (2009: £916.1 million), comprising the asset portfolio, valued at £648.1 million (2009: £536.7 million), cash and cash equivalents of £313.7 million (2009: £386.8 million) and other current assets of £4.4 million (2009: £10.7 million), primarily relating to accrued income from portfolio investments and prepayments. There were no external borrowings on a recourse basis to the Company. A summary balance sheet is included in Table 8.

At 31 March 2010, and at the time of reporting, the £225 million revolving credit facility held by the Company had not been drawn.

Cash on deposit was managed actively by the Investment Adviser, including regular reviews of counterparties and their limits, and is principally held in AAA rated money market funds, as well as in short-term bank deposits.

The total NAV per share at 31 March 2010 was 117.7p (2009: 112.9p). This reduces to 114.4p (2009: 109.7p) per share after the payment of the proposed final dividend of 3.3p per share. The diluted net asset value per share as at 31 March 2010, adjusted for the 71 million warrants issued at IPO, was 116.3p per share (March 2009: 111.9p per share), which reduces to 113.0p per share after the payment of the proposed final dividend.

Table 7
Reconciliation of movements in NAV on an investment basis

	(£m)
Opening NAV at 1 April 2009 (1)	890.1
Investment income	32.7
Realised gains	7.1
Unrealised gains	55.6
Net FX movement	5.3
Costs	(18.2)
NAV before distributions	972.6
Interim distribution	(17.8)
Final distribution	(26.8)
Closing NAV at 31 March 2010	928.0

(1) Net of final dividend paid.

Table 8
Summary balance sheet on an investment basis (£m)

	As at 31 March 2010	As at 31 March 2009	**Consolidated basis As at 31 March 2010**
Assets			
Non-current assets			
Investment portfolio	**648.1**	536.7	**926.5**
Current assets			
Other current assets	**4.4**	10.7	**8.6**
Cash and cash equivalents	**313.7**	386.8	**314.0**
Total current assets	**318.1**	397.5	**322.6**
Total assets	**966.2**	934.2	**1,249.1**
Borrowings	**-**	-	**(169.6)**
Derivative financial instruments	**(5.6)**	(9.4)	**(25.0)**
Total non-current liabilities	**(5.6)**	(9.4)	**(194.6)**
Current liabilities			
Trade and other payables	**(5.2)**	(4.7)	**(5.2)**
Derivative financial instruments	**(0.6)**	(4.0)	**(1.0)**
Total current liabilities	**(5.8)**	(8.7)	**(6.2)**
Total liabilities	**(11.4)**	(18.1)	**(200.8)**
Net assets	**954.8**	916.1	**1,048.3**
Equity			
Stated capital account	**111.4**	111.4	**111.4**
Retained reserves	**843.4**	804.7	**801.8**
Translation reserve	**-**	-	**44.9**
Total shareholders' equity	**954.8**	916.1	**958.1**
Minority interests	**-**	-	**90.2**
Total equity	**954.8**	916.1	**1,048.3**

Basis of preparation

Throughout the Investment Adviser's review, the Review of investments and Returns sections, the Investment Adviser has presented the Company's net asset value and financial results to show the return on a pro forma investment basis. This information is in addition to the consolidated financial statements, as required under International Financial Reporting Standards ("IFRS"). The pro forma investment basis presentation provides an alternative representation of the Company's net asset value, shows the Company's cash utilisation for investment and differentiates between non-recourse borrowings held within asset specific acquisition companies and borrowings which may be made at the Company level. The investment basis accounts for majority investments and subsidiaries formed specifically for investment purposes in the same way as minority investments, by determining a fair value for the investment, and therefore does not consolidate these entities line-by-line as is required under IFRS.

Several adjustments were made in order to show returns on an investment basis, the main adjustments being:

3i Infrastructure holds 68.5% of 3i Osprey LP, the vehicle through which it holds its investment in AWG. 3i Infrastructure is required under IFRS to consolidate the results and balance sheet of this limited partnership into its financial statements on a line-by-line basis. The remaining 31.5% of this entity is held by 3i Group and other third parties. In the investment basis presentation, 3i Infrastructure has recognised only its share of the income and balance sheet of 3i Osprey LP. This adjustment has the effect of eliminating the minority interest entitlement shown on the statement of comprehensive income and the balance sheet on an IFRS basis.

One subsidiary of the Company, 3i Primary Infrastructure 2005-06 LP, which holds the investment in Alpha Schools, has investing partners which are entitled to 3.75% of share of profits, once certain cash hurdle criteria are met. Amounts due to this limited partnership are treated as a minority interest on a consolidated basis but are accrued as an expense in the investment basis.

3i Infrastructure holds two wholly-owned subsidiaries, Oystercatcher Luxco 1 S.àr.l. and Oystercatcher Luxco 2 S.àr.l., ("Oystercatcher Luxco 1" and "Oystercatcher") to fund the minority investment into three subsidiaries of Oiltanking GmbH. External borrowings were made by Oystercatcher to partly fund the investments. These borrowings are non-recourse to 3i Infrastructure. Under IFRS, the results and balance sheet of Oystercatcher Luxco 1 and Oystercatcher subsidiaries are required to be consolidated into 3i Infrastructure's financial statements on a line-by-line basis. In the investment basis presentation Oystercatcher is not consolidated but is accounted for as a portfolio asset held for investment purposes and is fair valued accordingly.

The Company invests in 3i India Infrastructure Holdings Limited through 3i India Infrastructure Fund A LP, a limited partnership in which the Company is the sole investor. This limited partnership has not been consolidated under the investment basis and is treated as an investment, and is fair valued accordingly.

Risk

The Board is ultimately responsible for the risk management of the Company, which has a risk management framework (outlined in the table below) which provides a structured and consistent process for identifying, assessing and responding to risks in relation to its strategy and business objectives. Due to the structure of the Company, it is reliant on the risk management framework of the Investment Adviser and other key service providers, as well as on the risk management operations of each portfolio company. The Company manages these risks through updates from the Investment Adviser and other service providers and, where possible, through representation on portfolio companies' boards.

External
Risks arising from external factors including political, legal, regulatory, economic and competitor changes which affect the Group's operations

	Risk description	Risk mitigation
Macroeconomic risk	- Performance of underlying investments influenced by macroeconomic conditions/ variables in Europe and India, where Company currently has exposure - M&A and IPO activity and availability of debt finance affect ability to make investments and performance of underlying investments	- Diversification of portfolio across a range of infrastructure sectors with different economic cycles and across different geographies - Modelling of sensitivity of each investment to macroeconomic variables - Hedging undertaken where appropriate
Geopolitical risk	- Company's investment strategy involves investing in less mature / emerging markets - Legal and regulatory frameworks and capital markets in these countries may be less developed than in Europe	- Periodic legal and regulatory updates on Company's markets and in depth market and sector research - Extensive research and due diligence on any proposed investment into new geographical markets
Government policy and regulation	- Company regulated under the provisions of the Collective Investment Funds (Jersey) Law 1988 - Investment Adviser regulated by the Financial Services Authority and an authorised person under the Financial Services and Markets Act 2000 - Breach of regulations could affect Company's operations and financial position	- Changes to applicable regulatory frameworks closely monitored - Rigorous processes in place to minimise risk of breach

Strategic
Risks arising from the analysis, design and implementation of the Company's business model and key decisions on investment growth rates and financing

	Risk description	Risk mitigation
	- Deviations from assumptions factored in the Company's strategy and business model could affect performance and financial position	- KPIs and forecasts monitored on an ongoing basis - Plans and underlying assumptions for Company and portfolio assets updated continuously

Investment

Risks in respect of specific asset investment decisions, the subsequent performance of an investment or exposure concentrations across the portfolio.

