10 May 2022

Results for the year to 31 March 2022

3i Infrastructure plc (the 'Company') today announces a 17.2% return for the year, delivery of the FY22 dividend of 10.45 pence and a 6.7% increase in the target dividend for FY23 to 11.15 pence per share.

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

"I am delighted to report that we achieved a return of 17.2% in the year ended 31 March 2022, well ahead of our target and demonstrating the attractiveness of our portfolio. This is the eighth consecutive year that we have met or exceeded our return target; and we have increased the dividend per share in every year of the Company's existence."

Phil White, Managing Partner, Infrastructure, 3i Investments plc, added:

"It was a very good year for the Company – a high level of new investment, excellent realisations, and a strong portfolio performance."

Performance highlights

Portfolio consistently meeting or exceeding target returns	17.2% Total return on opening NAV £404m Total return for the year 303.3p NAV per share
Strong level of new investments	£980m New investments or commitments
Successful realisation of Oystercatcher's European terminals and the European Projects portfolio	14% IRR and 20% IRR
Delivered FY22 dividend target, fully covered Setting target for FY23 dividend, up 6.7% year on year	10.45p Full year dividend per share for FY22 11.15p Target dividend per share for FY23

For further information, please contact:

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For further information regarding the announcement of the results for 3i Infrastructure plc, including a live webcast of the results presentation at 10.00am, please visit www.3i-infrastructure.com. The analyst presentation will be made available on this website during the day.

Notes to the preliminary announcement

Note 1
The statutory accounts for the year to 31 March 2022 have not yet been delivered to the Jersey Financial Services Commission. The statutory accounts for the year to 31 March 2021 have been delivered to the Jersey Financial Services Commission. The auditor's reports on the statutory accounts for these years are unqualified. This announcement does not constitute statutory accounts. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year to 31 March 2021.

Note 2
Subject to shareholder approval, the proposed final dividend is expected to be paid on 11 July 2022 to holders of ordinary shares on the register on 17 June 2022. The ex-dividend date for the final dividend will be on 16 June 2022.

Note 3
This report contains Alternative Performance Measures ('APMs'), which are financial measures not defined in International Financial Reporting Standards ('IFRS'). More information relating to APMs, including why we use them and the relevant definitions, can be found in the Company's 2022 Annual report and accounts and in the Financial review section.

Note 4
The preliminary announcement has been extracted from the Annual report and accounts 2022. The Annual report and accounts 2022 will be available on the Company's website today. Printed copies of the Annual report and accounts 2022 will be distributed to shareholders who have elected to receive printed copy communications on or soon after 23 May 2022.

Notes to editors

About 3i Infrastructure plc
3i Infrastructure plc is a Jersey-incorporated, closed-ended investment company, an approved UK Investment Trust, listed on the London Stock Exchange and regulated by the Jersey Financial Services Commission. The Company's purpose is to deliver a long-term sustainable return to shareholders from investing in infrastructure.

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

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

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

Our purpose

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

Chair's statement

3i Infrastructure continues to meet its strategic objectives and deliver its purpose.

"This has been another excellent year, and we have confidence in the future of our Company and portfolio."

Richard Laing
Chair, 3i Infrastructure plc

The Company aims to provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term. I am delighted to report that we achieved a return of 17.2% in the year ended 31 March 2022, well ahead of our target and demonstrating the attractiveness of our portfolio. This is the eighth consecutive year that we have met or exceeded our return target; and we have increased the dividend per share in every year of the Company's existence.

Our portfolio companies have continued to demonstrate resilience throughout the Covid-19 pandemic, keeping essential infrastructure operating and supporting customers, suppliers, employees and their communities. None of our portfolio companies has direct exposure to Russia or Ukraine.

We have made good progress against our sustainability objectives and are pleased with the level of engagement and enthusiasm that we see across our portfolio companies. Our report this year includes information on greenhouse gas ('GHG') emissions for each company, which can be found in the Sustainability report of the Annual report and accounts 2022.

I am grateful to shareholders and the Board of Directors for their support during the year, as well as to the Investment Manager's team for their hard work in a year when office life and business travel were again restricted. We made good use of virtual means of communication, as well as meeting in person where possible.

Our purpose

Our purpose, as set out above, is to invest responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive impact on our portfolio companies and their stakeholders. The key elements of our purpose are used to structure our Strategic report.

Sustainability is central to our purpose and we create value for all stakeholders by investing in, developing and actively managing essential infrastructure which responds to public needs, fosters sustainable growth and improves the lives of communities. We invest across a broad range of infrastructure investment themes, and are highlighting two in particular in this report: energy transition and digitalisation.

As the countries in which we invest increase their focus on climate change, we see continued opportunities to invest in energy transition, putting our capital to work to generate sustainable returns and to have a positive impact through mitigating climate change. Similarly, increasing demand for digital connectivity brings opportunities to invest in building the underlying infrastructure required to meet that demand.

Performance

The Company generated a total return of £404 million in the year ended 31 March 2022, or 17.2% on opening NAV, ahead of our target of 8% to 10% per annum to be achieved over the medium term.

2007 to 2022

In the 15 years since the initial public offering ('IPO') the Company has delivered an annualised total shareholder return of

13.1%

per annum

The NAV per share increased to 303.3 pence. We delivered a Total Shareholder Return ('TSR') of 20.9% in the year (FTSE 250: 0.5%). Since IPO, the Company's annualised TSR is 13.1%, comparing favourably with the broader market (FTSE 250: 7.1% annualised over the same period).

Investment activity

This was a busy year for new investments. In June 2021, we completed the acquisition of a 60% stake in DNS:NET for £157 million. DNS:NET is a leading independent telecommunications provider in Germany. In November 2021, we agreed to invest c.$512 million to acquire 100% of Global Cloud Xchange ('GCX'). GCX is a leading global data communications service provider. Additional acquisition debt was raised in March 2022, reducing the Company's equity commitment to c.£300 million. The transaction is expected to complete in summer 2022.

In December 2021, we invested £191 million, net of a subsequent debt raise, in SRL Traffic Systems ('SRL'). SRL is the market leading traffic management equipment rental company in the UK.

We bought out our co-investor, AMP Capital, purchasing their stake in ESVAGT for £258 million in February 2022.

We have continued to support growth in our portfolio companies with an aggregate £71 million investment into DNS:NET, Valorem, ESVAGT and Joulz to fund further growth.

We completed the sale of Oystercatcher's four European terminals in October 2021. This resulted in a distribution of €55 million to the Company after repaying all of Oystercatcher's debt facilities. Oystercatcher retains its holding of a 45% stake in Oiltanking Singapore. At the end of the financial year, in March 2022, we agreed to sell our European Projects portfolio to 3i European Operational Projects Fund ('3i EOPF') for £103 million. This transaction is expected to reach completion by June 2022.

Dividend

Following the payment of the interim dividend of 5.225 pence per share in January 2022, the Board is recommending a final dividend for the year of 5.225 pence per share, meeting our target for the year of 10.45 pence per share, 6.6% above last year's total dividend. We expect the final dividend to be paid on 11 July 2022. Consistent with our progressive dividend policy, we are announcing a total dividend target for the year ending 31 March 2023 of 11.15 pence per share, representing an increase of 6.7%.

Changes to the Investment Manager's team

On 31 March 2022, the Investment Manager announced that Phil White is stepping down from his role as Managing Partner and Head of Infrastructure, 3i Investments plc, with effect from 1 July 2022. Scott Moseley and Bernardo Sottomayor will be appointed as Co-Heads of European Infrastructure and will take on Phil's role in relation to the Company.

Phil has contributed enormously to the Company's success over many years. During his eight-year tenure as Managing Partner, the Company's returns have been consistently ahead of the FTSE 250 benchmark and, under his leadership, the capabilities of the management team have grown considerably. We have appreciated Phil's experience, wisdom and commitment and are extremely grateful for all that he has done for the Company.

We note that Phil will continue with the Investment Manager on a part-time basis and will remain a member of the Investment Committee. We welcome the appointment of Scott and Bernardo, knowing them well and having worked with them over many years. The Board is confident that under their leadership the team will continue to provide excellent management of the Company.

Corporate governance and Company domicile

The Company's Annual General Meeting ('AGM') was held on 8 July 2021 as a purely functional meeting only conducting the formal business due to Government guidance and continued restrictions related to the Covid-19 pandemic in place at the time.

All resolutions were approved by shareholders, including the re-election of the existing Directors. I was pleased with the high level of shareholder engagement via proxy voting at that meeting. We also held an interactive online shareholder presentation two weeks before the AGM which enabled shareholders to submit questions for Directors to answer.

This year's AGM will be held on 7 July 2022. Further details are provided in the Notice of Meeting and on the Company's website, www.3i-infrastructure.com. We very much look forward to seeing shareholders in person again at this year's AGM.

In 2021, the UK government consulted on proposals to implement a simplified corporate re-domiciliation regime that would allow overseas companies to become UK domiciled. The Company responded supporting these proposals. If implemented, the Company would be likely to take advantage of this route to become a UK company. There would be no change in the Company's status as an approved UK investment trust.

Directors' duties

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

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

Outlook

The Company has remained disciplined in its investment approach, and has succeeded in making a number of new investments during the year. Our portfolio consists of defensive businesses providing essential services to their customers and the communities they serve, often benefitting from long-term sustainable trends.

We remain confident in our business model. As our Company has grown, we have increased the size of the investments we can hold in our portfolio and the funding options we have available to us. We are well-placed to take advantage of new investment opportunities and to continue to support and grow our portfolio companies.

Richard Laing

Chair, 3i Infrastructure plc
9 May 2022

Our approach

We invest responsibly and have a positive impact

Responsible investing

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

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

Our influence

We use our influence as owners and active managers to ensure that our investee companies are run responsibly and that they have a positive impact on the environment and on the communities in which they operate.

This includes supporting and empowering management teams to develop business strategies that deliver value whilst mitigating adverse environmental and social impacts. We create a culture where there is an ambition to improve our businesses and where it is known that we value management teams spending time and resources on sustainability initiatives.

We also seek to manage all material ESG risks and opportunities during the period of the Company's investment. This includes enhancing portfolio companies' corporate governance and their board reporting.

We seek to invest in opportunities that, where appropriate, will develop solutions to sustainability challenges. We make a limited number of investments each year, allowing us to be very selective in our approach to new investment.

Positive impact

Examples of where we are making a positive impact on our portfolio companies and their stakeholders:

- Encouraging each portfolio company to include in its sustainability strategy a focus on its employees and local communities
- Investing in DNS:NET and GCX to increase digital connectivity both locally and internationally
- Supporting ESVAGT in its transition to servicing the offshore wind sector
- Working with portfolio companies to develop plans for reducing greenhouse gas emissions
- Supporting Joulz to evolve into an integrated energy transition solutions provider – with solar, battery and EV charging technologies, and Infinis to diversify its renewable platform into solar power and battery storage
- Providing management teams with support and access to a wide network of advisers and industry experts
- Supporting TCR in its contract win with KLM Royal Dutch Airlines to replace a diesel fleet of ground support equipment ('GSE') with a new electrical fleet

RCF

Sustainability-linked revolving credit facility ('RCF')

During the year, we refinanced the Company's revolving credit facility as a sustainability-linked RCF. The new facility includes stretching targets across ESG themes aligned with our purpose.

The infrastructure market

Competitive landscape

Competition for infrastructure assets remained high with considerable capital available in the market leading to another record year of infrastructure assets under management. This year has seen the launch of several new UK listed and private funds targeting economic infrastructure investment opportunities. This includes a number of funds with narrow mandates focused on specific sub-sectors of the infrastructure market.

Macro environment

Accelerating trends in the macro environment have also increased investor appetite for the infrastructure asset class.

This year has seen rising inflation followed by expectations of rising interest rates and a tightening of monetary policy from central banks.

In this environment, demand for infrastructure assets typically increases since they can act as a hedge with revenues directly or indirectly linked to inflation. These trends, and our response to them, are discussed in more detail within the Risk report.

Megatrends

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

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

A disciplined investor

Origination approach

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

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

Asset management

Throughout the year we maintained a significant focus on asset management activities and investment stewardship. As social restrictions due to Covid-19 began to ease, we ensured that portfolio companies were able to continue delivering essential services whilst focusing on the health and safety of employees, and the needs of customers and suppliers.

We have increased our focus on sustainability. During the year we worked with portfolio companies to implement processes to collect and analyse greenhouse gas emissions data and are pleased to report the results in our Sustainability report of the Annual report and accounts 2022. Portfolio companies are now developing plans for reducing their emissions over time.

In the year we also performed a review of each portfolio company's cyber security. Portfolio company management teams are now implementing bespoke recommendations to enhance their cyber security positions.

Unique offering for shareholders

The Company remains unique, providing shareholders with access to private infrastructure assets across a variety of megatrends, sectors and geographies.

Whilst listed and private funds compete against the Company for new investments, other UK listed infrastructure funds typically target smaller investments than the Company or investments in operational and greenfield Public Private Partnership ('PPP') projects, which are outside our investment focus.

Our primary investment focus remains mid-market economic infrastructure with controlling majority or significant minority positions and strong governance rights, whilst adhering to a set of core investment characteristics and risk factors.