	Risk description	Risk mitigation
Investment decisions	- Ability to source and execute good quality investments in changing markets dependent primarily on Investment Adviser's knowledge and relationships	- Each investment subject to complete review process by Investment Adviser, including Investment Committee chaired by authorised member of 3i Group's management committee - Thorough review then undertaken by the Board prior to investment decision
Investment performance	- Performance of portfolio dependent on: i) Quality of initial investment ii) Ability to execute on business strategy iii) Favourable outcomes relative to assumptions in model	- Portfolio asset reviews undertaken regularly - Representation on Board of underlying investments where equity stakes held
Investment concentration	- Overexposure to a particular sector or geography could expose Company to any adverse developments - Any increase in the average size of investments over time could increase exposure to a small number of large investments	- Portfolio concentration measures periodically reviewed by Board - Investment Adviser undertakes concentration review for each new asset

Financial risks

Risks in relation to changes in market prices and rates; access to capital markets and the appropriate capital structure

	Risk description	Risk mitigation
Credit risk	- Company's financial assets are principally unsecured investments in unquoted companies - Increase in portfolio concentration could impact credit risk - Variation in interest rates, or variations in the availability of credit for refinancing could increase credit risk	- Regular asset reviews provide early indications of increased credit risk - Company's financial assets held in AAA rated money market funds or short-term deposits with A+ rated banks - Counterparty limits set and monitored on a regular basis - Regular reviews of counterparties
Financing and interest rate risk	- Changes in interest rates affect: - Costs of servicing Company debt - Ability to generate attractive returns from investments - Ability to invest in competition with buyers with a lower cost of debt - Debt financing capability of portfolio companies - Rate of return on Company's liquid assets	- Financing strategy limits Company's borrowings to 50% of gross assets - Use of a combination of fixed and floating rate debt reduces interest rate risk - Hedging is undertaken where appropriate to manage the risk exposure - Level of debt, refinancing risk and hedging requirement in portfolio companies monitored regularly
Currency risk	- A portion of underlying investments denominated in euro, US dollar and (indirectly) Indian rupee and Singapore dollar - Fluctuations in foreign exchange may adversely impact returns	- Euro exposure hedged to stabilise returns - Hedging involves use of foreign exchange swaps or forward contracts - Hedging strategy monitored regularly by the Board
Liquidity risk	- Company's investments require a long-term commitment of capital and are relatively illiquid - Investment rate could exceed current liquidity levels, requiring short-term funding measures to be put in place - Ability to meet financial liabilities as they fall due	- Board regularly analyses cash resources against investment pipeline and repayment of existing financial liabilities or other payables - Committed £225 million facility ensures availability of resources in the event of a liquidity shortfall

Operational

Risks arising from inadequate or failed processes, people and systems or from external factors affecting these

	Risk description	Risk mitigation
	- Operational risks can arise from inadequate processes, people, systems or external providers - External factors also pose risks to operations	- Framework of core values, standards and controls operated by Company - Board monitors performance and operations of key service providers - Company receives regular updates on legal, tax and regulatory matters from its advisers

Consolidated statement of comprehensive income
for the year to 31 March

	Notes	**Year to 31 March 2010 £m**	Year to 31 March 2009 £m
Realised gains over fair value on the disposal of investments		**7.8**	25.9
Unrealised gains on the revaluation of investments	2	**76.8**	2.0
Foreign exchange (losses)/gains on investments		**(1.1)**	3.8
		83.5	31.7
Portfolio income			
Dividends receivable		**23.4**	46.6
Income from loans and receivables		**16.1**	10.2
Income from quoted debt investments		**7.2**	8.7
Fees payable on investment activities		**(3.0)**	(2.1)
Interest receivable		**2.4**	13.2
Investment return		**129.6**	108.3
Advisory, performance and management fees payable	3	**(12.8)**	(11.6)
Operating expenses	4	**(2.2)**	(2.3)
Finance costs	5	**(13.6)**	(14.3)
Unrealised movements in the fair value of derivative financial instruments	6	**4.5**	(26.2)
Realised movement in the fair value of derivative financial instruments	6	**(2.6)**	-
Other income/(expenses)		**0.3**	(1.5)
Profit before tax		**103.2**	52.4
Income taxes	7	**-**	-
Profit after tax and profit for the year		**103.2**	52.4
Other comprehensive income			
Exchange (losses)/gains on translation of foreign operations		**(9.1)**	36.5
Total comprehensive income for the year		**94.1**	88.9
Profit after tax and profit for the year attributable to:			
Equity holders of the parent		**90.3**	42.6
Minority interests		**12.9**	9.8
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**81.2**	79.1
Minority interests		**12.9**	9.8
Earnings per share			
Basic earnings per share attributable to equity holders of the parent (pence)	16	**11.1**	5.4
Diluted earnings per share attributable to equity holders of the parent (pence)	16	**11.1**	5.4

Consolidated and Company statement of changes in equity
for the year to 31 March

Group for the year to 31 March 2010	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
Opening balance	**111.4**	**755.3**	**54.0**	**920.7**	**132.3**	**1,053.0**
Total comprehensive income	**-**	**90.3**	**(9.1)**	**81.2**	**12.9**	**94.1**
Net capital returned to minority interests	**-**	**-**	**-**	**-**	**(30.1)**	**(30.1)**
Acquisition of interests held by minorities	**-**	**-**	**-**	**-**	**(24.9)**	**(24.9)**
Dividend paid to Company shareholders during the year	**-**	**(43.8)**	**-**	**(43.8)**	**-**	**(43.8)**
Closing balance	**111.4**	**801.8**	**44.9**	**958.1**	**90.2**	**1,048.3**

Group for the year to 31 March 2009	Stated capital account £m	Retained reserves £m	Translation reserve £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
Opening balance	-	750.8	17.5	768.3	127.7	896.0
Total comprehensive income	-	42.6	36.5	79.1	9.8	88.9
Issue of ordinary shares	114.6	-	-	114.6	-	114.6
Costs of share issue	(3.2)	-	-	(3.2)	-	(3.2)
Net capital returned to minority interests	-	-	-	-	(5.2)	(5.2)
Dividend paid to Company shareholders during the year	-	(38.1)	-	(38.1)	-	(38.1)
Closing balance	111.4	755.3	54.0	920.7	132.3	1,053.0

Company for the year to 31 March 2010	Stated capital account £m	Retained reserves £m	Total equity £m
Opening balance	**111.4**	**747.5**	**858.9**
Total comprehensive income	**-**	**15.9**	**15.9**
Dividends paid to Company shareholders during the year	**-**	**(43.8)**	**(43.8)**
Closing balance	**111.4**	**719.6**	**831.0**

Company for the year to 31 March 2009	Stated capital account £m	Retained reserves £m	Total equity £m
Opening balance	-	717.9	717.9
Total comprehensive income	-	67.7	67.7
Issue of ordinary shares	114.6	-	114.6
Costs of share issue	(3.2)	-	(3.2)
Dividends paid to Company shareholders during the year	-	(38.1)	(38.1)
Closing balance	111.4	747.5	858.9

Consolidated and Company balance sheet as at 31 March

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Assets					
Non-current assets					
Investments					
Quoted equity investments	8	**-**	3.8	**-**	-
Unquoted investments	8	**668.7**	640.7	**23.7**	-
Debt investments held at fair value through profit and loss	8	**123.7**	91.9	**-**	-
Loans and receivables	8	**134.1**	126.0	**-**	-
Investment portfolio		**926.5**	862.4	**23.7**	-
Interests in Group entities	9	**-**	-	**501.7**	485.2
Total non-current assets		**926.5**	862.4	**525.4**	485.2
Current assets					
Trade and other receivables	10	**8.6**	9.5	**6.3**	10.8
Cash and cash equivalents		**314.0**	393.7	**308.9**	377.6
Total current assets		**322.6**	403.2	**315.2**	388.4
Total assets		**1,249.1**	1,265.6	**840.6**	873.6
Liabilities					
Non-current liabilities					
Loans and borrowings	13	**(169.6)**	(176.7)	**-**	-
Derivative financial instruments	12	**(25.0)**	(27.3)	**(5.6)**	(9.4)
Total non-current liabilities		**(194.6)**	(204.0)	**(5.6)**	(9.4)
Current liabilities					
Trade and other payables	14	**(5.2)**	(4.6)	**(3.4)**	(1.3)
Derivative financial instruments	12	**(1.0)**	(4.0)	**(0.6)**	(4.0)
Total current liabilities		**(6.2)**	(8.6)	**(4.0)**	(5.3)
Total liabilities		**(200.8)**	(212.6)	**(9.6)**	(14.7)
Net assets		**1,048.3**	1,053.0	**831.0**	858.9
Equity					
Stated capital account		**111.4**	111.4	**111.4**	111.4
Retained reserves		**801.8**	755.3	**719.6**	747.5
Translation reserve		**44.9**	54.0	**-**	-
Total equity attributable to equity holders of the parent		**958.1**	920.7	**831.0**	858.9
Minority interests		**90.2**	132.3	**-**	-
Total equity		**1,048.3**	1,053.0	**831.0**	858.9

Directors
5 May 2010

Consolidated and Company statement of cash flows for the year to 31 March

	Group		Company	
	Year to 31 March 2010 £m	Year to 31 March 2009 £m	**Year to 31 March 2010 £m**	Year to 31 March 2009 £m
Cash flow from operating activities				
Purchase of investments	**(46.3)**	(150.8)	**(71.2)**	(141.7)
Proceeds from investments	**52.2**	177.6	**25.5**	175.8
Income received from loans and receivables	**13.2**	10.3	**11.7**	15.9
Income from quoted debt investments	**6.7**	8.7	**-**	-
Dividends received	**23.2**	46.6	**4.5**	16.3
Fees paid on investment activities	**(3.0)**	(3.8)	**(3.0)**	(3.7)
Operating expenses paid	**(1.8)**	(2.1)	**(1.7)**	(1.9)
Interest received	**2.2**	13.6	**2.2**	13.6
Advisory, performance and management fees paid	**(10.0)**	(21.2)	**(7.4)**	(18.0)
Carried interest paid	**(1.5)**	-	**-**	-
Net cash flow from operations	**34.9**	78.9	**(39.4)**	56.3
Cash flow from financing activities				
Proceeds from issue of share capital	**-**	114.6	**-**	114.6
Fees paid on issue of share capital	**-**	(3.2)	**-**	(3.2)
Proceeds from redemption of shares in subsidiary	**-**	-	**12.2**	3.1
Interest paid	**(11.0)**	(11.7)	**-**	-
Short-term loan made to subsidiary undertaking	**-**	-	**-**	(6.5)
Short-term loan repaid by subsidiary undertaking	**-**	-	**6.5**	-
Fees paid on financing activities and the settlement of derivative contracts	**(4.7)**	(1.4)	**(4.2)**	(1.6)
Dividends paid	**(43.8)**	(38.1)	**(43.8)**	(38.1)
Acquisition of investments held by minority interests	**(24.9)**	-	**-**	-
Net capital returned to minority interests	**(30.1)**	(5.2)	**-**	-
Net cash flow from financing activities	**(114.5)**	55.0	**(29.3)**	68.3
Change in cash and cash equivalents	**(79.6)**	133.9	**(68.7)**	124.6
Cash and cash equivalents at the beginning of the year	**393.7**	259.6	**377.6**	253.0
Effect of exchange rate fluctuations	**(0.1)**	0.2	**-**	-
Cash and cash equivalents at the end of the year	**314.0**	393.7	**308.9**	377.6

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, these financial statements comply with International Financial Reporting Standards and reasonable and prudent judgments and estimates have been used in their preparation.

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

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

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

The Directors of the Company and their functions are listed below.

Peter Sedgwick, Non-executive Chairman
Philip Austin, Non-executive Director, Senior Independent Director
Sir John Collins, Non-executive Director
Paul Waller, Non-executive Director
Steven Wilderspin, Non-executive Director, Chairman of the Audit Committee
Charlotte Valeur, Non-executive Director

Significant accounting policies

3i Infrastructure plc (the "Company") is a company incorporated in Jersey, Channel Islands. The consolidated financial statements for the year to 31 March 2010 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). Separate financial statements of the Company are also presented with the exception of a Company level statement of comprehensive income as this is not required under Jersey Company Law where consolidated information is presented. The accounting policies of the Company are the same as for the Group, except where separately disclosed.

The financial statements were authorised for issue by the Directors on 5 May 2010.

Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations as issued by the International Accounting Standards Board.

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

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

Certain prior-year balances have been reclassified to conform with current-year presentation required under IFRS.

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

i) Basis of consolidation - The Group holds significant stakes in the majority of its investee companies. The Group must exercise judgment in the level of control of the underlying investee company that is obtained and consider the need to classify certain investee companies as associates, joint ventures or subsidiary undertakings.

ii) Functional currency - The Group has certain subsidiaries that conduct the majority of their business operations in currencies other than sterling. Judgment has been exercised in determining the appropriate functional currency of these subsidiary undertakings.

iii) Recognition and de-recognition of investments - Certain investment transactions completed by the Group require judgment to be exercised in determining the point at which the significant risks and rewards of ownership of a financial asset are transferred to or from the entity and in determining the point at which these financial assets are recognised or de-recognised in the financial statements.

iv) Classification of financial assets - The Group classifies investments upon initial recognition as either assets held at fair value through profit or loss or as loans and receivables. Given the nature of certain instruments in which the Group may choose to invest, judgment is required in determining the appropriate classification of the assets held.

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. Areas where assumptions are significant to the consolidated and individual financial statements include:

i) Valuation of the investment portfolio - Certain assets in the investment portfolio are valued on a discounted cash flow basis which requires assumptions to be made regarding the growth in future cash flows and the discount rate to be applied to these cash flows. Refer to Note 8 and Note 11 for further details of the sensitivity of the carrying value of these investments to the assumptions that have been made.

ii) Assessment for impairment - The Group must make certain estimates regarding the recoverability of loans and receivables balances when assessing whether these financial assets meet the criteria for impairment against the current carrying value. Refer to Note 2 and Note 8 for further details of assessments made during the year.

New accounting policies adopted
The following accounting policies have been adopted by the Group in respect of the financial statements for the year ended 31 March 2010. Each of these accounting policies has been adopted following new or revised accounting standards issued by the International Accounting Standards Board that have become effective for the Group for the first time for the year ended 31 March 2010.

i) IFRS 7 “Improving Disclosures about Financial Instruments, an amendment to IFRS 7 – Financial Instruments Disclosures” which has resulted in additional disclosures being made regarding liquidity risk and the fair value of financial instruments. The Group has taken advantage of the transitional provisions of the standard not to apply this amendment retrospectively.

ii) IAS 1 “Presentation of Financial Statements (revised)” which has resulted in the reformatting of the statement of recognised income and expense and income statement into a single statement of comprehensive income and the addition of a statement of changes in equity. The adoption of this policy has not changed the recognition, measurement or disclosure of any balances in the financial statements.

iii) IFRS 8 “Operating Segments” which has resulted in amendments to the format and presentation of the segmental information disclosed by the Group.

New standards and interpretations not applied
The following standards or interpretations have been issued by either the IASB or IFRIC and are not yet effective. The Group will adopt these standards in respect of the first period of account ending after the effective date listed below.

The following new or amended standards are not applicable to these financial statements but are expected to have an impact when they become effective in future accounting periods.

i) IFRS 3 Business Combinations (revised), effective for periods commencing on or after 1 July 2009, introduces a number of changes to accounting for business combinations that will impact the amount of goodwill recognised on acquisition. The amendments will also affect the reported results in the period that an acquisition occurs as well as future results.

ii) IAS 27 Consolidated and Separate Financial Statements (revised), effective for periods commencing on or after 1 July 2009, requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction and such transactions will no longer give rise to goodwill. Furthermore, the amended standard introduces changes to accounting for losses incurred by a subsidiary as well as the loss of control of a subsidiary.

iii) IFRS 9 Financial Instruments, effective for periods commencing on or after 1 January 2013 proposes revised measurement and classification criteria for financial assets. This standard has a mandatory effective date in 2013. The Group is still assessing the impact on the Group's future financial statements. The following new or amended standards that have been issued by the IASB or IFRIC are not expected to have a significant impact on the Group once they become effective:

i) IFRS 1 (Revised) First Time Adoption of Financial Reporting Standards (effective for periods commencing on or after 1 July 2009)

ii) IFRS 1 (Amendment) Additional Exemptions for First Time Adopters (effective for periods commencing on or after 1 January 2010)

iii) IFRS 1 (Amendment) Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters (effective for periods commencing on or after 1 July 2010)

iv) IFRS 2 (Amendment) Group Cash Settled Share Based Payment Transactions (effective for periods commencing on or after 1 January 2010)

v) IFRS 9 Financial Instruments (effective for periods commencing on or after 1 January 2013)

vi) IAS 24 (Revised 2009) Related Party Disclosures (effective for periods commencing on or after 1 January 2011)

vii) IAS 39 Eligible Hedged Items (effective for periods commencing on or after 1 July 2009)

viii) Improvements to IFRSs April 2009 (effective for periods commencing on or after 1 January 2010)

ix) IFRIC 14 (Amendment) Prepayments of a Minimum Funding Requirement (effective for periods commencing on or after 1 January 2011)

x) IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for periods commencing on or after 1 July 2010)

xi) IFRIC 17 Issue of Non Cash Assets to Owners (effective for periods commencing on or after 1 July 2009)

xii) IFRIC 18 Transfers of Assets from Customers (effective for transactions occurring on or after 1 July 2009)

xiii) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for periods beginning on or after 1 July 2010)

A. Basis of consolidation

(i) Subsidiaries – Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates – Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 Investment in Associates, which allows investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period. The Group has no interests in associates through which it carries on its business.

(iii) Joint ventures – Interests in joint ventures that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value. This treatment is permitted by IAS 31 Interests in Joint Ventures, which requires interests held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of the charge. The Group has no interests in joint ventures through which it carries out its business.