£100m–£400m
Typical equity investment

9%–14%
Typical range of returns per annum

Our business model

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

What enables us to create value	Characteristics we look for in new investments	How we create value	Value created in the year	
			Financial	**Non-financial**
Investment Manager's team 3i Group network Engaged asset management Reputation and brand High ESG standards Robust policies and procedures Efficient balance sheet	Asset intensive business Asset bases that are hard to replicate Provide essential services Established market position Good visibility of future cash flows An acceptable element of demand or market risk Opportunities for further growth Sustainability	Buy well Strong governance Define strategy Execute plan Realisation	17.2% Total return on opening net asset value 10.45p Ordinary dividend per share 19% Asset IRR (since inception)	4 Further investments in portfolio companies to fund growth 4 New Chair and non-executive Director appointments in portfolio companies +5.5% Increase in installed renewable energy capacity 10 Portfolio companies reporting on greenhouse gas emissions

Our business model explained

What enables us to create value

Investment Manager's team

The Company is managed by an experienced and well-resourced team. The European infrastructure team was established by 3i Group in 2005 and now comprises more than 50 people, including over 30 investment professionals.

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

3i Group network

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

Engaged asset management

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

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

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

Strength portfolio company management teams	**Invest in and develop companies to support a sustainable future**	**Growing our platform businesses through acquisitions**

Reputation and brand

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

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

High ESG standards

Sustainability and ESG standards are discussed throughout this report. Please refer to Our approach section, the Sustainability report of the Annual report and accounts 2022 and the Risk report.

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

Anna Dellis

Partner, 3i Investments plc

Robust policies and procedures

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

Efficient balance sheet

The Company's flexible funding model seeks to maintain an efficient balance sheet with sufficient liquidity to make new investments. In order to capitalise on emerging opportunities, during the year we extended our borrowing facilities from £300 million to £1 billion.

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

Characteristics we look for in new investments

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

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

Asset intensive business Owning or having exclusive access under long-term contracts to assets that are essential to deliver the service	**Good visibility of future cash flows** Long-term contracts or sustainable demand that allow us to forecast future performance with a reasonable degree of confidence
Asset bases that are hard to replicate Assets that require time and significant capital or technical expertise to develop, with low risk of technological disruption	**Provide essential services** Services that are an integral part of a customer's business or operating requirements, or are essential to everyday life
An acceptable element of demand or market risk Businesses that have downside protection, but the opportunity for outperformance	**Opportunities for further growth** Opportunities to grow or to develop the business into new markets, either organically or through targeted M&A
Established market position Businesses that have a long-standing position, reputation and relationship with their customers – leading to high renewal and retention rates	**Sustainability** Businesses that meet our Responsible Investing criteria, with opportunities to improve sustainability and ESG standards

How we create value

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

Buy well	Strong governance	Define strategy
• Comprehensive due diligence • Consistent with return/yield targets • Fits risk appetite	• Make immediate improvements • Board representation • Appropriate Board composition • Incentivised management	• Agree strategic direction • Develop action plan • Focus on ESG • Right capital structure
Execute plan	**Realisation**	
• Ongoing support and advice • Monitor performance • Review further investment • Facilitate M&A	• Long-term view but will sell to maximise shareholder value	What we do is framed by our strategic priorities

Our strategy

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

Strategic priorities

Maintaining a balanced portfolio	Delivering an attractive mix of income yield and capital appreciation for shareholders. Investing in a diversified portfolio in developed markets, with a focus on the UK and Europe.	17% **Largest single investment by value***
Disciplined approach to new investment	Focusing selectively on investments that are value enhancing to the Company's portfolio and with returns consistent with our objectives.	£980m **New investments or commitments**
Managing the portfolio intensively	Driving value from our portfolio through our engaged asset management approach. Delivering growth through platform investments.	4 **Follow-on investments in portfolio companies** 5 **Portfolio companies refinanced***
Maintaining an efficient balance sheet	Minimising return dilution to shareholders from holding excessive cash, while retaining a good level of liquidity for future investment.	£484m **Total liquidity less investment commitments***
Sustainability a key driver of performance	Ensuring that our investment decisions and asset management approach consider both the risks and opportunities presented by sustainability.	898MW **Installed renewable energy capacity**

* Includes commitment to invest in GCX, net of debt financing, made on 17 November 2021.

Our objectives and KPIs

Our objectives are to provide shareholders with:

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

Our KPIs

Total return % on opening NAV

2018	28.6%
2019	15.4%
2020	11.4%
2021	9.2%
2022	**17.2%**
Target	**8-10%**

Target

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

Met or exceeded target for 2022 and every prior year shown

Rationale and definition

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

Performance over the year

- Total return of £404 million in the year, or 17.2% on opening NAV
- The portfolio showed good resilience overall with strong performance in particular from Oystercatcher, TCR and ESVAGT
- The hedging programme continues to reduce the volatility in NAV from exchange rate movements
- Costs were managed in line with expectations

a progressive annual dividend per share

Annual distribution

pence per share

2018	7.85p+
2019	8.65p
2020	9.20p
2021	9.80p
2022	**10.45p**
2023 Target	**11.15p**

+ Special dividend (2018: 41.40p)

Target

Progressive dividend per share policy. FY23 full year dividend target of 11.15 pence per share.

Dividend per share increased every year since IPO

Rationale and definition

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

Performance over the year

- Proposed total dividend of 10.45 pence per share, or £93 million, is in line with the target set at the beginning of the year
- Income generated from the portfolio and cash deposits, including non-income cash distributions and other income from portfolio companies, totalled £143 million for the year
- Operating costs and finance costs used to assess dividend coverage totalled £50 million in the year
- The dividend was fully covered for the year
- Setting a total dividend target for FY23 of 11.15 pence per share, 6.7% higher than for FY22

Review from the Managing Partner

We have made attractive new investments, both in new businesses and companies we already know well, and successfully realised Oystercatcher's European terminals and our European projects portfolio.

The portfolio continued to be resilient, delivering strong operational and financial performance ahead of the expectations we set a year ago. Competition for new investments remains intense, leading to high pricing of assets, and we remain disciplined to invest selectively.

"It was a very good year for the Company – a high level of new investment, excellent realisations, and a strong portfolio performance."

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

This was a very busy year of investment activity. Our new investments in SRL and GCX are both in growth sectors with strong market positions. Increasing our stake in ESVAGT to 100% and our injections of additional capital into DNS:NET, Valorem and Joulz will benefit the Company from further growth in those platforms. The Company has increased its credit facilities to ensure that it continues to have ample liquidity to make further new investments.

The portfolio delivered strong performance during the year and met our income expectations. As Europe emerges from the Covid-19 pandemic, we have seen a pick-up in growth initiatives in a number of our portfolio companies and we are working closely with our portfolio company management teams to execute on these.

Our portfolio is not immune to the challenging current macro environment of higher inflation, interest rate rises, tax rises, supply side disruptions and heightened geopolitical risks from Russia's invasion of Ukraine. However, the Company has a well-diversified portfolio, each business operating in its established market position and, in the majority of cases, with predictable income and some inflation protection. Over the past six months we have also further reduced the portfolio's exposure to interest rates through extensive financing activity. We supported five portfolio companies through refinancing or additional debt raises, extending debt maturities and locking in fixed rates on attractive terms.

Portfolio review

Most portfolio companies performed materially ahead of expectations.

The sale of Oystercatcher's 45% stakes in its four European terminals in Amsterdam, Terneuzen, Ghent and Malta drove part of the outperformance in the year. The majority of the net proceeds from the sale were used to prepay all of Oystercatcher's debt.

The balance of the net proceeds to Oystercatcher, €55 million, was distributed to the Company. Oystercatcher continues to own a 45% stake in Oiltanking Singapore Limited alongside Oiltanking GmbH.

ESVAGT, in which we invested £258 million to acquire the 50% stake owned by our co-investor, AMP, had a very good year, benefitting from higher contract rates and utilisation levels returning to pre-Covid levels. It also won a milestone contract to provide the world's first green Service Operation Vessel, powered by batteries and renewable e-methanol, to the Hornsea 2 wind farm in the UK.

Despite new travel restrictions imposed during the winter, TCR continued to demonstrate the resilience of its business model and performed ahead of our expectations for the year. The business continues to grow, increasing the number of airports in which it operates and increasing the number of clients it serves.

Infinis significantly exceeded its budget due to outperformance in its captured landfill methane business, higher UK power prices and the frequent power supply system imbalances in the UK that benefitted its power response assets. Attero also benefitted from high power prices, which, together with higher than forecast waste supply volumes and gate fees, helped it to materially outperform expectations and the prior year. In March 2022, the business closed an additional debt raise on favourable terms.

Our French-headquartered companies, Ionisos and Valorem, were strong performers in the year. To sustain the growing demand from the healthcare and pharma industries, Ionisos is looking at various expansion opportunities beyond the construction of a new site at Kleve, Germany. Valorem is progressing well with its construction activity with a total of 105MW of new wind and solar projects entering into operation during the year. It also successfully closed Viiatti, a landmark large-scale wind project in Finland.

Tampnet and Joulz performed well during the year. At Tampnet, customers continued to upgrade their bandwidth requirements. Joulz's core businesses of Infrastructure Services and Metering performed in line with expectations and we saw continued healthy growth in the order book. This was offset by some delays in completing new projects, mainly due to Covid-19 related staffing issues. The Company invested £5 million of new equity into Joulz to support further growth.

Our newest assets, DNS:NET and SRL, are performing broadly in line with our investment cases. In February 2022 we invested a further £33 million in DNS:NET to support its fibre network roll-out.

On 29 March 2022, the Company signed an agreement to sell its European projects portfolio, comprising four Dutch and two French PPP projects across transport and social infrastructure, to 3i EOPF, representing an uplift of £8 million on the value at September. Completion is expected by June 2022 and proceeds are estimated at £103 million. This results in a 20% gross IRR and a 1.7x gross money multiple for the Company.

Finally, we were pleased with the significant progress made towards realising the remaining assets in the 3i India Infrastructure Fund (the 'India Fund'), with the sale of the India Fund's stake in KMC Roads and in GVK Energy at uplifts to the carrying value.

Investment activity

During the year, the Company invested or committed £980 million into its target markets. In November, we agreed to invest c.$512 million to acquire 100% of GCX. GCX is a leading global data communications service provider and owns one of the world's largest private subsea fibre optic networks. Completion is subject to certain regulatory approvals and is expected mid-2022. In December, we completed the £191 million acquisition of a 92% stake in SRL and invested a further £21 million into Valorem and £5 million into Joulz to fund their growth. In February, we increased our stake in ESVAGT from 50% to 100% for £258 million and invested a further £33 million into DNS:NET to fund the next step of its fibre roll-out. These new investments have added further diversification to the Company's portfolio, which is well-balanced by size of investment and has exposure to a range of countries, sectors and risk factors. This should strengthen the Company's ability to meet its return and dividend objectives over the medium term.

Throughout the year, we saw an active investment pipeline that included a broad range of potential new investment opportunities. Competition for new investments was very high, and we are focused on achieving an appropriate balance of risk and return.

Sustainability

We took a big step forward on sustainability during the year. We set several sustainability-related objectives and are pleased to have met all of these. This includes reporting Scope 1 and Scope 2 greenhouse gas emissions for our portfolio companies for the first time as well as implementing policies and entering into financial agreements that further embed sustainability throughout our investment and asset management processes.

In the year ahead, we plan to build on this progress by working with portfolio companies to consider potential opportunities to reduce their greenhouse gas emissions over time and by assessing the results of climate scenario analysis. We will also continue to develop our approach to sustainability as the regulatory and commercial frameworks in which we and our portfolio companies operate evolve.

Outlook

It was a very good year for the Company, with a high level of new investment, excellent realisations, and a strong portfolio performance. The market for new investments remains highly competitive but we remain very selective and, as we have shown consistently over many years, are prepared to sell assets where that generates exceptional returns for shareholders. The Company is in a healthy position for the future.

Phil White

Managing Partner and Head of Infrastructure, 3i Investments plc
9 May 2022

New investments

SRL Traffic Systems

SRL is the UK's leading lessor of temporary traffic management equipment.

Invested
£191m

Equity stake
92%

Investment rationale

- Temporary Traffic Equipment ('TTE') is mission-critical for the safe use of roads
- SRL fits with the Company's strategy of investing in companies with leading market positions and barriers to entry, yet with operational levers to achieve attractive returns for shareholders through active asset management
- SRL has sound market fundamentals through the increasing emphasis placed on health and safety, and a growing propensity to rent rather than own TTE
- Outsourcing ownership of TTE makes economic sense for traffic management companies, as it allows them to manage maintenance and utilisation more efficiently
- SRL has a market leading reputation and is trusted by its customers

Characteristics

Asset intensive business that is hard to replicate
SRL rents a fleet of c.13,000 TTE under full service contracts. The fleet is deployed from 30 strategically located depots throughout the UK.

Good visibility on future cash flows
There is broad political and regulatory support for increased investment in UK infrastructure and TTE will be needed to support this.

Provides essential services
TTE is safety critical equipment needed to protect highway workers and segregate traffic, cyclists and pedestrians.

Acceptable element of demand risk
Primary competition for SRL is from customers with owned assets who often use their own fleets to serve a baseload of work and then top up with rented TTE.

Established market position
SRL is the only large rental company of TTE in the UK. It benefits from economies of scale through being able to provide access to TTE nationally and 24/7.