(iv) Transactions eliminated on consolidation – Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly-controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Minority interests – Minority interests reflect the proportion of the capital of subsidiary undertakings of the Group that is not held by entities within the Group. The proportion of the net assets and profit of the Group that is attributable to minority interests is shown as a separate component within the statement of comprehensive income and the balance sheet. Movements in the net assets attributable to minority interests during the year arising from distributions payable to minority interests or movements in the proportion of capital held by minorities are shown directly in equity through the statement of changes in equity.

B. Exchange differences

(i) Foreign currency transactions – Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated to sterling at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling using exchange rates ruling at the date the fair value was determined.

(ii) Financial statements of non-sterling operations – The assets and liabilities of operations whose functional currency is not sterling, including fair value adjustments arising on consolidation, are translated to sterling at exchange rates ruling at the financial reporting date. The revenues and expenses of these operations are translated to sterling at rates approximating to the exchange rates ruling at the date of the transactions. Exchange differences arising on retranslation are recognised directly in a separate component of equity, the translation reserve, and are released upon disposal of the non-sterling operation.

C. Investment portfolio

(i) Recognition and measurement – Investments are recognised and derecognised on a date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investments. The Group manages its investments with a view to profiting from the receipt of interest and dividends and changes in fair value of equity investments. Therefore, all quoted investments and unquoted equity investments are designated as at fair value through profit or loss upon initial recognition and subsequently carried in the balance sheet at fair value. Other investments include loan investments and are classified as loans and receivables and subsequently carried in the balance sheet at amortised cost less impairment. All investments are initially recognised at the fair value of the consideration given and held at this value until it is appropriate to measure fair value on a different basis, applying the Group’s valuation policy. Acquisition costs are attributed to equity investments and recognised immediately in the statement of comprehensive income.

Investments held in subsidiaries in the separate financial statements of the Company are accounted for at cost less provision for impairment.

(ii) Income

(a) Realised profits over value on the disposal of investments is the difference between the fair value of the consideration receivable less any directly attributable costs, on the sale of equity and the repayment of loans and receivables, and its fair value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal; and are recognised in the Statement of Comprehensive income.

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

(c) Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be an economic benefit and the income can be reliably measured. The following specific recognition criteria must be met before the income is recognised:

– Dividends from equity investments are recognised in the statement of comprehensive income when the shareholders’ rights to receive payment have been established to the extent that dividends paid out of pre-acquisition reserves adjust the fair value of the equity investment;

– Income from loans and receivables and debt held at fair value through profit or loss is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value.

(iii) Impairment of assets held as loans and receivables - All financial assets held as loans and receivables are assessed for impairment on both an individual and a collective basis. The amount of the impairment is measured as the difference between the carrying value of the asset and the net present value of the expected future cash flows expected to arise from each asset based on the effective interest rate of each asset. The amount of the resultant loss is recognised in the statement of comprehensive income. If the impairment analysis demonstrates that the conditions giving rise to a previously recognised impairment are no longer prevalent, a reversal of the impairment loss is recognised in the statement of comprehensive income.

D. Fees

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

(ii) Advisory fee – An annual advisory fee is payable to 3i plc based on the Gross Investment Value of the Company. The fee is payable quarterly in advance and is accrued in the period it is incurred. Further explanations are provided in Note 20.

(iii) Performance fee – 3i plc is entitled to a performance fee based on the Adjusted Total Return per ordinary share generated in the period in excess of a performance hurdle. The fee is payable annually in arrears and is accrued in the period it is incurred. Further explanations are provided in Note 20.

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

(i) Cash and cash equivalents – Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and short-term deposits as defined above. Interest receivable on cash and cash equivalents is recognised on an accruals basis.

(ii) Bank loans, loan notes and borrowings – Loans and borrowings are initially recognised at the fair value of the consideration received, net of issue costs associated with the borrowings. After initial recognition, these 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 may be used to manage the risk associated with foreign currency fluctuations of portfolio income, the valuation of the investment portfolio and changes in interest rates on its borrowings. This is achieved by the use of forward foreign currency contracts and interest rate swaps. Such instruments shall be used for the sole purpose of efficient portfolio management. All derivative financial instruments are held at fair value through profit or loss.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently remeasured to the fair value at each reporting date. All changes in the fair value of derivative financial instruments are taken to the statement of comprehensive income. The maturity profile of derivative contracts is measured relative to the financial contract settlement date of each contract and the fair value of the derivative contracts is disclosed accordingly.

F. Other assets
Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. The cost of such assets or liabilities is considered approximate to their fair value. They are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows. Any change in levels of impairment is recognised directly in the statement of comprehensive income. An impairment loss is reversed at subsequent financial reporting dates to the extent that the asset's carrying amount does not exceed its carrying value, had no impairment been recognised.

G. Other liabilities
Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the financial reporting date. The cost of other liabilities is considered to be approximate to their fair values.

H. 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 proceeds received.

I. Income taxes
Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the statement of comprehensive income.

The tax currently payable is based on the taxable profit for the period. This may differ from the profit included in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the financial reporting date.

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

Notes to the accounts

The Directors of the Company review the financial performance of the Group on the "investment basis". However, the Directors also review information on a regular basis that is analysed by geography and is consistent with the consolidated accounting basis. In accordance with IFRS 8, the segmental information provided below uses this geographic analysis of results as it is the most closely aligned with IFRS reporting requirements. The Group only operates in one service line, being that of an investment holding company. Therefore no segmental analysis by service line has been produced. The Group is an investment holding company and does not consider itself to have any customers. However, the Company received 55 % of its portfolio income in the year from investments held in the UK and a further 45% of portfolio income from investments held in Europe. There were no other investments held by the Company which individually exceeded 10% of total portfolio income.

1 Segmental analysis

for the year to 31 March 2010

	UK(1) £m	**Continental Europe £m**	**Asia £m**	**Total £m**
Investment return				
Realised gains over fair value on the disposal of investments	**7.8**	**-**	**-**	**7.8**
Unrealised profits on the revaluation of investments	**50.0**	**16.4**	**10.4**	**76.8**
Foreign exchange losses on investments	**-**	**(1.1)**	**-**	**(1.1)**
Portfolio income	**24.1**	**19.6**	**-**	**43.7**
Interest receivable	**2.4**	**-**	**-**	**2.4**
Investment return	**84.3**	**34.9**	**10.4**	**129.6**
Interest expense	**-**	**(11.0)**	**-**	**(11.0)**
Other expenses	**(11.3)**	**(4.1)**	**-**	**(15.4)**
Profit before tax	**73.0**	**19.8**	**10.4**	**103.2**
Balance sheet				
Fair value of investment portfolio	**487.0**	**341.6**	**97.9**	**926.5**
Cash and cash equivalents	**309.8**	**4.2**	**-**	**314.0**
Other assets	**5.1**	**3.5**	**-**	**8.6**
Assets	**801.9**	**349.3**	**97.9**	**1,249.1**
Loans and borrowings	**-**	**(169.6)**	**-**	**(169.6)**
Derivative financial instruments	**(6.2)**	**(19.8)**	**-**	**(26.0)**
Other liabilities	**(5.2)**	**-**	**-**	**(5.2)**
Liabilities	**(11.4)**	**(189.4)**	**-**	**(200.8)**
Net assets	**790.5**	**159.9**	**97.9**	**1,048.3**

for the year to 31 March 2009	UK(1) £m	Continental Europe £m	Asia £m	Total £m
Investment return				
Realised gains over fair value on the disposal of investments	25.9	-	-	25.9
Unrealised (losses)/profits on the revaluation of investments	(24.0)	11.6	14.4	2.0
Foreign exchange gains on investments	-	3.8	-	3.8
Portfolio income	44.7	18.7	-	63.4
Interest receivable	13.2	-	-	13.2
Investment return	59.8	34.1	14.4	108.3
Interest expense	-	(11.7)	-	(11.7)
Other expenses	(30.5)	(13.7)	-	(44.2)
Profit before tax	29.3	8.7	14.4	52.4
Balance sheet				
Fair value of investment portfolio	434.9	337.2	90.3	862.4
Cash and cash equivalents	381.0	12.7	-	393.7
Other assets	5.0	4.5	-	9.5
Assets	820.9	354.4	90.3	1,265.6
Loans and borrowings	-	(176.7)	-	(176.7)
Derivative financial instruments	(13.4)	(17.9)	-	(31.3)
Other liabilities	(4.6)	-	-	(4.6)
Liabilities	(18.0)	(194.6)	-	(212.6)
Net assets	802.9	159.8	90.3	1,053.0

(1) Including Channel Islands.