Opportunities for further growth
The rental model is expected to increase penetration and gain market share from the ownership model over time.

Sustainability
TTE, and in particular SRL's smarter products, allow for greater control of traffic flows, which in turn reduces congestion around roadworks and improves safety.

GLOBAL CLOUD XCHANGE

GCX owns one of the most comprehensive subsea cable networks globally.

Expected equity commitment
c.£300m

Equity stake
100%

Investment rationale

- GCX owns one of the most comprehensive subsea cable networks globally, serving customers in over 180 countries
- Benefits from the rapidly expanding data market with data usage forecast to grow exponentially
- Operates in a market with high barriers to entry whilst providing an essential service
- Supported by a highly experienced management team with a strong track record in the sector
- Attractive entry valuation following a bilateral process

Characteristics

Asset intensive business that is hard to replicate
GCX's 66,000km of cables, spanning from North America to Asia, would require large upfront investments and a multi-year lead time to replicate.

Good visibility on future cash flows
GCX's core network benefits from high margins and low maintenance capex requirements, resulting in an attractive yield profile for 3i Infrastructure.

Provides essential services
GCX is a key infrastructure provider in the rapidly expanding data market, in particular in high growth markets in Asia and the Middle East.

Acceptable element of demand risk
Over 90% of GCX's revenue is recurring in nature, underpinned by a mixture of medium-term (1-3 years) and long-term (10 years+) contracts.

Established market position
GCX owns one of the few networks with significant spare capacity to serve the exponentially growing demand for data traffic on the Europe-Asia and inter-Asia routes.

Opportunities for further growth
In a relatively fragmented market, M&A is an upside opportunity to either accelerate growth or to further strengthen GCX's network footprint.

Our portfolio

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

The Company's portfolio was valued at £2,873 million at 31 March 2022 (2021: £1,804 million) and delivered a total portfolio return in the year of £509 million, including income and allocated foreign exchange hedging (2021: £232 million).

Table 1 summarises the valuations and movements in the portfolio, as well as the return for each investment, for the year. In accordance with accounting standards, 'Investments at fair value through profit or loss' as reported in the Balance sheet include, in addition to the portfolio asset valuation, the cash and other net assets held within intermediate unconsolidated holding companies. Due to the change in basis of accounting described in the Financial review, there is no longer any difference between Table 1 and the amounts reported in the Financial statements.

Table 1: Portfolio summary (31 March 2022, £m)

Portfolio assets	Directors' valuation 31 March 2021	Investment in the year	Divestment in the year	Accrued income movement	Value movement	Foreign exchange translation	**Directors' valuation 31 March 2022**	Allocated foreign exchange hedging	Underlying portfolio income in the year	Portfolio total return in the year[1]
ESVAGT	189	294[2,3]	–	3	57	5	**548**	(5)	28	**85**
Infinis	300	–	–	2	30	–	**332**	–	17	**47**
TCR	199	14[2,4]	–	–	67	(1)	**279**	1	13	**80**
Tampnet	230	5[2]	–	–	–	6	**241**	(2)	22	**26**
Joulz	219	10[2,4]	–	–	14	(2)	**241**	2	6	**20**
Ionisos	202	5[2]	–	4	28	(2)	**237**	2	9	**37**
Oystercatcher	157	–	(56)[5]	1	121	7	**230**	(5)	5	**128**
DNS:NET	–	193[2,3]	–	2	9	(2)	**202**	2	4	**13**
SRL	–	274	(83)[5]	5	4	–	**200**	–	7	**11**
Valorem	107	21[4]	–	–	17	(1)	**144**	1	4	**21**
Attero	105	–	–	–	12	(1)	**116**	1	5	**17**
Economic infrastructure portfolio	**1,708**	**816**	**(139)**	**17**	**359**	**9**	**2,770**	**(3)**	**120**	**485**
Projects	93	–	(1)[5]	–	12	(1)	**103**	1	7	**19**
India Fund	3	–	(8)	–	4	1	–	–	–	**5**
Total portfolio reported in the Financial statements[6]	**1,804**	**816**	**(148)**	**17**	**375**	**9**	**2,873**	**(2)**	**127**	**509**

1 This comprises the aggregate of value movement, foreign exchange translation, allocated foreign exchange hedging and underlying portfolio income in the year.
2 Capitalised interest totalling £55 million.
3 New investment in ESVAGT of £258 million plus £12 million of follow-on investment and DNS:NET of £157 million plus £33 million of follow-on investment.
4 Follow-on investment in TCR of £1 million, Joulz of £5 million and Valorem of £21 million.
5 Shareholder loan repaid. The SRL divestment amount relates to the repayment of a bridge loan following the raising of a third-party acquisition debt facility.
6 Cash and other net assets held in unconsolidated subsidiaries of £2 million were distributed to the Company during the year. Due to these distributions and the change in basis of accounting described in the Financial review, there is no longer any difference between Table 1 and the amounts reported in the Financial statements.

The total portfolio return in the year of £509 million is 19.8% (2021: £232 million, 13.7%) of the aggregate of the opening value of the portfolio and investments in the year (excluding capitalised interest), which total £2,565 million.

Performance was strong across the portfolio, driven principally by the realisation of the European storage terminals held by Oystercatcher for a price above their opening valuation and by outperformance from a number of portfolio companies but particularly TCR and ESVAGT.

Table 2 below shows the portfolio return in the year for each asset as a percentage of the aggregate of the opening value of the asset and investments in the asset in the year (excluding capitalised interest). Note that this measure does not time-weight for investments in the year.

Table 2: Portfolio return by asset (year to 31 March 2022)

Total portfolio return	**19.8%**
ESVAGT	18.5%
Infinis	15.7%
TCR	40.0%
Tampnet	11.3%
Joulz	8.9%
Ionisos	18.3%
Oystercatcher	81.5%
DNS:NET*	6.7%
SRL*	4.0%
Valorem	16.4%
Attero	16.2%
Projects	20.4%

* Acquired during the year and portfolio return not annualised.

Movements in portfolio value

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

Economic infrastructure portfolio

The economic infrastructure portfolio generated a value gain of £359 million in the year, alongside income of £120 million.

The £121 million value increase in **Oystercatcher** reflects: the uplift achieved from the sale of the European terminals; the prepayment of Oystercatcher's debt; and a reduced discount rate to reflect higher quality cash flows from Singapore and low leverage.

The value increase in **TCR** of £67 million reflects: the outperformance of the business during the year; cost savings delivered and expected from its cost optimisation programme; and a reduction in the discount rate to remove the Covid-19 premium previously applied. This increased valuation is further supported by increased interest in TCR's full service rental model and our confidence in the long-term value of its asset base and market opportunity.

ESVAGT increased in value by £57 million, as we revised our investment case following the completion of the acquisition of our co-investor's 50% stake in ESVAGT. We revised our growth assumptions for the business and made a small reduction in the discount rate to reflect the reduction in risk following the signing of significant new contracts and the completion of the newbuild programme for three new MHI Vestas Service Operation Vessels. In March 2022 we completed a refinancing on improved terms to support future growth.

Infinis generated a value gain of £30 million in the year and contributed £15 million of cash distributions. This was due to a combination of business outperformance, the continued progress of its solar development programme and changes in forecast future power prices.

Ionisos experienced a £28 million gain due to significant outperformance, particularly from strong demand in the medical devices and pharmaceuticals sectors.

Table 3: Reconciliation of the movement in portfolio value (year to 31 March 2022, £m)

Opening portfolio value at 1 April 2021	**1,804**
Investment[1]	816
Divestment/capital repaid	(148)
Value movement	375
Exchange movement[2]	9
Accrued income movement	17
Closing portfolio value at 31 March 2022	**2,873**

1 Includes capitalised interest.
2 Excludes movement in the foreign exchange hedging programme (see Table 10 in the Financial review).

Table 4: Components of value movement (year to 31 March 2022, £m)

Value movement component	Value movement in the year	Description
Planned growth	109	Net value movement resulting from the passage of time, consistent with the discount rate and cash flow assumptions at the beginning of the year less distributions received and capitalised interest in the year.
Other asset performance	188	Net value movement arising from actual performance in the year and changes to future cash flow projections, including financing assumptions and changes to regulatory assumptions. Includes the uplift on the sale of Oystercatcher's European terminals and the Projects portfolio.
Discount rate movement	43	Value movement relating to changes in the discount rate applied to the portfolio cash flows.
Macroeconomic assumptions	35	Value movement relating to changes to macroeconomic out-turn or assumptions, eg power prices, inflation, interest rates and taxation rates. This includes changes to regulatory returns that are directly linked to macroeconomic variables.
Total value movement before exchange	**375**	
Foreign exchange retranslation	9	Movement in value due to currency translation to year end date.
Total value movement	**384**	

Projects portfolio

The value gain in the Projects portfolio of £12 million reflects the proceeds expected from the agreement to sell the holdings to 3i EOPF which is expected to complete by June 2022.

India Fund

During the year we divested KMC Roads and GVK Energy at an uplift to the carrying value.

Summary of portfolio valuation methodology

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

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

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

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

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

A prevalent theme this year has been inflationary pressures on supply chain costs and employee costs. The ability to pass cost inflation to customers varies by portfolio company so we took a granular approach to modelling the effects of inflation.

The current impact on the portfolio of the war in Ukraine is, in our assessment, not material.

The volatility in power prices has positively affected our energy generating portfolio companies, although the majority of our power price exposure was hedged in the short to medium term. Future power price projections are taken from independent forecasters and changes in these assumptions will affect the future value of these investments.

TCR operates in the aviation sector, which has been severely affected by travel restrictions. The value of TCR assumes a full recovery in air traffic to pre-Covid-19 levels in 2024, consistent with the assumptions made in the prior year.

As a ‘through the cycle’ investor with a strong balance sheet we consider valuations in the context of the longer-term value of the investments. This includes consideration of climate change risk and stranded asset risk. Factors considered include physical risk, litigation risk linked to climate change and transition risk (for example, assumptions on the timing and extent of decommissioning of North Sea oil fields, which affects Tampnet and ESVAGT). We take a granular approach to these risks, for example each relevant offshore oil and gas field has been assessed individually to forecast the market over the long term and a low terminal value has been assumed at the end of the forecast period.

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

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

However, a number of our portfolio companies are set to benefit from these changes. Digitalisation in the offshore oil and gas sector in order to reduce costs is benefitting Tampnet. The energy transition in the Netherlands, with a focus on electrification, is benefitting Joulz. The base case for each of our valuations takes a balanced view of potential factors that we estimate are as likely to result in underperformance as outperformance.

Discount rate

Table 5 shows the movement in the weighted average discount rate applied to the portfolio at the end of each year since the Company’s inception and the position as at March 2022. During the year, the weighted average discount rate increased modestly as the introduction of the new investments in SRL and DNS:NET to the portfolio at a higher than average discount rate was mostly offset by small reductions in discount rates for Oystercatcher, TCR, ESVAGT and Valorem.

During the year, we witnessed an increase in risk-free rates across Europe as central banks started to take action in response to higher inflation. The increase in risk-free rates was offset by reductions in equity risk premia, the implied excess return over a risk-free rate of return, in the countries in which we invest. We are not yet seeing any upward pressure on discount rates as a result of higher interest rates.

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

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

Investment track record

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

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

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

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

The value created through this robust investment performance has been crystallised in a number of instances through well-managed realisations, shown as 'Realised assets' in Table 6. While the Company is structured to hold investments over the long term, it has sold assets where compelling offers will generate additional shareholder value.

This was the case with WIG in 2019 which generated an IRR of 27%, Eversholt Rail in 2015 and XLT in 2019 which both generated IRRs in excess of 40% and Elenia and AWG in 2018, which generated IRRs of 31% and 16% respectively.

Portfolio asset returns in Table 6 include an allocation of FX hedging where applicable.

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

	Multiple	IRR	Total cost	Value including accrued income	Proceeds on disposals/ capital returns	Cash income
Existing portfolio (Total return)						
ESVAGT	1.3x		417	548	–	–
Infinis	1.5x		322	332	80	85
TCR	1.9x		156	279	4	22
Tampnet	1.4x		187	241	–	13
Joulz	1.3x		195	241	2	20
Ionisos	1.3x		186	237	-	6
Oystercatcher	3.1x		139	230	47	157
DNS:NET	1.1x		190	202	–	3
SRL	1.1x		191	200	–	2
Valorem	2.0x		80	144	–	16
Attero	1.6x		88	116	1	25
Projects	1.7x		75	103	2	25
Realised assets (Total return)						
WIG (realised December 2019)	1.7x	27%	265		431	21
XLT (realised March 2019)	5.9x	40%	63		332	38
Elenia (realised February 2018)	4.5x	31%	195		766	106
AWG (realised February 2018)	3.3x	16%	173		410	154
Eversholt (realised April 2015)	3.3x	41%	151		391	114
Projects (realised assets)	1.9x	22%	289		446	103
Others[1]	1.2x	8%	138		145	24
India Fund	0.6x	(6%)	108		61	–

19% Asset IRR since inception to 31 March 2022

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

[1]Others includes junior debt portfolio, T2C and Novera.

Financial review

The Company delivered another year of outperformance.