2 Unrealised gains on the revaluation of investments

	Quoted equity investments	Unquoted investments	Debt investments	Loans and receivables	Total
	Year to 31 March 2010				
	£m	**£m**	**£m**	**£m**	**£m**
Movement in assets held at fair value through profit or loss	**-**	**54.2**	**29.7**	**-**	**83.9**
Provisions, loan impairments and other movements	**-**	**(3.4)**	**-**	**(3.7)**	**(7.1)**
	-	**50.8**	**29.7**	**(3.7)**	**76.8**

Provisions have been recognised where it is considered there is a 50% (or higher) risk of failure. All other value movements are included within the movement in the fair value of equity.

During the year, T2C was fully provided for, creating a fair value loss of £7.1 million.

	Quoted equity investments	Unquoted investments	Debt investments	Loans and receivables	Total
	Year to 31 March 2009				
	£m	£m	£m	£m	£m
Movement in assets held at fair value through profit or loss	(7.4)	35.5	(26.1)	-	2.0
	(7.4)	35.5	(26.1)	-	2.0

3 Advisory, performance and management fees payable

	Year to 31 March 2010 £m	Year to 31 March 2009 £m
Advisory fee	**(9.1)**	(10.0)
Performance fee	**(2.6)**	(0.5)
Management fee	**(1.1)**	(1.1)
	(12.8)	(11.6)

Note 20 provides further details on the calculation of the advisory fee and the performance fee.

4 Operating expenses

Operating expenses include the following amounts:

	Year to 31 March 2010 £m	Year to 31 March 2009 £m
Audit fees	**0.2**	0.2
Directors' fees and expenses	**0.5**	0.5

Services provided by the Group's auditors
During the year the Group obtained the following services from the Group's auditors, Ernst & Young LLP.

		Year to 31 March 2010 £m	Year to 31 March 2009 £m
Audit services			
Statutory audit	Company	**0.12**	0.16
	UK subsidiaries	**0.05**	0.05
	Overseas subsidiaries	**0.03**	0.03
		0.20	0.24

Non-audit services
Ernst & Young LLP provided non-audit services for fees totalling £15k for the year to 31 March 2010 (2009: £15k). In addition, for the year to 31 March 2009, Ernst &Young LLP provided non-audit services in relation to the Placing and Open Offer of new shares in July 2008. Fees in relation to the Placing and Open Offer amounted to £160k.

5 Finance costs

	Year to 31 March 2010 £m	Year to 31 March 2009 £m
Interest payable on loans and borrowings	**(11.0)**	(11.7)
Professional fees associated with the arrangement of debt financing	**(2.6)**	(2.6)
	(13.6)	(14.3)

6 Movements in the fair value of derivative instruments

	Year to 31 March 2010 £m	Year to 31 March 2009 £m
Unrealised movement in the fair value of forward foreign exchange contracts	5.9	(13.6)
Unrealised movement in the fair value of interest rate swaps	(1.4)	(12.6)
	4.5	(26.2)
Realised movement on the fair value of forward foreign exchange contracts	(2.6)	-

7 Income taxes

With effect from the 2009 year of assessment, Jersey abolished the exempt company regime for existing companies. Profits arising in the Company for the 2009 year of assessment will be subject to tax at the standard rate of 0%. Prior to 1 January 2009, the Company was exempt from taxation under provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

Subsidiaries of the Company have provided for taxation at the appropriate rates in the countries in which they operate. As the investment returns of these subsidiaries are largely exempt from tax, in the relevant countries where they are subject to tax, the total tax provided in respect of them is minimal.

8 Investment portfolio

					Group As at 31 March 2010
	Quoted equity investments £m	**Unquoted investments £m**	**Debt investments £m**	**Loans and receivables £m**	**Total £m**
Opening fair value	**3.8**	**640.7**	**91.9**	**126.0**	**862.4**
Additions	**-**	**25.5**	**5.2**	**17.8**	**48.5**
Disposals and repayments	**(3.8)**	**(32.5)**	**(2.3)**	**(5.8)**	**(44.4)**
Unrealised gains/(losses) on investments	**-**	**50.8**	**29.7**	**(3.7)**	**76.8**
Foreign exchange losses	**-**	**(15.8)**	**(0.8)**	**(0.2)**	**(16.8)**
Closing fair value	**-**	**668.7**	**123.7**	**134.1**	**926.5**

					Group As at 31 March 2009
	Quoted equity investments £m	Unquoted investments £m	Debt investments £m	Loans and receivables £m	Total £m
Opening fair value	11.2	548.8	-	205.1	765.1
Additions	-	28.8	114.7	39.2	182.7
Disposals and repayments	-	(32.8)	-	(118.9)	(151.7)
Unrealised gains/(losses) on investments	(7.4)	35.5	(26.1)	-	2.0
Foreign exchange gains	-	60.4	3.3	0.6	64.3
Closing fair value	3.8	640.7	91.9	126.0	862.4

The holding period of investments in the portfolio is expected to be greater than one year. For this reason, the Directors have classified the portfolio as non-current. It is not possible to identify with certainty where any investments may be sold within one year.

The fair value of loans and receivables approximates to the carrying value. All debt investments are held at fair value through profit or loss.

The investment in the year into Elgin Infrastructure Limited has been treated as a joint venture and under IAS 31 it has been held at fair value through profit and loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income.

Elgin Infrastructure Limited was incorporated as a Special Purpose Entity in October 2009, to hold the underlying portfolio of PFI projects. There are no financial results currently available for this entity. As at 31 March 2010 there were no outstanding commitments from the Group, or from the Company to Elgin Infrastructure Limited, or to the underlying assets of Elgin Infrastructure Limited.

Fair value hierarchy
The Group classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy:

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

Unquoted equity instruments 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 equity instruments can be found in the section called Portfolio Valuation Methodology.

The debt investments held at fair value through profit and loss had a carrying value of £123.7 million (2009: £91.9 million). In accordance with the fair value hierarchy the debt instruments held at fair value are classified as Level 2 with reference to observable market information.

At 31 March 2009, the junior debt portfolio (contained within debt investments) was classified as Level 3 due to the low level of liquidity in the market in 2009. The liquidity of the market has improved over the course of the year and the debt investments have been reclassified to Level 2.

The Group's investment portfolio for equity instruments and the debt investments held at fair value and loans and receivables are classified by the fair value hierarchy as the following:

				Group
				as at 31 March 2010
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Unquoted equity	**-**	**-**	**668.7**	**668.7**
Debt investments held at fair value	**-**	**123.7**	**-**	**123.7**
Loans and receivables	**-**	**-**	**134.1**	**134.1**
	-	**123.7**	**802.8**	**926.5**

This disclosure only relates to the investment portfolio, however the fair value hierarchy also applies to derivatives. See Note 12 for details.

				Group
				as at 31 March 2010
Level 3 fair value reconciliation	**Unquoted investments £m**	**Debt investments £m**	**Loans and receivables £m**	**Total £m**
Opening fair value	**640.7**	**91.9**	**126.0**	**858.6**
Additions	**25.5**	**-**	**17.8**	**43.3**
Disposals	**(32.5)**	**-**	**(5.8)**	**(38.3)**
Unrealised gains/(losses) on investments	**50.8**	**-**	**(3.7)**	**47.1**
Foreign exchange loss	**(15.8)**	**-**	**(0.2)**	**(16.0)**
Transfer to Level 2	**-**	**(91.9)**	**-**	**(91.9)**
Closing fair value	**668.7**	**-**	**134.1**	**802.8**

All unrealised movements on investments and foreign exchange movements shown in the table above are recognised in the Statement of Comprehensive Income during the year. The foreign exchange loss of £16.0 million in the table above includes a foreign exchange loss of £14.9 million relating to assets that are held by intermediary holding companies of the Group, for which sterling is not the functional currency. As a result, this exchange loss of £14.9 million is recognised within Other Comprehensive Income as part of the overall loss of £9.1 million arising on re-translation of foreign currency subsidiaries. All other movements are recognised within the total Investment Return of £129.6 million.

The majority of the assets held within Level 3 are valued on a discounted cash flow basis, hence, the valuations above are sensitive to the discount rate assumed in the valuation of each asset. Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £45.1 million.

	Company Unquoted investments 2010 £m	Company Unquoted investments 2009 £m
Opening fair value	**-**	-
Additions	**23.5**	-
Unrealised gains on investments	**0.2**	-
Closing fair value	**23.7**	-

The Company made a direct investment into Elgin Infrastructure Limited during the year. This asset is considered to be in Level 3 of the investment hierarchy. The Company held no direct investments in a portfolio company as at 31 March 2009.

9 Interests in Group entities

			Company as at 31 March 2010
	Equity investments £m	**Debt investments £m**	**Total £m**
Opening carrying value	**0.8**	**484.4**	**485.2**
Additions	**-**	**49.9**	**49.9**
Disposals	**-**	**(24.8)**	**(24.8)**
Other movements	**-**	**(8.6)**	**(8.6)**
Closing carrying value	**0.8**	**500.9**	**501.7**

			Company as at 31 March 2009
	Equity investments £m	Debt investments £m	Total £m
Opening carrying value	1.0	455.4	456.4
Additions	-	141.7	141.7
Disposals	(0.2)	(146.8)	(147.6)
Other movements	-	34.1	34.1
Closing carrying value	0.8	484.4	485.2

Details of the principal subsidiaries of the Group are given in Note 21.

Other movements include foreign exchange movements.

10 Trade and other receivables

	As at 31 March 2010		As at 31 March 2009	
	Group £m	**Company £m**	Group £m	Company £m
Prepayments and accrued income	**3.8**	**0.4**	8.3	0.2
Other debtors	**4.8**	**0.5**	1.2	1.0
Amounts due from subsidiaries	**-**	**5.4**	-	9.6
	8.6	**6.3**	9.5	10.8

11 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 section. This note provides further detail on financial risk management, cross-referring to the Risk section 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 standardised investment approval process. The Board's investment committee and the Investment Adviser's investment process are part of the overall risk management framework.

The funding objective of the Group and Company is that each category of investment ought to be broadly matched with liabilities and shareholders' funds according to the risk and maturity characteristics of the assets, and that funding needs ought 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, borrowings 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 13 and the Group's and Company's equity are analysed into their various components in the Statement of changes in equity. Capital is managed so as to maximise the return to shareholders, while maintaining a strong capital base that ensures that the 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 closed ended collective investment fund and is not required as a result of such regulation to maintain a minimum level of capital, therefore the Directors consider that the Company has met all of its external capital requirements throughout the year.

Capital is allocated for investment in Utilities, Transportation and Social Infrastructure across the UK, continental Europe, Asia and the US. As set out in the Group's investment policy, the maximum exposure to any one investment is 20% of gross assets (including cash holdings).

Credit risk
The Group is subject to credit risk on its loans and receivables, debt 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 financial assets and liabilities. The Group's cash and deposits are held with a variety of counterparties principally in AAA rated money market funds as well as in short-term bank deposits. The credit quality of loans and receivables within the investment portfolio is based on the financial performance of the individual portfolio companies.

For those assets 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 or is expected to fail in the next 12 months, the Group's policy is to record a fair value adjustment for the full amount of the loan. Fair value adjustments, or "loan impairments", are made 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 loan investment. In these cases a loan impairment is recorded equal to the valuation shortfall.

As at 31 March 2010 the Group's shareholder loan investment of £3.7 million in T2C was considered to be impaired. No other assets held by the Group were considered to be impaired. The Company had no loans or receivables considered past due or impaired. As at 31 March 2009 there were no loans and receivables considered past due or impaired in the Group and the Company.

	Group			Company		
	Provisions £m	**Impairments £m**	**Total £m**	**Provisions £m**	**Impairments £m**	**Total £m**
Balance at 31 March 2009	-	-	-	-	-	-
Charged to net profit in the year	(3.7)	-	(3.7)	-	-	-
Balance at 31 March 2010	**(3.7)**	**-**	**(3.7)**	**-**	**-**	**-**

3i Infrastructure 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 Adviser and the Board. As at 31 March 2010, the Group did not consider itself to have exposure to one large counterparty and held deposits with a number of different counterparties to reduce counterparty risk.

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

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

2010	**Payable on demand £m**	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Due in greater than 5 years £m**	**Group Total £m**
Liabilities						
Loans and borrowings	-	**(10.1)**	**(10.1)**	**(193.6)**	**-**	**(213.8)**
Trade and other payables	**(5.2)**	**-**	**-**	**-**	**-**	**(5.2)**
Forward currency contracts	**-**	**(1.0)**	**(2.2)**	**(4.6)**	**-**	**(7.8)**
Financial commitments	**(95.0)**	**-**	**-**	**-**	**-**	**(95.0)**
Total undiscounted financial liabilities	**(100.2)**	**(11.1)**	**(12.3)**	**(198.2)**	**-**	**(321.8)**

2010	**Payable on demand £m**	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Due in greater than 5 years £m**	**Company Total £m**
Liabilities						
Trade and other payables	**(3.4)**	**-**	**-**	**-**	**-**	**(3.4)**
Forward currency contracts	**-**	**(0.6)**	**(1.9)**	**(3.7)**	**-**	**(6.2)**
Financial commitments	**(95.0)**	**-**	**-**	**-**	**-**	**(95.0)**
Total undiscounted financial liabilities	**(98.4)**	**(0.6)**	**(1.9)**	**(3.7)**	**-**	**(104.6)**

2009	Payable on demand £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due in greater than 5 years £m	Group Total £m
Liabilities						
Loans and borrowings	-	(8.4)	(8.4)	(25.3)	(179.8)	(221.9)
Trade and other payables	(4.6)	-	-	-	-	(4.6)
Forward currency contracts	-	(6.0)	(0.9)	(6.9)	(6.9)	(20.7)
Financial commitments	(102.7)	-	-	-	-	(102.7)
Total undiscounted financial liabilities	(107.3)	(14.4)	(9.3)	(32.2)	(186.7)	(349.9)

2009	Payable on demand £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due in greater than 5 years £m	Company Total £m
Liabilities						
Trade and other payables	(1.3)	-	-	-	-	(1.3)
Forward currency contracts	-	(5.7)	(0.9)	(6.9)	-	(13.5)
Financial commitments	(102.7)	-	-	-	-	(102.7)
Total undiscounted financial liabilities	(104.0)	(5.7)	(0.9)	(6.9)	-	(117.5)

All derivatives are settled net. The financial guarantee relates to the Company's commitments to the 3i India Infrastructure Fund.

The cash flows from financial assets are not used to manage contractual liquidity risk.

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 quoted market fluctuations. The Group's and the Company's sensitivities to these are set out below.

(i) Interest rate risk
Further information on how interest rate risk is managed is provided in the Risk section.

An increase or decrease of 250 basis points in interest rates over 12 months would lead to an approximate increase or decrease on net assets and to the net profit of £11.7 million for the Group (2009: £12.7 million). This exposure relates principally to changes in interest payable and receivable on floating rate debt instruments and cash on deposit and changes in the fair value of interest rate derivatives and floating rate debt instruments held at year end. In addition, the Group has indirect exposure to interest rates through changes to the financial performance of portfolio companies caused by interest rate fluctuations. The Company does not hold variable rate loans as assets or liabilities and is therefore only exposed to interest rate risk on its cash holdings. An increase or decrease of 250 basis points in interest rates over 12 months would lead to an approximate increase or decrease on net assets and to net profit of £7.7 million for the Company (2009: £9.8 million).

(ii) Currency risk
Further information on how currency risk is managed is provided in the Risk section. The currency denominations of the Group's net assets are shown in the table below. The sensitivity analysis demonstrates the exposure of the Group and Company's net assets to movements in foreign currency exchange rates.

				Group as at 31 March 2010
	Sterling	**Euro**	**US dollar**	**Total**
	£m	**£m**	**£m**	**£m**
Net assets	**790.5**	**159.8**	**98.0**	**1,048.3**
Sensitivity analysis				
Assuming a 10% increase in exchange rates against sterling:				
Impact of exchange movements on net profit	**9.7**	**(3.0)**	**-**	**6.7**
Impact of exchange movements on net assets	**9.7**	**(3.0)**	**-**	**6.7**
Impact of the translation of foreign operations in the translation reserve	**-**	**(10.7)**	**(8.8)**	**(19.5)**

				Company as at 31 March 2010
	Sterling	**Euro**	**US dollar**	**Total**
	£m	**£m**	**£m**	**£m**
Net assets	**663.6**	**96.5**	**70.9**	**831.0**
Sensitivity analysis				
Assuming a 10% increase in exchange rates against sterling:				
Impact of exchange movements on net profit	**9.7**	**(10.8)**	**(7.5)**	**(8.6)**
Impact of exchange movements on net assets	**9.7**	**(10.8)**	**(7.5)**	**(8.6)**

				Group as at 31 March 2009
	Sterling	Euro	US dollar	Total
	£m	£m	£m	£m
Net assets	802.9	159.8	90.3	1,053.0
Sensitivity analysis				
Assuming a 10% increase in exchange rates against sterling:				
Impact of exchange movements on net profit	1.0	(1.2)	-	(0.2)
Impact of exchange movements on net assets	1.0	(1.2)	-	(0.2)
Impact of the translation of foreign operations in the translation reserve	-	(11.5)	(8.0)	(19.5)

	Company as at 31 March 2009			
	Sterling £m	Euro £m	US dollar £m	Total £m
Net assets	676.5	108.7	73.7	858.9
Sensitivity analysis				
Assuming a 10% increase in exchange rates against sterling:				
Impact of exchange movements on net profit	1.0	(10.1)	(7.4)	(16.5)
Impact of exchange movements on net assets	1.0	(10.1)	(7.4)	(16.5)

(iii) Market price risk
Further information about the management of price risk, which arises principally from quoted and unquoted equity investments, is provided in the Risk section. A 10% change in the fair value of those investments would have the following direct impact on net profit and net assets.