Key financial measures[1] (year to 31 March)	**2022**	2021
Total return[2]	**£404m**	£206m
NAV	**£2,704m**	£2,390m
NAV per share	**303.3p**	268.1p
Total income	**£133m**	£110m
Total income and non-income cash	**£143m**	£117m
Portfolio asset value	**£2,873m**	£1,802m
Cash balances	**£17m**	£463m
Total liquidity[3]	**£786m**	£763m

1 Prior year figures contain non-material adjustments to the Financial statements as reported in the prior year Annual report and accounts. These adjustments are no longer required as explained below.
2 IFRS Total comprehensive income for the year.
3 Includes cash balances of £17 million (2021: £463 million) and £769 million (2021: £300 million) undrawn balances available under the Company's revolving credit facility including additional committed facilities which total £1 billion.

"The Company has continued to grow income and NAV per share alongside managing liquidity to fund new investments."

James Dawes
CFO, Infrastructure

The Company delivered another year of outperformance which was underpinned by strong income and capital returns from the portfolio. A total of £980 million of new investments and commitments were made and the Company actively managed its liquidity position through its RCF and an additional £600 million of committed facilities.

The portfolio has the income-generating capacity to support the progressive dividend policy, and the dividend was covered by net income this year despite some drag from uninvested cash earlier in the year. The target dividend for FY23 of 11.15 pence per share is an increase of 6.7% over FY22.

Returns

Total return

The Company generated a total return for the year of £404 million, representing a 17.2% return on opening NAV net of the prior year final dividend (2021: £206 million, 9.2%). This performance is significantly ahead of the target return of 8% to 10% per annum to be achieved over the medium term.

This outperformance was driven by the strong return from the sale of Oystercatcher's four European terminals and good performance across the economic infrastructure portfolio, particularly from TCR and ESVAGT. Changes in the valuation of the Company's portfolio assets are described in the Movements in portfolio value section of the Investment Manager's review.

Total income and non-income cash of £143 million in the year was higher than last year, due to income from new investments and some portfolio companies resuming distributions after preserving liquidity in the previous year due to Covid-19 risks (2021: £117 million).

Non-income cash receipts reflect distributions from underlying portfolio companies, which would usually be income to the Company, but which are distributed as a repayment of investment for a variety of reasons. Whilst non-income cash does not form part of the total return shown in Table 7, it is included when considering dividend coverage.

An analysis of the elements of the total return for the year is shown in Table 7.

The Financial statements' classification of these components of total return includes transactions within unconsolidated subsidiaries as the Company adopts the Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) basis for its reporting. In previous years we have shown the non-material adjustments required to reconcile this analysis to the Financial statements.

Following the partial divestment of the Oystercatcher investment and a restructure of some investments previously held through Luxembourg-based subsidiaries but now held directly by the Company, we have aligned the basis of reporting in this section to the Financial statements and will no longer report on an adjusted basis.

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

	2022	2021
Capital return (excluding exchange)	**375**	135
Foreign exchange movement in portfolio	**9**	(24)
Capital return (including exchange)	**384**	111
Movement in fair value of derivatives	**(2)**	22
Net capital return	**382**	133
Total income	**133**	110
Costs	**(111)**	(37)
Total return	**404**	206

Capital return

The capital return is the largest element of the total return. The portfolio generated a value gain of £375 million in the year to 31 March 2022 (2021: £135 million), as shown in Table 8. There was a positive contribution across the majority of the portfolio and the largest contributor was Oystercatcher which generated £121 million. These value movements are described in the Movements in portfolio value section.

Table 8: Reconciliation of the movement in NAV (year to 31 March 2022, £m)

Opening NAV at 1 April 2021[1]	**2,346**
Capital return	375
Net foreign exchange movement[2]	7
Total income	133
Net costs including management fees[3]	(111)
NAV before distributions	**2,750**
Distribution to shareholders	(46)
Closing NAV at 31 March 2022	**2,704**

1 Opening NAV of £2,390 million net of final dividend of £44 million for the prior year.
2 Foreign exchange movements are described in Table 11.
3 Includes non-portfolio related exchange movements of £3 million.

Foreign exchange impact

The portfolio is diversified by currency as shown in Table 9. We aim to deliver steady NAV growth for shareholders, and the foreign exchange hedging programme helps us to do this by reducing our exposure to fluctuations in the foreign exchange markets.

Portfolio foreign exchange movements, after accounting for the hedging programme, increased the net capital return by £7 million (2021: reduced by £2 million).

As shown in Table 10, the reported foreign exchange gain on investments of £9 million (2021: loss of £24 million) included a gain of £1 million from the Company's exposure to the Indian rupee, which is not hedged. This was partially offset by a £2 million loss on the hedging programme (2021: gain of £22 million).

Table 9: Portfolio value by currency (at 31 March 2022)

EUR	54%
DKK	19%
GBP	19%
NOK	8%

Table 10: Impact of foreign exchange ('FX') movements on portfolio value (year to 31 March 2022, £m)

	Hedged assets €/SGD/DKK/NOK	Unhedged assets £/rupee
FX gain before hedging	8	1
FX gain after hedging	6	1

Income

The portfolio generated income of £127 million in the year (2021: £99 million). Of this amount, £24 million was through dividends (2021: £20 million) and £103 million through interest on shareholder loans (2021: £79 million). An additional £6 million of interest was accrued on the vendor loan notes issued in lieu of WIG proceeds (2021: £10 million) together with a further £0.1 million of interest receivable on deposits (2021: £0.4 million). Total income and non-income cash is shown in Table 12.

A strong income contribution from Tampnet and higher non-income cash receipts offset the reduction in income from Oystercatcher following divestment of the European terminals. A breakdown of portfolio income is provided in Table 11, together with an explanation of the change from prior year.

Interest income from the portfolio was significantly higher than prior year due to the new investments in SRL, DNS:NET and ESVAGT.

Dividend and non-income cash distributions increased this year as liquidity preserved for risks associated with the Covid-19 pandemic in the prior year was released.

Table 11: Breakdown of portfolio income (year to 31 March, £m)

	Dividend (2022)	**Interest (2022)**	Dividends (2021)	Interest (2021)	**Comments**
ESVAGT	**–**	**28**	–	22	Further investment in February 2022
Tampnet	**17**	**5**	–	5	Liquidity retained in prior year
Infinis	**–**	**17**	–	17	
TCR	**–**	**13**	–	13	
Ionisos	**–**	**9**	–	9	
SRL	**–**	**7**	–	–	New investment in FY22
Joulz	**–**	**6**	–	5	
Oystercatcher	**–**	**5**	13	–	Divestment of European terminals
Attero	**4**	**1**	5	1	
DNS:NET	**–**	**4**	–	–	New investment in FY22
Valorem	**1**	**3**	–	3	Liquidity retained in prior year
Projects Portfolio	**2**	**5**	2	4	

Table 12: Total income and non-income cash (year to 31 March, £m)

	2022	2021
Total income	**133**	110
Non-income cash	**10**	7
Total	**143**	117

Costs

Management and performance fees

During the year to 31 March 2022, the Company incurred management fees, including transaction fees of £10 million, of £43 million (2021: £24 million). The fees, payable to 3i plc, consist of a tiered management fee, and a one-off transaction fee of 1.2% payable in respect of new investments. The management fee tiers range from 1.4%, reducing to 1.2% for any proportion of gross investment value above £2.25 billion.

An annual performance fee is also payable by the Company, amounting to 20% of returns above a hurdle of 8% of the total return. This performance fee is payable in three equal annual instalments, with the second and third instalments only payable if certain future performance conditions are met. This hurdle was exceeded for the year ended 31 March 2022 resulting in a performance fee payable to 3i plc in respect of the year ended 31 March 2022 of £54 million (2021: £7 million).

The first instalment, of £18 million, will be paid in May 2022 along with the second instalment of £2 million relating to the previous year's performance fee and the third instalment of £6 million relating to the FY20 performance fee.

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

Fees payable

Fees payable on investment activities include costs for transactions that did not reach, or have yet to reach, completion and the reversal of costs for transactions that have successfully reached completion and were subsequently borne by the portfolio company. For the year to 31 March 2022, fees payable totalled £3 million (2021: less than £1 million).

Other operating and finance costs

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £3 million in the year (2021: £3 million).

Finance costs of £5 million (2021: £2 million) in the year comprised arrangement and commitment fees for the Company's RCF. Finance costs were higher than in FY21 as the size of the RCF was increased and drawn in the year.

Ongoing charges ratio

The ongoing charges ratio measures annual operating costs, as disclosed in Table 13 below, against the average NAV over the reporting period.

The Company's ongoing charges ratio is calculated in accordance with the Association of Investment Companies ('AIC') recommended methodology and was 1.41% for the year to 31 March 2022 (2021: 1.16%). The ongoing charges ratio is higher in periods where new investment levels are high and new equity is raised or capital is returned to shareholders. Realisation of assets reduces the ongoing charges ratio. The cost items that contributed to the ongoing charges ratio are shown below.

The AIC methodology does not include transaction fees, performance fees or finance costs. However, the AIC recommends that the impact of performance fees on the ongoing charges ratio is noted, where performance fees are payable. The ratio including the performance fee was 3.52% (2021: 1.45%). The total return of 17.2% for the year is after deducting this performance fee and ongoing charges.

Table 13: Ongoing charges (year to 31 March, £m)

	2022	2021
Investment Manager's fee	**32.6**	23.7
Auditor's fee	**0.6**	0.5
Directors' fees and expenses	**0.5**	0.5
Other ongoing costs	**2.4**	2.2
Total ongoing charges	**36.1**	26.9
Ongoing charges ratio	**1.41%**	1.16%

Balance sheet

The NAV at 31 March 2022 was £2,704 million (2021: £2,390 million). The principal components of the NAV are the portfolio assets, cash holdings and borrowings under the RCF, the vendor loan notes from the sale of WIG, the fair value of derivative financial instruments and other net assets and liabilities. A summary balance sheet is shown in Table 14.

At 31 March 2022, the Company's net assets after the deduction of the final dividend were £2,657 million (2021: £2,346 million).

Cash and other assets

Cash balances at 31 March 2022 totalled £17 million (2021: £463 million).

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

The decrease in Other net assets is due to an increase in the performance fee payable.

Borrowings

The Company has a £400 million RCF in order to maintain a good level of liquidity for further investment whilst minimising returns dilution from holding excessive cash balances. This is a three-year facility, with a maturity date of November 2024. In December 2021, the Company increased its existing facility by £200 million to £600 million and in January 2022 an additional one-year credit facility of £400 million was agreed. Aggregate credit facilities totalled £1 billion at 31 March 2022. At 31 March 2022 the total amount drawn was £231 million.

NAV per share

The total NAV per share at 31 March 2022 was 303.3 pence (2021: 268.1 pence). This reduces to 298.1 pence (2021: 263.2 pence) after the payment of the final dividend of 5.225 pence (2021: 4.9 pence). There are no dilutive securities in issue.

Dividend and dividend cover

The Board has proposed a dividend for the year of 10.45 pence per share, or £93 million in aggregate (2021: 9.8 pence; £87 million). This is in line with the Company's target announced in May last year.

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

Table 14: Summary balance sheet (year to 31 March, £m)

	2022	2021
Portfolio assets	**2,873**	1,802
Cash balances	**17**	463
Derivative financial instruments	**8**	37
Borrowings	**(231)**	–
Other net assets (including vendor loan notes)	**37**	88
NAV	**2,704**	2,390

Table 15 shows the calculation of dividend coverage and dividend reserves. The dividend was fully covered for the year with no surplus (2021: no surplus).

The retained amount available for distribution, following the payment of the final dividend, the realised loss over cost relating to the India Fund that was previously unrealised and the performance fee will be £794 million (2021: £868 million). This is a substantial surplus, which is available to support the Company's progressive dividend policy, particularly should dividends not be fully covered by income in a future year. A shortfall could arise, for example, due to holding substantial uninvested cash or through lower distributions being received from portfolio companies in order to preserve liquidity.

Table 16 shows that the Company has consistently covered the dividend over the last five years.

Table 15: Dividend cover (year to 31 March, £m)

	2022	2021
Total income, other income and non-income cash	**143**	117
Operating costs including management fees	**(50)**	(30)
Dividends paid and proposed	**(93)**	(87)
Dividend surplus for the year	**–**	–
Dividend reserves brought forward from prior year	**868**	876
Realised loss over cost on disposed assets	**(20)**	(1)
Performance fees	**(54)**	(7)
Dividend reserves carried forward	**794**	868

Table 16: Dividend cover (five years to 31 March 2022, £m)

	Net income[1]	**Dividend**
Mar 2018[2]	116	72
Mar 2019	165	70
Mar 2020	105	82
Mar 2021	87	87
Mar 2022	93	93

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

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

Sensitivities

The sensitivity of the portfolio to key inputs to our valuations is shown in Table 17 and described in more detail in Note 7 to the accounts. The portfolio valuations are positively correlated to inflation. The longer-term inflation assumptions beyond two years remain consistent with central bank targets, eg UK CPI at 2%.

The sensitivities shown in Table 17 are indicative and are considered in isolation holding all other assumptions constant. Timing and quantum of price increases will vary across the portfolio and the sensitivity may differ from that modelled. Changing the inflation rate assumption may necessitate consequential changes to other assumptions used in the valuation of each asset.

Table 17: Portfolio sensitivities (year to 31 March 2022)

	-1%	**+1%**
Discount rate	£297m/10.3%	£(258m)/9.0%
Inflation (for two years)	£(46m)/1.6%	£43m/1.5%
Interest rate	£156m/5.4%	£(158m)/5.5%

Alternative Performance Measures ('APMs')

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

The APMs are consistent with those disclosed in prior years.

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

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

The table below defines our APMs.

APM	Purpose	Calculation	Reconciliation to IFRS
Total return on opening NAV	A measure of the overall financial performance of the Company. For further information see the KPI section.	It is calculated as the total return of £404 million, as shown in the Statement of comprehensive income, as a percentage of the opening NAV of £2,390 million net of the final dividend for the previous year of £44 million.	The calculation uses IFRS measures.
NAV per share	A measure of the NAV per share in the Company.	It is calculated as the NAV divided by the total number of shares in issue at the balance sheet date.	The calculation uses IFRS measures and is set out in Note 14 to the accounts.
Total income and non-income cash	A measure of the income and other cash receipts by the Company which support the payment of expenses and dividends.	It is calculated as the total income from the underlying portfolio and other assets plus non-income cash being the repayment of shareholder loans not resulting from the disposal of an underlying portfolio asset.	Total income uses the IFRS measures Investment income and Interest receivable. The non-income cash, being the proceeds from partial realisations of investments are shown in the Cash flow statement. The realisation proceeds which result from a partial sale of an underlying portfolio asset are not included within non-income cash.
Investment value including commitments	A measure of the size of the investment portfolio including the value of further contracted future investments committed by the Company.	It is calculated as the portfolio asset value plus the amount of the contracted commitment.	The portfolio asset value uses IFRS measures. The value of future commitments is set out in Note 16 to the accounts.
Total portfolio return percentage	A measure of the financial performance of the portfolio.	It is calculated as the total portfolio return in the year of £509 million, as shown in Table 1, as a percentage of the sum of the opening value of the portfolio and investments in the year (excluding capitalised interest) of £2,565 million.	The calculation uses capital return (including exchange), movement in fair value of derivatives, underlying portfolio income, opening portfolio value and investment in the year. The reconciliation of all these items to IFRS is shown in Table 1 including in the footnotes.

Risk report

“Effective risk management is at the heart of everything we do as a Board.”

Wendy Dorman
Chair, Audit and Risk Committee

Introduction

At the start of the year, the Audit and Risk Committee (the ‘Committee’), alongside the Investment Manager, began a new three-year cycle of risk reviews to identify and consider the impact and likelihood of the key, principal and emerging risks facing the Company today. A number of risks were reassessed to reflect developments in the year, and the list of emerging risks was refreshed. The Committee updated the risk register and risk matrix as a result of the analysis conducted during the year, and considered the alignment of the principal risks identified to the Company’s strategic objectives.

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

Approach to risk governance

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

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

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

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

Risk framework

Risk related reporting

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

Risk appetite

During the year, the Committee discussed the Company’s risk appetite and concluded that it remained broadly stable. As an investment company, the Company seeks to take investment risk. The appetite for investment risk is described previously in the Our approach section, and in the Investment policy towards the end of this document. Investments are made subject to the Investment Manager’s Responsible Investment policy, which addresses an important element of our appetite for investment risk. Given the strong competition for new investments, investment discipline remains a key consideration. The target risk-adjusted objective of delivering 8% to 10% return per annum over the medium term remains consistent with our current portfolio investment cases, including our recent new investments. It is expected that as the portfolio expands, the range of expected returns in individual investment cases may also expand to include higher risk/return ‘value add’ cases and lower risk/return ‘core’ investments. We recognise that this has the potential to result in greater volatility in returns on an individual asset basis.

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

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

Risk review process

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

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

Risk register review process

October 2021
Directors identify and score the principal, key and emerging risks facing 3iN
December 2021
Analysis and interpretation of responses
April 2022
Risk register and risk matrix updated
January 2022
Impact and likelihood of the identified risks considered

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

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

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

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

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

As the Company is an investment company, the stressed scenarios reflect reduced cash flows from the Company's investment portfolio, such that debt covenants are breached and liabilities not met. Following the invasion of Ukraine, a scenario was developed this year for a new emerging risk of an escalation of this conflict in Europe.

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

Review during the year

Early in the financial year, the Committee engaged EY to benchmark the Company's risk review process and to facilitate a workshop with the Committee to consider improvements to the process. Presentation of the results of the benchmarking exercise and the workshop took place in September 2021. The risk review process was subsequently updated to consider the likelihood and impact of the key risks over two timeframes. The 'blank sheet of paper' element of the risk review process, conducted at the start of each three-year cycle of reviews, was considered to be best practice against the benchmarking undertaken.

Risk categorisation

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

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

In October 2021, the Committee instigated a process designed to identify and score the key risks and update the list of emerging risks currently facing the Company. This started with the 'blank sheet of paper' exercise where each Director, and several members of the Investment Manager's team, identified the top risks facing the Company. In December 2021, the Committee analysed the data collected and identified the principal risks facing the Company, scoring each for impact and likelihood (within a three year period and beyond a three year period). In January 2022, the results of the principal risk scoring were considered and assessed and additional changes made.

In March and April 2022, the Committee reviewed the updated risk register and risk matrix and the Company's appetite for each of the key risks.

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

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

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

Emerging risks

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

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

As part of the ongoing risk identification and management of the Company, the Committee considers whether these emerging risks should be added to the Company's risk register. The risk register is a 'live' document that is reviewed and updated regularly by the Committee as new risks emerge and existing risks change. Examples of emerging risks that were considered during the year include the impact of changes in technology on our portfolio companies, a future pandemic, divergence between the UK and the EU regulation increasing friction over trade in goods and services, and escalating regulatory reporting requirements. The risk of an escalation of the war in Ukraine was added to the list of emerging risks this year.

Key risks

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

Market and economic risk was considered the top risk facing the Company. This includes the consequences of sanctions on Russia and Russian companies, the recovery from the Covid-19 pandemic, increased commodity and energy prices, rising inflation and interest rates, supply chain constraints and a heightened risk of recession.

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

The risk of having an unbalanced portfolio is considered to have decreased following the new investments made in the year which have increased the diversity of the portfolio. Following that high level of new investment, the management of liquidity risk is considered to have increased and become a principal risk.

The risk of poor investment performance is considered to have increased such that it is now a principal risk, reflecting the risk at individual portfolio company level of increased market and economic risk alongside the evolution of underlying risks in our portfolio consistent with our investment strategy to focus on economic infrastructure assets. The risk of an inappropriate rate of investment is considered to have decreased this year, with a good flow of new investment opportunities through the pipeline which converted into a good number of new and follow-on investments.

Exposure to competition risk is considered to have increased further reflecting the level of fund raising by other asset managers including several new listed funds.

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

Covid-19

The Covid-19 pandemic was a major test of the business models of all companies. The resilient response of our portfolio companies was consistent with our strategy and with the characteristics that we look for in infrastructure investments. We are encouraged by the strength of the performance of our portfolio this year as Europe recovers from the pandemic and restrictions are eased in the countries in which we invest. More detail can be found in the Investment Manager's review and elsewhere in this Risk report.

Climate risk

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

Climate regulation risk has been added to the risk register, to address the regulatory risk to the Company and the portfolio associated with the transition to a low-carbon economy. The existing climate risk was amended to address the physical and transition risks from climate change on the portfolio.

We have increased our disclosures and reporting on climate risk and our Investment Manager has evolved its proprietary ESG tool to allow us to assess this and other risks in more detail across the portfolio. This year, the Investment Manager added consideration of ESG risks, including climate risks, earlier in the investment process.

Our progress in TCFD reporting is described in the Sustainability report of the Annual report and accounts 2022, and this now includes GHG emissions reporting for scopes 1 and 2 for our portfolio companies.

All of the companies in our portfolio recognise the importance of considering climate change and of evolving a sustainable business model. As discussed in the Sustainability report of the Annual report and accounts 2022, the physical and transition climate-related risks are also seen as opportunities for all companies in our portfolio.

There are no acute physical nor transition risks identified in the portfolio that would suggest that climate risk is a principal risk, although an example of the impact of a transition risk is the introduction of a tax on imported waste or a carbon tax in the Netherlands, which impacts Attero, and the risk of early decommissioning of oil and gas assets which impacts some customers of Tampnet and ESVAGT. We consider that the mitigating controls at the Company and the Investment Manager over climate regulation risk prevent this from being a principal risk at the moment.

Principal risks and mitigations

External

Principal risk	Risk description	Risk mitigation
Market/economic **Risk exposure movement in the year** Increased **Link to Strategic priorities** Manage portfolio intensively	• Macroeconomic or market volatility, such as may arise from the consequences of the invasion of Ukraine and from the effects on economies of the Covid-19 pandemic, flows through to pricing, valuations and portfolio performance • Fiscal tightening impacts market environment • Risk of sovereign default lowers market sentiment and increases volatility • Misjudgement of inflation and/or interest rate outlook	• Resources and experience of the Investment Manager on deal-making, asset management and hedging solutions to market volatility • Periodic legal and regulatory updates on the Company's markets and in-depth market and sector research from the Investment Manager and other advisers • Portfolio diversification to mitigate the impact of a downturn in any geography or sector or portfolio company-specific effects • The permanent capital nature of an investment trust allows us to look through market volatility and the economic cycle
Competition **Risk exposure movement in the year** Increased **Link to Strategic priorities** Disciplined approach	• Increased competition for the acquisition of assets in the Company's strategic focus areas • Deal processes become more competitive and prices increase • New entrants compete with a lower cost of capital	• Continual review of market data and review of Company return target compared to market returns • Origination experience and disciplined approach of Investment Manager • Strong track record and strength of 3i Infrastructure brand
Debt markets deteriorate **Risk exposure movement in the year** No significant change **Link to Strategic priorities** Manage portfolio intensively	• Debt becomes increasingly expensive, eroding returns • Debt availability is restricted • The Company's RCF or portfolio company debt cannot be refinanced due to lack of appetite from banks	• The Investment Manager maintains close relationships with a number of banks and monitors the market through transactions and advice • Regular reporting of Company liquidity and portfolio company refinancing requirements • Investment Manager has extensive experience in raising debt finance for portfolio companies, alongside an in-house Treasury team to provide advice on treasury issues • Active management of portfolio company debt facilities, with fixed rates and long duration of debt

Operational

Principal risk	Risk description	Risk mitigation
Loss of senior Investment Manager staff **Risk exposure movement in the year** No significant change **Link to Strategic priorities** Invest responsibly Sustainability key driver	• Members of the deal team at the Investment Manager leave and 'deal-doing' and portfolio management capability in the short to medium term is restricted	• Benchmarked compensation packages and deferred remuneration • Notice periods within employment contracts • Strength and depth of the senior team and strength of the 3i Group brand • Careful management of senior management transition

Strategic

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

Investment

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

Development of significant key risks in the year

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

External risks – market and competition

The markets in which the Company seeks to invest, and in particular the European economic infrastructure market, are more competitive than ever, with strong demand for new investments. Competition continued to increase as the infrastructure sector has demonstrated its resilience during the pandemic.

In this environment, the Investment Manager continues to leverage its network and skills to look for investments that can deliver attractive and sustainable risk-adjusted returns to the Company's shareholders.

The Company achieved a high level of new investment in the year, while avoiding the most heavily competed processes in the market.

Inflation in the UK and Europe has risen sharply in the year, driven by rising energy costs, supply chain bottlenecks, labour and raw material shortages and the reopening of economies from pandemic-related lockdowns. Higher inflation is generally positive for the Company, particularly for assets which have revenues at least partially linked to inflation, although higher inflation may also result in increased costs.

Central bank base rates increased during the year, and these increases are likely to continue in the coming year. This would increase debt financing costs for our portfolio companies and could also lead to increases in required rates of return on equity, both of which would decrease portfolio company valuations. Long-term fixed rate debt is in place across the majority of our portfolio which mitigates the risk from interest rate changes in the shorter term. The increase in competition noted above has led to required rates of return on equity remaining at historic low levels.

The Company is exposed to movements in sterling exchange rates against a number of currencies, most significantly the euro. The Company operates a hedging programme which substantially offsets volatility in returns from exchange rate movements. The Board monitors the effectiveness of the Company's hedging policy on a regular basis.

There are actual and potential indirect effects on portfolio companies of the Russian invasion of Ukraine and the imposition of sanctions on Russia and Russian businesses, including increasing cost and wage inflation, availability of resources and disruptions to normal market activities. However, the impact to date on portfolio companies has been limited.

The valuation of our portfolio companies that generate electricity, Infinis, Valorem and Attero, is affected by the evolution of long-term power price forecasts and by fluctuations in the spot power price. Volatility in prices is expected to continue as thermal and nuclear plants are retired, there is growth in intermittent renewables and increasing demand due to the electrification of transport and heating, and due to the the war in Ukraine. Infinis's electricity offtake arrangements include contracts with Gazprom Marketing & Trading Ltd, a large supplier in the UK non-domestic energy market. Whilst these contracts are not currently affected by sanctions, Infinis is actively replacing contracts where permitted and others will run off over time.

We do not expect Infinis to be adversely affected by any extension of sanctions or an insolvency process for Gazprom Marketing & Trading Ltd.