	As at 31 March 2010				As at 31 March 2009			
	Quoted equity £m	**Unquoted investments £m**	**Debt investments £m**	**Total £m**	Quoted equity £m	Unquoted investments £m	Debt investments £m	Total £m
Impact on net profit	-	**66.9**	**12.4**	**79.3**	0.4	64.0	9.2	73.6
Impact on net assets	-	**66.9**	**12.4**	**79.3**	0.4	64.0	9.2	73.6

The Company has direct exposure to market price risk through its direct unquoted equity holding in Elgin Infrastructure Limited. A 10% increase in movement in the fair value of the investment would result in a £2.0 million impact on the Company's net profit and net assets (2009: £nil).

By the nature of the Group's activities, it has large exposures to individual assets that are susceptible to movements in price. However, the Directors have a set investment policy that sets predefined limits for the exposure of the Group to an individual asset. These limits have not been exceeded at 31 March 2010, and hence the Directors do not consider that any of these investments represents a large exposure.

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

12 Derivative financial instruments

	As at 31 March 2010		As at 31 March 2009	
	Group £m	**Company £m**	Group £m	Company £m
Non-current liabilities				
Forward foreign exchange contracts	**(6.8)**	**(5.6)**	(9.6)	(9.4)
Interest rate swaps	**(18.2)**	**-**	(17.7)	-
	(25.0)	**(5.6)**	(27.3)	(9.4)
Current liabilities				
Forward foreign exchange contracts	**(1.0)**	**(0.6)**	(4.0)	(4.0)
	(1.0)	**(0.6)**	(4.0)	(4.0)

Forward foreign exchange contracts
The Group 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 expected future cash flows arising from distributions made by investee companies.

The contracts entered into by the Group are principally denominated in the currencies of the geographic areas in which the Group operates. 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 to the statement of comprehensive income.

As at 31 March 2010 the notional amount of forward foreign exchange contracts was £138.4 million (2009: £120.9 million).

Interest rate swaps
The Group uses variable to fixed interest rate swaps to manage its exposure to interest rate movements on its floating-rate interest bearing borrowings. 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 the statement of comprehensive income.

At 31 March 2010 the notional amount of interest rate swaps was £169.6 million, €190.0 million (2009: £176.7 million, €190.0 million).

Fair value of derivatives
The following table shows financial instruments recognised at fair value, analysed into the investment hierarchy disclosed in Note 8.

	Group 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Forward foreign exchange contracts	-	(7.8)	-	(7.8)
Interest rate swaps	-	(18.2)	-	(18.2)
	-	(26.0)	-	(26.0)

Fair value has been determined using valuation techniques. The Group uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The inputs into the models are market observable and are therefore included within Level 2. All derivatives held by the Company, with a fair value of £6.2 million have been included in Level 2.

13 Loans and borrowings

	As at 31 March 2010		As at 31 March 2009	
	Group	**Company**	Group	Company
	£m	**£m**	£m	£m
Loans and borrowings are repayable as follows:				
Between 2-5 years	**(169.6)**	**-**	-	-
After 5 years	**-**	**-**	(176.7)	-
	(169.6)	**-**	(176.7)	-

The fair value of the loans and borrowings equates to the carrying value disclosed.

Oystercatcher Luxco 2 S.àr.l., a subsidiary of the Company, has borrowings from Royal Bank of Canada of €190.0 million (£169.6 million, 2009: £176.7 million). This facility has been drawn down in full and is repayable in 2014 in full. The facility has an interest rate at EURIBOR plus a margin of 1.25%.

The loan from Royal Bank of Canada to Oystercatcher Luxco 2 has standard loan covenants including a debt service coverage ratio, an interest cover ratio and a leverage ratio. Royal Bank of Canada has security over Oystercatcher's equity stakes in the underlying operating companies of £118.8 million.

Oystercatcher Luxco 2 has an arrangement with Royal Bank of Canada for an additional facility of €60.0 million. As at 31 March 2010, Oystercatcher Luxco 2 had not drawn down against this facility.

In March 2008, the Company entered into a three year £225.0 million revolving credit facility and, as at 31 March 2010, the Company had not drawn down against this facility.

14 Trade and other payables

	As at 31 March 2010		As at 31 March 2009	
	Group	**Company**	Group	Company
	£m	**£m**	£m	£m
Trade payables	**(1.3)**	**-**	(0.6)	(0.1)
Advisory, performance and management fees	**(3.1)**	**(2.8)**	(0.6)	(0.6)
Accruals	**(0.8)**	**(0.6)**	(3.4)	(0.6)
	(5.2)	**(3.4)**	(4.6)	(1.3)

15 Issued capital

The Company is authorised to issue an unlimited number of shares with no fixed par value

	As at 31 March 2010		As at 31 March 2009	
	Number	**£m**	Number	£m
Issued and fully paid				
Opening balance	**811,082,081**	**817.6**	702,859,804	702.9
Issued as part of Placing and Open Offer	-	-	108,132,277	114.6
Conversion of warrants	**500**	**-**	90,000	0.1
Closing balance	**811,082,581**	**817.6**	811,082,081	817.6

Under the Initial Public Offering in March 2007, ordinary shares were issued for £1.00, resulting in proceeds of £702.9 million being received. For every 10 shares issued as part of the IPO, one warrant was issued, resulting in 70.2 million warrants being issued. A further 640,980 warrants were issued as part of the over-allotment arrangement. Each warrant entitles the holder to subscribe for one ordinary share at £1.00 at any time from 13 September 2007 to 13 March 2012. As at 31 March 2010, there were 70,550,480 warrants in issue (2009: 70,550,980), with 500 warrants converted in the year for a total consideration of £500 (2009: 90,000 warrants converted).

On 9 July 2008, a further 108.1 million ordinary shares were issued as part of the Placing and Open Offer for a price of £1.06, resulting in proceeds of £114.6 million being received. No warrants were attached to these shares.

16 Per share information

	Year to 31 March 2010	Year to 31 March 2009
Earnings per share (pence)		
Basic	**11.1**	5.4
Diluted	**11.1**	5.4
Earnings (£ million)		
Profit for the year attributable to equity holders of the parent	**90.3**	42.6
Number of shares (million)		
Weighted average number of shares in issue	**811.1**	784.0
Effect of dilutive potential ordinary shares – warrants	**-**	2.2
Diluted shares	**811.1**	786.2
Net assets per share (pence)		
Basic	**118.1**	113.5
Diluted	**116.7**	112.4
Net assets (£ million)		
Net assets attributable to equity holders of the parent	**958.1**	920.7

17 Dividends

	Year to 31 March 2010		Year to 31 March 2009	
Declared and paid during the year	**Pence per share**	**£m**	Pence per share	£m
Interim dividend paid on ordinary shares	**2.2**	**17.8**	2.1	17.0
Prior year final dividend paid on ordinary shares	**3.2**	**26.0**	3.0	21.1
	5.4	**43.8**	5.1	38.1
Proposed final dividend	**3.3**	**26.8**	3.2	26.0

18 Commitments

	Year to 31 March 2010		Year to 31 March 2009	
	Group £m	**Company £m**	Group £m	Company £m
Equity and loan investments	**95.0**	**95.0**	102.7	102.7

As at 31 March 2010, the Group and the Company were committed to subscribing a further £95.0 million (2009: £102.7 million) to investments. The capital is available for drawdown on demand by the investee companies.

19 Contingent liabilities

At 31 March 2010 there was no material litigation or contingent liabilities outstanding against the Company or any of its subsidiary undertakings (2009: nil).

20 Related parties

The Group has various related parties stemming from relationships with limited partnerships owned by the Group, its investments and its Investment Adviser. In addition, the Company has related party relationships in respect of its subsidiaries.