Sanctions on Russia and Russian companies, together with the recovery from the Covid-19 pandemic, has led to an increase in oil prices. For Oystercatcher, the increase in oil prices has led to a backwardation market structure which, together with recent market volatility, may maintain some short-term downward pressure on pricing of contract renewals.

Ionisos is a provider of cold sterilisation and ionising radiation treatment services to the medical, pharmaceutical, plastics and cosmetics industries. Gamma radiation, one of the three methods of cold sterilisation used, relies on the radioactive decay of Cobalt-60, a scarce resource. Ionisos's Estonian business has in the past sourced Cobalt-60 from a Russian-owned company, JSC. Whilst JSC is not currently subject to sanctions, Ionisos will not source new Cobalt-60 from JSC for the foreseeable future and is seeking alternative sources of supply. The capacity of the Estonian business would reduce over time until new Cobalt-60 is sourced.

Air traffic movements and passenger numbers remain substantially below the levels seen before the Covid-19 pandemic, although they are now showing signs of recovery. The timing and extent of future recovery remains uncertain. This affects TCR more than other companies in our portfolio, although we are pleased with the performance of TCR over the duration of the pandemic and the strong performance this year as the industry starts to recover. We have maintained our assumption of a longer-term return to pre-pandemic levels of air travel by 2024.

External risks – regulatory and tax

The Company's investment in Infinis is exposed to electricity market regulation risk around the future of network access and charging arrangements. It is possible that this could affect the valuation of Infinis, and we are closely monitoring the position. The direction of network access charging reform is for more location-based charging which in principle should benefit generators such as Infinis with sites predominantly in demand-dominated areas.

Ofgem is progressing a series of reviews and consultations following its recent Significant Code Review, resulting in a degree of regulatory uncertainty for the foreseeable future.

The unprecedented fiscal stimulus that we have seen during the Covid-19 pandemic has increased sovereign debt levels and a consequence of this is likely to be higher taxes to balance the deficit. The increase in the UK corporation tax rate from April 2023 is reflected in the valuations of Infinis, SRL and Tampnet and the increase in the Dutch corporation tax rate from April 2022 is reflected in the valuations of Joulz and Attero.

Strategic risks

The Company manages its balance sheet and liquidity position actively, seeking to maintain adequate liquidity to pursue new investment opportunities, while not diluting shareholder returns by holding surplus cash balances. At 31 March 2022 there was £17 million available in cash, with drawings of £231 million under the RCF. The Company increased the size of the committed credit facilities during the year, with aggregate facilities of £1 billion at the date of this report.

The portfolio is diversified across sector and geography with no investment above 17% of portfolio value.

Investment risks

Portfolio companies continue to experience fraud attempts, some of which are successful, but none of which has had a material impact on any of our companies. In the year the Investment Manager commissioned a review of cyber controls by an independent IT security provider, building upon a previous review by the same company. No significant weaknesses in cyber security were identified and the majority of more minor issues noted in the review have been addressed. We remain vigilant and continue to focus on effective operations of controls against possible cyber-attack, particularly as this risk continues to increase following the outbreak of war in Ukraine.

Further to the announcement in March 2021 that the facilities of Steril Milano, a subsidiary of Ionisos, had been closed, Steril Milano was placed into voluntary liquidation during the period. This was fully provided for in the March 2021 valuation of Ionisos. Steril Milano represented c.3% of Ionisos's 2020 EBITDA.

Operational risks

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

Resilience statement

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

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

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

Short-term resilience

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

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

The Directors manage the Company's liquidity actively, reviewing reports on current and forecast liquidity from the Investment Manager, alongside recommendations for seeking additional liquidity when appropriate. Further discussion on the RCF can be found in the Financial review section.

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and in the Financial statements and related Notes to our Annual report and accounts to 31 March 2022. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial statements and related Notes to the accounts. In addition, Note 9 to the accounts includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Directors have made an assessment of going concern, taking into account the Company's cash and liquidity position, current performance and outlook, which considered the impact of the Covid-19 pandemic and the war in Ukraine, using the information available up to the date of issue of these Financial statements.

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

At 31 March 2022, liquidity remained strong at £786 million (2021: £763 million). Liquidity comprised cash and deposits of £17 million (2021: £463 million) and undrawn facilities of £769 million (2021: £300 million). The £200 million accordion and £400 million additional facility both mature within 12 months of the date of this report. In addition, the Company is able to call the second tranche of the deferred consideration from the realisation of WIG, £98 million with six weeks' notice and, in June 2022, is expecting to receive £103 million from the sale of its Projects portfolio.

The Company had an expected investment commitment of c.£300 million at 31 March 2022, relating to the equity cost for the acquisition of GCX expected to close in the summer. The Company expects to receive the WIG deferred consideration and the proceeds from the sale of the Projects portfolio prior to the completion of this investment.

The Company had ongoing charges of £36 million in the year to 31 March 2022, detailed in Table 13 in the Financial review, which are indicative of the ongoing run rate in the short term. In addition, the FY22 performance fee of £54 million (2021: £7 million) is due in three equal instalments with the first instalment payable in the next 12 months along with the second instalment of FY21's performance fee and the third instalment of FY20's performance fee, and a proposed final dividend for FY22 of £47 million which is expected to be paid in July.

Although not a commitment, the Company has announced a dividend target for FY23 of 11.15 pence per share. Income and non-income cash is expected to be received from the portfolio investments during the coming year, some of which will be required to support the payment of this dividend target and the Company's other financial commitments.

The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2022. After making the assessment on going concern, the Directors considered it appropriate to prepare the Financial statements of the Company on a going concern basis.

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

Medium-term resilience

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

The Directors consider that a three-year period to March 2025 is an appropriate period to review for assessing the Company's viability. This reflects greater predictability of the Company's cash flows over that time period and increased uncertainty surrounding economic, political and regulatory changes over the longer term.

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

Viability statement

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

The Directors have assessed the viability of the Company over a three-year period to March 2025. The Directors have taken account of the current position of the Company, including its strong liquidity position with £17 million of cash and £769 million of undrawn credit facilities, its commitment of c.£300 million to the new investment in GCX described in the Going concern section above, and the principal risks it faces which are documented in this Risk report.

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

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

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

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

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to March 2025.

Long-term resilience

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

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

The characteristics that we look for in infrastructure investments, support the long-term resilience of the Company. The performance of the portfolio through the Covid-19 pandemic provided good evidence of this. The underlying megatrends supporting the longer-term resilience of each portfolio company are identified in the Our approach section.

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

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

Directors’ duties

Section 172 statement

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

The Directors fulfil their duties through the Company’s governance framework and through their delegation of discretionary investment management authority to the Investment Manager.

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

Board decisions are guided by the Company’s purpose. The Board acknowledges that not every decision made will necessarily result in a positive outcome for every stakeholder group. Board decisions often involve complex interactions of factors and require Directors to understand and have regard to a range of stakeholder interests and concerns. By considering the Company’s purpose together with its strategic priorities and having a clear process in place for decision making, we can ensure that Board discussion has regard to the potential impact of our decisions on each stakeholder group in accordance with s172.

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

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

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

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

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

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

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

Read more in our Annual report and accounts 2022, available on our website

Accounts and other information

Statement of comprehensive income

For the year to 31 March

	Notes	**Year to 31 March 2022 £m**	Year to 31 March 2021 £m
Net gains on investments	7	**384**	118
Investment income	7	**127**	92
Fees payable on investment activities		**(3)**	(1)
Interest receivable		**6**	11
Investment return		**514**	220
Movement in the fair value of derivative financial instruments	5	**(2)**	22
Management and performance fees payable	2	**(97)**	(31)
Operating expenses	3	**(3)**	(3)
Finance costs	4	**(5)**	(2)
Exchange movements		**(3)**	–
Profit before tax		**404**	206
Income taxes	6	–	–
Profit after tax and profit for the year		**404**	206
Total comprehensive income for the year		**404**	206
Earnings per share			
Basic and diluted (pence)	14	**45.3**	23.1

Statement of changes in equity

For the year to 31 March

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

For the year to 31 March 2021	Notes	Stated capital account £m	Retained reserves[1] £m	Capital reserve[1] £m	Revenue reserve[1] £m	Total shareholders' equity £m
Opening balance at 1 April 2020		779	1,282	196	12	2,269
Total comprehensive income for the year		–	–	134	72	206
Dividends paid to shareholders of the Company during the year	15	–	–	–	(85)	(85)
Closing balance at 31 March 2021		779	1,282	330	(1)	2,390

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

Balance sheet
As at 31 March

	Notes	2022 £m	2021 £m
Assets			
Non-current assets			
Investments at fair value through profit or loss	7	**2,873**	1,804
Derivative financial instruments	10	**6**	18
Total non-current assets		**2,879**	1,822
Current assets			
Derivative financial instruments	10	**20**	25
Trade and other receivables	8	**104**	106
Cash and cash equivalents		**17**	462
Total current assets		**141**	593
Total assets		**3,020**	2,415
Liabilities			
Non-current liabilities			
Derivative financial instruments	10	**(6)**	(2)
Trade and other payables	12	**(38)**	(10)
Loans and borrowings	11	**(231)**	–
Total non-current liabilities		**(275)**	(12)
Current liabilities			
Derivative financial instruments	10	**(12)**	(4)
Trade and other payables	12	**(29)**	(9)
Total current liabilities		**(41)**	(13)
Total liabilities		**(316)**	(25)
Net assets		**2,704**	2,390
Equity			
Stated capital account	13	**779**	779
Retained reserves		**1,282**	1,282
Capital reserve		**643**	330
Revenue reserve		**–**	(1)
Total equity		**2,704**	2,390
Net asset value per share			
Basic and diluted (pence)	14	**303.3**	268.1

The Financial statements and related Notes were approved and authorised for issue by the Board of Directors on 9 May 2022 and signed on its behalf by:

Richard Laing
Chair

Cash flow statement

For the year to 31 March

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Cash flow from operating activities		
Purchase of investments	**(761)**	(43)
Proceeds from other financial assets	**12**	104
Proceeds from partial realisations of investments	**140**	14
Proceeds from full realisations of investments	**8**	30
Investment income[1]	**54**	51
Fees paid on investment activities	**(4)**	–
Operating expenses paid	**(4)**	(3)
Interest received	**–**	1
Management and performance fees paid	**(50)**	(29)
Amounts received on the settlement of derivative contracts	**27**	6
Distributions from transfer of investments from unconsolidated subsidiaries[2]	–	5
Net cash flow from operating activities	**(578)**	136
Cash flow from financing activities		
Fees and interest paid on financing activities	**(6)**	(2)
Dividends paid	**(90)**	(85)
Drawdown of revolving credit facility	**955**	–
Repayment of revolving credit facility	**(724)**	–
Net cash flow from financing activities	**135**	(87)
Change in cash and cash equivalents	**(443)**	49
Cash and cash equivalents at the beginning of the year	**462**	413
Effect of exchange rate movement	**(2)**	–
Cash and cash equivalents at the end of the year	**17**	462

1 Investment income includes dividends of £24 million (2021: £6 million), interest of £30 million (2021: £43 million) and no distributions (2021: £2 million) received from unconsolidated subsidiaries.

2 Following the change of tax residence of the Company from Jersey to the UK, several of the investments held in unconsolidated subsidiaries domiciled outside the UK have been transferred to be held directly by the Company.

Reconciliation of net cash flow to movement in net debt

For the year to 31 March

	Notes	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Change in cash and cash equivalents		**(443)**	49
Drawdown of revolving credit facility	11	**(955)**	–
Repayment of revolving credit facility	11	**724**	–
Change in net (debt) / cash resulting from cash flows		**(674)**	49
Movement in net (debt) / cash		**(674)**	49
Net cash at the beginning of the year		**462**	413
Effect of exchange rate movement		**(2)**	–
Net (debt) / cash at the end of the year		**(214)**	462

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

Significant accounting policies

Corporate information
3i Infrastructure plc (the 'Company') is a company incorporated in Jersey, Channel Islands. The Financial statements for the year to 31 March 2022 comprise the Financial statements of the Company as defined in IFRS 10 Consolidated Financial Statements.

The preliminary results for the year ended 31 March 2022 have been extracted from audited accounts which have not yet been delivered to the Jersey Financial Services Commission. The Financial statements set out in this announcement do not constitute statutory accounts for the year ended 31 March 2022 or 31 March 2021. The financial information for the year ended 31 March 2021 is derived from the statutory accounts from that year. The reports of the auditors on the statutory accounts for the year ended 31 March 2022 and the year ended 31 March 2021 were unqualified.

The Financial statements included in this announcement were authorised for issue by the Board of Directors on 9 May 2022.

Statement of compliance
These Financial statements have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards ('IFRS') and International Accounting Standards.

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

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

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

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

Going concern
The Financial statements are prepared on a going concern basis as disclosed in the Risk report, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. The Directors have made an assessment of going concern, taking into account a wide range of information relating to present and future conditions, including the Company's cash and liquidity position, current performance and outlook, which has considered the impact of the recovery from the Covid-19 pandemic, ongoing geopolitical uncertainties and current and expected financial commitments using information available to the date of issue of these Financial statements. As part of this assessment the Directors considered:

- the analysis of the adequacy of the Company's liquidity, solvency and capital position. The Company manages and monitors liquidity regularly ensuring it is adequate and sufficient. At 31 March 2022, liquidity remained strong at £786 million (2021: £763 million). Liquidity comprised cash and deposits of £17 million (2021: £463 million) and undrawn facilities of £769 million (2021: £300 million). The £200 million accordion and £400 million additional facility both mature within 12 months of the date of this report. In addition, the Company is able to call the second tranche of the deferred consideration from the realisation of WIG of £98 million with six weeks' notice and, in June 2022, is expecting to receive £103 million from the sale of its Projects portfolio. Income and non-income cash is expected to be received from the portfolio investments during the coming year, a portion of which will be required to support the payment of the dividend target and the Company's other financial commitments;

- uncertainty around the valuation of the Company's assets as set out in the Key estimation uncertainties section. The valuation policy and process was consistent with prior years. This year a key focus of the portfolio valuations at 31 March 2022 was an assessment of the impact of the macroeconomic environment on the operational and financial performance of each portfolio company. In particular this focused on increasing inflationary pressures, tightening debt markets, volatility in power prices, recovery from the Covid-19 pandemic and ongoing geopolitical uncertainties. We have incorporated into our cash flow forecasts a balanced view of future income receipts and expenses; and

- the Company's financial commitments. The Company had one investment commitment at 31 March 2022 totalling c.£300 million in GCX, a global data communications service provider. The Company had ongoing charges of £36 million in the year to 31 March 2022, detailed in Table 5 in the Financial review, which are indicative of the ongoing run rate in the short term. The Company has a FY22 performance fee accrual of £54 million, a third of which is payable within the next 12 months. The Company has a FY21 performance fee accrual of £4 million relating to the second and third instalments of the FY21 fee, the second instalment being due within the next 12 months, an accrual of £12 million relating to the third instalment of the FY20 fee due within the next 12 months and a proposed final dividend for FY22 of £47 million. In addition, while not a commitment at 31 March 2022, the Company has a dividend target for FY23 of 11.15 pence per share. In order to meet the commitment to invest in GCX, the Company expects to receipt the WIG deferred consideration and the proceeds from the sale of the Projects portfolio prior to the completion of this investment.

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

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

Key judgements

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

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

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

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

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

The Company meets the criteria as follows:

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

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

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

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

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

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

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

Key estimation uncertainties

Valuation of the investment portfolio

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

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

The discount rate applied to the cash flows in each investment portfolio company is a key source of estimation uncertainty. The acquisition discount rate is adjusted to reflect changes in company-specific risks to the deliverability of future cash flows and is calibrated against secondary market information and other available data points, including comparable transactions. The discount rates applied to the investment portfolio at 31 March 2022 range from 10.0% to 13.2% (2021: 7% to 12%) and the weighted average discount rate applied to the investment portfolio is 10.9% (2021: 10.8%). The increase in the year is due to the introduction of the new investments in SRL and DNS:NET to the portfolio at a higher than average discount rate, mostly offset by small reductions in discount rates for Oystercatcher, TCR, ESVAGT and Valorem. The Projects portfolio is now valued on a sales basis and therefore this investment has been removed from the discount rate range.

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

The terminal value attributes a residual value to the portfolio company at the end of the projected discrete cash flow period based on market comparables. The terminal value assumptions consider climate change risk and stranded asset risk. The valuation of each asset has significant estimation in relation to asset specific items but there is also consideration given to the impact of wider megatrends such as the transition to a lower-carbon economy and climate change. The effects of climate change, including extreme weather patterns or rising sea levels in the longer term could impact the valuation of the assets in the portfolio in different ways. The Summary of portfolio valuation methodology section earlier in this document provides further details on some of the assumptions that have been made in deriving terminal values and some of the risk factors considered in the cash flow forecasts, for example in relation to the inflationary headwinds currently being experienced.

New and amended standards adopted for the current year

Standards and amendments to standards applicable to the Company that became effective during the year and were adopted by the Company on 1 April 2021 are listed below.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (1 January 2021)

This amendment has not had a material impact on the Financial statements.

Standards and amendments issued but not yet effective

As at 31 March 2022, the following new or amended standards, which have not been applied in these Financial statements, had been issued by the International Accounting Standards Board ('IASB') but are yet to become effective.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (1 January 2023)
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (1 January 2023)
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (1 January 2022)
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts (1 January 2022)
Amendments to IFRS 3 Business Combinations (1 January 2022)
Amendments to IFRS 17 Insurance contracts (1 January 2022)
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 resulting from Annual Improvements to IFRS 2018-2020 Cycle (1 January 2022)

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

A Classification

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

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

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

B Exchange differences

Transactions entered into by the Company in a currency other than its functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated to the functional currency at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation to the functional currency are recognised in the Statement of comprehensive income. Foreign exchange differences relating to investments held at fair value through profit or loss are shown within the line Net gains on investments. Foreign exchange differences relating to other assets and liabilities are shown within the line Exchange movements.

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

C Investment portfolio

Recognition and measurement – Investments are recognised and de-recognised on a date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investment. The Company manages its investments with a view to profiting from the receipt of investment income and obtaining capital appreciation from changes in the fair value of investments. Therefore, all quoted investments and unquoted investments are measured at fair value through profit or loss upon initial recognition and subsequently carried in the Balance sheet at fair value, applying the Company's valuation policy. Acquisition related costs are accounted for as expenses when incurred.

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

Income

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

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

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

D Fees

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

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

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

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

E Treasury assets and liabilities

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

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

(ii) Bank loans, loan notes and borrowings – Loans and borrowings are initially recognised at the fair value of the consideration received, net of issue costs associated with the borrowings. Where issue costs are incurred in relation to arranging debt finance facilities these are capitalised and disclosed within Trade and other receivables and amortised over the life of the loan. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

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

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently remeasured to the fair value at each reporting date. All changes in the fair value of derivative financial instruments are taken to the Statement of comprehensive income. The maturity profile of derivative contracts is measured relative to the financial contract settlement date of each contract and the derivative contracts are disclosed in the Financial statements as either current or non-current accordingly.

F Other assets

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

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

G Other liabilities

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

H Equity and reserves

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

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

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

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

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

(iii) Dividends payable – Dividends on ordinary shares are recognised in the period in which the Company's obligation to make the dividend payment arises and are deducted from Retained reserves for the period to 15 October 2018 and from the Revenue reserve for subsequent periods.

I Income taxes

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

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

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

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

Notes to the accounts

1 Operating segments

The Directors review information on a regular basis that is analysed by portfolio segment; being Economic infrastructure businesses, the Projects portfolio and the India Fund, and by geography. These segments are reviewed for the purpose of resource allocation and the assessment of their performance. In accordance with IFRS 8, the segmental information provided below uses these segments for the analysis of results as it is the most closely aligned with IFRS reporting requirements. The Company is an investment holding company and does not consider itself to have any customers.

The following is an analysis of the Company's investment return, profit before tax, assets, liabilities and net assets by portfolio segment for the year to 31 March 2022:

For the year to 31 March 2022	Economic infrastructure businesses £m	Projects portfolio £m	India Fund £m	Unallocated[1] £m	Total £m
Investment return	**486**	**18**	**5**	**5**	**514**
Profit/(loss) before tax	**483**	**19**	**5**	**(103)**	**404**
For the year to 31 March 2021					
Investment return	196	8	5	11	220
Profit/(loss) before tax	215	11	5	(25)	206
As at 31 March 2022					
Assets	**2,796**	**105**	**–**	**119**	**3,020**
Liabilities	**(18)**	**(1)**	**–**	**(297)**	**(316)**
Net assets/(liabilities)	**2,778**	**104**	**–**	**(178)**	**2,704**
As at 31 March 2021					
Assets	1,748	96	3	568	2,415
Liabilities	(6)	–	–	(19)	(25)
Net assets	1,742	96	3	549	2,390

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

The following is an analysis of the Company's investment return, profit before tax, assets, liabilities and net assets by geography for the year to 31 March 2022:

For the year to 31 March 2022	UK and Ireland[1] £m	Continental Europe[2] £m	Asia £m	Total £m
Investment return	**63**	**446**	**5**	**514**
(Loss)/profit before tax	**(45)**	**444**	**5**	**404**
For the year to 31 March 2021				
Investment return	53	162	5	220
Profit before tax	17	184	5	206
As at 31 March 2022				
Assets	**653**	**2,367**	**–**	**3,020**
Liabilities	**(298)**	**(18)**	**–**	**(316)**
Net assets	**355**	**2,349**	**–**	**2,704**
As at 31 March 2021				
Assets	868	1,544	3	2,415
Liabilities	(19)	(6)	–	(25)
Net assets	849	1,538	3	2,390

1 Including Channel Islands. All centrally incurred costs have been deemed to be incurred in the UK and Ireland while recognising these costs support allocations across geographies.

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

The Company generated 12% (2021: 24%) of its investment return in the year from investments held in the UK and Ireland and 87% (2021: 74%) of its investment return from investments held in continental Europe. During the year, the Company generated 95% (2021: 94%) of its investment return from investments in Economic infrastructure businesses, 4% (2021: 4%) from investments in Projects and 1% (2021: 2%) from its investment in the India Fund. Given the nature of the Company's operations, the Company is not considered to be exposed to any operational seasonality or cyclicality that would impact the financial results of the Company during the year or the financial position of the Company at 31 March 2022.

2 Management and performance fees payable

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Management fee	**43**	24
Performance fee	**54**	7
	97	31

Total management and performance fees payable by the Company for the year to 31 March 2022 were £97 million (2021: £31 million). Note 18 provides further details on the calculation of the management fee and performance fee.

3 Operating expenses

Operating expenses include the following amounts:

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Audit fees	**0.6**	0.4
Directors' fees and expenses	**0.5**	0.5

In addition to the fees described above, audit fees of £0.05 million (2021: £0.07 million) were paid by unconsolidated subsidiary entities for the year to 31 March 2022 to the Company's auditor.

Services provided by the Company's auditor
During the year, the Company obtained the following services from the Company's auditor, Deloitte LLP.

Audit services		Year to 31 March 2022 £m	Year to 31 March 2021 £m
Statutory audit[1]	Company	**0.40**	0.30
	UK unconsolidated subsidiaries[2]	**0.05**	0.04
	Overseas unconsolidated subsidiaries[2]	–	0.03
		0.45	0.37

1 Amounts exclude VAT.

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

Non-audit services
Deloitte LLP and their associates provided non-audit services for fees totalling £104,635 for the year to 31 March 2022 (2021: £52,700). This related to agreed-upon procedures work in respect of the management and performance fees (£7,560), agreed-upon procedures work in respect of Sustainability KPIs for the RCF reporting (£27,000), the review of the interim financial statements (£55,575) and reporting accountant work (£14,500). In line with the Company's policy, Deloitte LLP provided non-audit services to certain investee companies. The fees for these services are ordinarily borne by the underlying investee companies or unconsolidated subsidiaries, and therefore are not included in the expenses of the Company. Details on how such non-audit services are monitored and approved can be found in the Governance section of the Annual report and accounts.

4 Finance costs

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Finance costs associated with the debt facilities	**3**	2
Professional fees payable associated with the arrangement of debt financing	**2**	–
	5	2

The finance costs associated with the debt facilities have increased in the year ended 31 March 2022 as a result of higher average drawings and increases in the total available facilities. The average monthly drawn position during the year was £80 million (2021: nil) and the average monthly total available facilities was £508 million (2021: £300 million).

5 Movement in the fair value of derivative financial instruments

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Movement in the fair value of forward foreign exchange contracts	**(2)**	22

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

6 Income taxes

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Current taxes		
Current year	**–**	–
Total income tax charge in the Statement of comprehensive income	**–**	–

Reconciliation of income taxes in the Statement of comprehensive income

The tax charge for the year is different from the standard rate of corporation tax in the UK, currently 19% (2021: 19%), and the differences are explained below:

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Profit before tax	**404**	206
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2021: 19%)	**77**	39
Effects of:		
Non-taxable capital profits due to UK approved investment trust company status	**(70)**	(26)
Non-taxable dividend income	**(5)**	(1)
Dividends designated as interest distributions	**(3)**	(12)
Temporary differences on which deferred tax is not recognised	**1**	–
Total income tax charge in the Statement of comprehensive income	**–**	–

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

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

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

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

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

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

The table below shows the classification of financial instruments held at fair value into the fair value hierarchy at 31 March 2022. For all other assets and liabilities, their carrying value approximates to fair value. During the year ended 31 March 2022, there were no transfers of financial instruments between levels of the fair value hierarchy (2021: none).

Trade and other receivables in the Balance sheet includes £2 million of deferred finance costs relating to the arrangement fee for the revolving credit facility and additional facilities (2021: £1 million). This has been excluded from the table below as it is not categorised as a financial instrument.

Financial instruments classification

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

	As at 31 March 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	1,804	1,804
Trade and other receivables	–	105	–	105
Derivative financial instruments	–	43	–	43
	–	148	1,804	1,952
Financial liabilities				
Derivative financial instruments	–	(6)	–	(6)
	–	(6)	–	(6)

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

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

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

Level 3 fair value reconciliation	As at 31 March 2021 £m
Opening fair value	1,652
Additions	91
Disposal proceeds and repayment	(48)
Movement in accrued income	(9)
Fair value movement (including exchange movements)	118
Closing fair value	1,804

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

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

Investment income of £127 million (2021: £92 million) comprises dividend income of £24 million (2021: £6 million), interest of £103 million (2021: £83 million) and no distributions (2021: £3 million) from unconsolidated subsidiaries.