Investments

The Group principally takes minority holdings in the equity of unquoted companies. This normally allows the Group to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. These investments are not equity accounted for (as permitted by IAS 28) but are related parties. The total amounts recognised in the statement of comprehensive income and the balance sheet for these investments are as follows:

Group Statement of comprehensive income	**Year to 31 March 2010 £m**	Year to 31 March 2009 £m
Unrealised profit on the revaluation of investments	**26.5**	45.0
Portfolio income	**21.5**	20.1

Balance sheet	**As at 31 March 2010 £m**	As at 31 March 2009 £m
Unquoted equity movements	**455.5**	401.1
Loans and receivables	**34.3**	19.4
	489.8	420.5

The Company holds one direct investment, a 49.9% equity stake in Elgin Infrastructure Limited, valued at £23.7 million. During the year, the Company received £1.6 million portfolio income from Elgin Infrastructure Limited directly. For the year to 31 March 2009, the Company had no direct investments in portfolio assets held at fair value through profit or loss.

Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties of the Company, are eliminated on consolidation. Details of related party transactions between the Company and its subsidiaries are detailed below:

Company Statement of comprehensive income	**Year to 31 March 2010 £m**	Year to 31 March 2009 £m
Income from subsidiary undertakings	**33.0**	26.3

Balance sheet	**As at 31 March 2010 £m**	As at 31 March 2009 £m
Investments made in subsidiary undertakings	**49.9**	141.7
Disposals of investments held in subsidiary undertakings	**(24.8)**	(147.0)

The Company makes investments through a number of subsidiaries by providing funding in the form of capital contributions or loans, depending on the legal form of the entity making the investment. The legal form of these subsidiaries may be limited partnerships or limited companies or equivalent, depending on the jurisdiction of the investment.

The Company is not considered to have any Key Management Personnel as it has a non-executive Board and no employees.

Transactions between 3i Infrastructure and 3i Group
3i Group plc ("3i Group") holds 33.2% (2009: 33.3%) of the ordinary shares of the Company and also holds warrants which give it rights to acquire a further 32.5 million ordinary shares. This classifies 3i Group as a "substantial shareholder" of the Company as defined by the Listing Rules.

The Company has committed US$250 million to the 3i India Infrastructure Fund to invest in the Indian infrastructure market. 3i Group has also committed US$250 million for investment to this Fund. In total, commitments of US$106.2 million (£58.9 million) (2009: US$103.0 million, £56.9 million) had been drawn down at 31 March 2010 from 3i Infrastructure. At 31 March 2010, the Group's outstanding commitment to the Fund was US$143.8 million (£95.0 million).

3i Osprey GP, a subsidiary of 3i Group, receives a priority profit share from 3i Osprey LP, a subsidiary of the Company. During the year, £2.8 million was payable to 3i Group of which £1.7 million was offset against the Advisory fee (2009: £2.3 million). As at 31 March 2010, £0.2 million remained outstanding.

3i Infrastructure was involved in two separate transactions with 3i Group during the year. Under the first transaction, 3i Osprey LP sold 1.1% of its interest in AWG to an unrelated third party. The net proceeds of the sale (£20.9 million) were distributed to 3i Group in exchange for a reduction of 6.2% in its interest in 3i Osprey LP. Under the second transaction, 3i Group sold 8.8% of its limited partnership interest in 3i Osprey LP to 3i Infrastructure. The net consideration for the second transaction was £23.4 million. As a result of both transactions, 3i Infrastructure now has a 68.5% interest in 3i Osprey LP and continues to consolidate 3i Osprey LP into the Company's Group balance sheet. 3i Group has been left with a limited partnership interest of 2.3% in 3i Osprey LP.

3i Investments, a subsidiary of 3i Group, acts as the exclusive Investment Adviser to the Company. It also acts as the manager for the 3i India Infrastructure Fund. 3i plc, another subsidiary of 3i Group, together with 3i Investments, provides support services to the Company.

Under the Investment Advisory Agreement, an annual advisory fee is payable to 3i plc based on the Gross Investment Value of 3i Infrastructure at the end of each financial period. Gross Investment Value is defined as the total aggregate value (including any subscription obligations) of the investments of the Company 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. The advisory fee accrues throughout a financial period and quarterly instalments are payable on account of the advisory fee for that period. The advisory fee is not payable in respect of cash or cash equivalent liquid temporary investments held by the Group throughout a financial period. For the year to 31 March 2010, £9.1 million was payable and £0.2 million remains due to 3i plc. For the year to 31 March 2009, £10.0 million was payable and £nil remained due to 3i plc.

The Investment Advisory Agreement entitles an annual performance fee to be payable to 3i plc. This becomes payable when the Adjusted Total Return per ordinary share (being mainly closing net asset value per share aggregated with any distributions made in the course of the financial period and any accrued performance fees relating to the financial period) for the period exceeds the Target Total Return per share, being the Net Asset Value per ordinary share equal to the opening Net Asset Value per ordinary share increased at a rate of 8% per annum ("the performance hurdle"). If the performance hurdle is exceeded, the performance fee will be equal to 20% of the Adjusted Total Return per share in excess of the performance hurdle for the relevant financial period, multiplied by the weighted average of the total number of shares in issue over the relevant financial period. For the year to 31 March 2010, £2.6 million was payable and remains due to 3i plc. For the year to 31 March 2009, £0.5 million was payable and remained due to 3i plc.

Under the Investment Advisory Agreement, the Investment Adviser's appointment may be terminated by either the Company or the Investment Adviser giving the other not less than 12 months' notice in writing (provided however that neither party may give such notice during the first four years of the Investment Adviser's appointment, save that such 12 months' notice may be given at any time if the Investment Adviser has ceased to be part of 3i Group), or with immediate effect by either party giving the other written notice in the event of insolvency or material or persistent breach by the other party. The Investment Adviser may also terminate the agreement on two months' notice given within two months of a change of control of the Company.

Pursuant to the UK Support Services Agreement, the Company also pays 3i plc an annual fee for the provision of support services. Such remuneration is payable quarterly in arrears. The amount payable for the year to 31 March 2010 was £0.5 million (2009: £0.5 million). There was no outstanding balance payable as 31 March 2010 (2009: £nil).

Transaction with a joint venture company
In January 2010 the Group invested £39.1 million to acquire a 49.9% stake in Elgin Infrastructure Limited. This has been treated as a joint venture in accordance with IAS 31 and has been held at fair value through profit and loss and accounted for in accordance with IAS 39. The value as at 31 March 2010 was £38.7 million.

During the year, the Group received £0.6 million of capital repayment on the loans and receivables held in Elgin. £2.0 million portfolio income was recognised in the Group from Elgin with £0.5 million outstanding to the Group as at 31 March 2010.

21 Principal subsidiaries

Name	Country of incorporation	Ownership interest
3i Infrastructure (Luxembourg) S.àr.l.	Luxembourg	100%
3i Infrastructure (Luxembourg) Holdings S.àr.l.	Luxembourg	100%
Oystercatcher Luxco 1 S.àr.l.	Luxembourg	100%
Oystercatcher Luxco 2 S.àr.l.	Luxembourg	100%
3i Osprey LP	UK	69%
3i Infrastructure Seed Assets LP	UK	100%

The list above comprises the principal subsidiary undertakings as at 31 March 2010. Each of the subsidiary undertakings is included in the consolidated accounts of the Group.

Investment policy

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

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

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

The Company will, in any case, invest no more than 15% of its total gross assets in other investment companies or investment trusts which are listed on the Official List. The Company may also consider investing in other fund structures (in the event that it considers, on receipt of advice from the Investment Adviser, that is the most appropriate and effective means of investing), which may be advised or managed either by the Investment Adviser or a third party. If the Company invests in another fund advised or managed by 3i Group, the relevant proportion of any advisory or management fees payable by the investee fund to 3i plc will be deducted from the annual advisory fee payable under the Investment Advisory Agreement and the relevant proportion of any performance fee will be deducted from the annual performance fee, if payable, under the Investment Advisory Agreement. For the avoidance of doubt, there will be no similar set-off arrangement where any such fund is advised or managed by a third party.

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

No investment made by the Company will represent more than 20% of the Company's gross assets, including cash holdings, at the time of the making of the investment. It is expected that most individual investments will exceed £50 million. In some cases, the total amount required for an individual transaction may exceed the maximum amount that the Company is permitted to commit to a single investment. In such circumstances, the Company may consider entering into co-investment arrangements with 3i Group (or other investors who may also be significant shareholders), pursuant to which 3i Group and its subsidiaries (or such other investors) may co-invest on the same financial and economic terms as the Company. The suitability of any such co-investment arrangements will be assessed on a transaction-by-transaction basis and would be subject to both Board and, where applicable, 3i Group and its subsidiaries' approval. Depending on the size of the relevant investment and the identity of the relevant co-investor, such a co-investment arrangement may be subject to the related party transaction provisions contained in the Listing Rules and may therefore require shareholder consent.

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

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