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

The Company's policy is to fair value both the equity and shareholder debt investments in infrastructure assets together where they will be managed and valued as a single investment, were invested at the same time and cannot be realised separately. The Directors consider that equity and debt share the same characteristics and risks and they are therefore treated as a single unit of account for valuation purposes and a single class for disclosure purposes. As at 31 March 2022, the fair value of unquoted investments was £2,873 million (2021: £1,802 million). Individual portfolio asset valuations are shown in the Portfolio summary.

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

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

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

A discussion of discount rates applied can be found in the Summary of portfolio valuation methodology section. Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £258 million (2021: £152 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £297 million (2021: £176 million).

The majority of assets held within Level 3 have revenues that are linked, partially linked or in some way correlated to inflation. The long-term inflation rate assumptions for the country of domicile of the investments in the portfolio range from 5.0% (India) (2021: 5.0%) to 2.0% (the Netherlands) (2021: 2.0%). The long-term RPI assumption for the UK is 2.5% (2021: 2.5%). The impact of increasing the inflation rate assumption by 1% for the next two years would increase the value of the portfolio by £43 million (2021: £25 million). Decreasing the inflation rate assumption used in the valuation of each asset by 1% for the next two years would decrease the value of the portfolio by £46 million (2021: £25 million). The timing and quantum of price increases will vary across the portfolio and the sensitivity may differ from that modelled. Changing the inflation rate assumption may result in consequential changes to other assumptions used in the valuation of each asset.

The valuations are sensitive to changes in interest rates, which may result from: (i) unhedged existing borrowings within portfolio companies; (ii) interest rates on uncommitted future borrowings assumed within the asset valuations; and (iii) cash deposits held by portfolio companies. These comprise a wide range of interest rates from short-term deposit rates to longer-term borrowing rates across a broad range of debt products. Increasing the cost of borrowing assumption for unhedged borrowings and any future uncommitted borrowing and the cash deposit rates used in the valuation of each asset by 1% would reduce the value of the portfolio by £158 million (2021: £88 million). Decreasing the interest rate assumption for unhedged borrowings used in the valuation of each asset by 1% would increase the value of the portfolio by £156 million (2021: £82 million). This calculation does not take account of any offsetting variances which may be expected to prevail if interest rates changed, including the impact of inflation discussed above.

Intermediate holding companies
The Company invests in a number of intermediate holding companies that are used to hold the unquoted investments, valued as referred to above. All other assets and liabilities of the intermediate holding companies are held either at fair value or a reasonable approximation to fair value. The fair value of these intermediate holding companies therefore approximates to their NAV and the Company classifies the fair value as Level 3. As at 31 March 2022, the fair value of the other assets and liabilities within these intermediate holding companies was £nil (2021: £2 million).

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

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

8 Trade and other receivables

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Current assets		
Vendor loan notes	**100**	105
Other receivables including prepayments	**2**	–
Capitalised finance costs	**2**	1
	104	106

Vendor loan notes ('VLNs') of £98 million plus interest are due from the purchaser following the sale of WIG in December 2019. These can be called on by giving notice and carry an interest rate of 6%. These are measured at amortised cost using the effective interest method. Accrued interest on the VLNs is included in the table above.

9 Financial risk management

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

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

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

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

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

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

Credit risk
The Company is subject to credit risk on the debt component of its unquoted investments, cash, deposits, derivative contracts and receivables. The maximum exposure to credit risk as a result of counterparty default equates to the current carrying value of these financial assets. Throughout the year and the prior year, the Company's cash and deposits were held with a variety of counterparties, principally in AAA rated money market funds, as well as in short-term bank deposits and notice accounts with a minimum of a A credit rating. The counterparties selected for the derivative financial instruments were all banks with a minimum of a BBB+ credit rating with at least one major rating agency. Following the sale of WIG in December 2019, the Company received VLNs from the purchaser, Brookfield Infrastructure Fund IV, that are reported within Trade receivables. The credit risk on these VLNs has been assessed through calculating an expected credit loss using the credit ratings of underlying investors in the Brookfield fund and the amount of undrawn commitments to the fund to calculate a probability of default.

The credit quality of unquoted investments, which are held at fair value and include debt and equity elements, is based on the financial performance of the individual portfolio companies. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements. This incorporates the impact of the recovery from the Covid-19 pandemic, the volatility in the oil prices and power prices and other macroeconomic factors such as inflation and interest rate rises. The performance of underlying investments is monitored by the Board to assess future recoverability.

9 Financial risk management continued

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

As at 31 March 2022, the Company had no loans or receivables or debt investments considered past due (2021: nil).

The Company actively manages counterparty risk. Counterparty limits are set and closely monitored by the Board and a regular review of counterparties is undertaken by the Investment Manager and reported to the Board. As at 31 March 2022, the Company did not consider itself to have a significant exposure to any one counterparty and held deposits and derivative contracts with a number of different counterparties to reduce counterparty risk (2021: same).

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

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

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

1 Loans and borrowings relate to undrawn commitment fees and interest payable on the RCF referred to in Note 11.

2 Financial commitments are described in Note 16 and are not recognised in the Balance sheet.

2021	Payable on demand £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total £m
Liabilities					
Loans and borrowings[1]	–	(2)	(2)	–	(4)
Trade and other payables	(9)	–	(8)	(2)	(19)
Derivative contracts	–	(4)	(2)	–	(6)
Financial commitments[2]	(38)	–	–	–	(38)
Total undiscounted financial liabilities	(47)	(6)	(12)	(2)	(67)

1 Loans and borrowings relate to undrawn commitment fees and interest payable on the RCF and additional facilities referred to in Note 11.

2 Financial commitments are described in Note 16 and are not recognised in the Balance sheet.

The derivative contracts liability shown is the net cash flow expected to be paid on settlement.

In order to manage the contractual liquidity risk the Company has free cash and debt facilities in place, is able to call the VLNs referred to in Note 8 with six weeks' notice and, in June 2022, is expecting to receive £103 million from the sale of its Projects portfolio.

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

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

An increase of 100 basis points in interest rates over 12 months (2021: 100 basis points) would lead to an approximate decrease in net assets and net profit of the Company of £2 million (2021: increase of £5 million). This exposure relates principally to changes in interest payable on the drawn RCF balance at the year end (2021: in interest receivable on cash on deposit held at the year end). The average cash balance of the Company, which is more representative of the cash balance during the year, was £269 million (2021: £405 million) and the weighted-average interest earned was 0.04% (2021: 0.1%).

9 Financial risk management continued

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

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

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

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

	As at 31 March 2021					
	Sterling[1] £m	Euro £m	NOK £m	DKK £m	US dollar £m	Total £m
Net assets	848	1,116	234	189	3	2,390
Sensitivity analysis						
Assuming a 10% appreciation in sterling against the euro, NOK, DKK and US dollar exchange rates:						
Impact of exchange movements on net profit and net assets	109	(101)	(21)	(17)	–	(30)

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

The impact of an equivalent depreciation in sterling against the euro, NOK, DKK and US dollar exchange rates has the inverse impact on net profit and net assets from that shown above. There is an indirect exposure to the rupee through the investment in the India Fund which is denominated in US dollars but it is only the direct exposure that is considered here. The risk exposure at the year end is considered to be representative of this year as a whole.

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

	As at 31 March 2022 Investments at fair value £m	As at 31 March 2021 Investments at fair value £m
Increase in net profit and net assets	**287**	180

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

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

(iv) Fair values
The fair value of the investment portfolio is described in detail in the Portfolio valuation methodology section and in Note 7. The fair values of the remaining financial assets and liabilities approximate to their carrying values (2021: same).

The sensitivity analysis in respect of the interest rate, currency and market price risks is considered to be representative of the Company's exposure to financial risks throughout the period to which they relate (2021: same).

10 Derivative financial instruments

	As at 31 March 2022 £m	As at 31 March 2021 £m
Non-current assets		
Forward foreign exchange contracts	**6**	18
Current assets		
Forward foreign exchange contracts	**20**	25
Non-current liabilities		
Forward foreign exchange contracts	**(6)**	(2)
Current liabilities		
Forward foreign exchange contracts	**(12)**	(4)

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

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

As at 31 March 2022, the notional amount of the forward foreign exchange contracts held by the Company was £1,555 million (2021: £1,090 million).

11 Loans and borrowings

On 3 November 2021, the Company refinanced its £300 million RCF as a new £400 million sustainability-linked RCF with a maturity date of November 2024 and two one-year extension options. The Company has the right to increase the size of the new RCF by a further £200 million, provided that existing lenders have a right of first refusal. This right was exercised on 16 December 2021 for a one-year period. On 31 January 2022 an additional £400 million facility was agreed for a one-year period. Total available debt facilities at 31 March 2022 were £1 billion (2021: £300 million).

The new RCF is secured by a floating charge over the bank accounts of the Company. Interest is payable at SONIA or EURIBOR plus a fixed margin on the drawn amount. This fixed margin is subject to a small adjustment annually based upon performance against agreed sustainability metrics. As at 31 March 2022, the Company had drawn cash of £231 million from the RCF (2021: nil). The new RCF has certain loan covenants, including a loan to value ratio.

12 Trade and other payables

	As at 31 March 2022 £m	As at 31 March 2021 £m
Non-current liabilities		
Performance fee	**38**	10
Current liabilities		
Management and performance fees	**27**	8
Accruals and other creditors	**2**	1
	67	19

The carrying value of all liabilities is representative of fair value (2021: same).

13 Issued capital

	As at 31 March 2022		As at 31 March 2021	
	Number	**£m**	Number	£m
Authorised, issued and fully paid				
Opening balance	**891,434,010**	**1,496**	891,434,010	1,496
Closing balance	**891,434,010**	**1,496**	891,434,010	1,496

Aggregate issue costs of £24 million arising from IPO and subsequent share issues have been offset against the stated capital account in previous years. In addition, the stated capital account was reduced by Court order on 20 December 2007 with an amount of £693 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Therefore, as at 31 March 2022, the residual value on the stated capital account was £779 million.

14 Per share information

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

	Year to 31 March 2022	Year to 31 March 2021
Earnings per share (pence)		
Basic and diluted	**45.3**	23.1
Earnings (£m)		
Profit after tax for the year	**404**	206
Number of shares (million)		
Weighted average number of shares in issue	**891.4**	891.4
Number of shares at the end of the year	**891.4**	891.4

	As at 31 March 2022	As at 31 March 2021
Net assets per share (pence)		
Basic and diluted	**303.3**	268.1
Net assets (£m)		
Net assets	**2,704**	2,390

15 Dividends

	Year to 31 March 2022		Year to 31 March 2021	
Declared and paid during the year	**Pence per share**	**£m**	Pence per share	£m
Interim dividend paid on ordinary shares	**5.225**	**46**	4.900	44
Prior year final dividend paid on ordinary shares	**4.900**	**44**	4.600	41
	10.125	**90**	9.500	85

The Company proposes paying a final dividend of 5.225 pence per share (2021: 4.9 pence) which will be payable to those shareholders that are on the register on 17 June 2022. On the basis of the shares in issue at year end, this would equate to a total final dividend of £47 million (2021: £44 million).

The final dividend is subject to approval by shareholders at the AGM in July 2022 and has therefore not been accrued in these Financial statements

16 Commitments

	As at 31 March 2022 £m	As at 31 March 2021 £m
Unquoted investments	**302**	38

As at 31 March 2022, the Company was committed to invest $398 million (£302 million) in GCX. Following the end of the 3i India Infrastructure Fund (the 'India Fund') life at the end of March 2022, the India Fund has now moved into liquidation and the outstanding US$38 million (£27 million) commitment is no longer callable. During the year, the Company invested in ESVAGT and as a result, the prior year commitment of DKK 100 million (£11 million) was extinguished.

17 Contingent liabilities

As at 31 March 2022, the Company had no contingent liabilities (2021: nil).

18 Related parties

Transactions between 3i Infrastructure and 3i Group
3i Group plc ('3i Group') holds 30.2% (2021: 30.2%) of the ordinary shares of the Company. This classifies 3i Group as a 'substantial shareholder' of the Company as defined by the Listing Rules. During the year, 3i Group received dividends of £27 million (2021: £26 million) from the Company.

In 2007 the Company committed US$250 million to the India Fund to invest in the Indian infrastructure market. 3i Group also committed US$250 million to the India Fund. No commitments (2021: nil) were drawn down by the India Fund from the Company during the year. In total, commitments of US$184 million or £140 million re-translated (2021: US$184 million or £133 million) had been drawn down at 31 March 2022 by the India Fund from the Company. As the India Fund has reached the end of its life and has moved into liquidation, the outstanding commitment at 31 March 2022 is no longer callable (2021: US$38 million or £27 million).

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

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

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

For the year to 31 March 2022, £43 million (2021: £25 million) was payable, including one-off transaction fees payable in respect of new investments and advance payments of £42 million were made resulting in an amount due to 3i plc of £1 million at 31 March 2022 (2021: less than £1 million due from 3i plc). In consideration of the provision of support services under the IMA, the Company pays the Investment Manager an annual fixed fee. The cost for the support services incurred for the year to 31 March 2022 was £1 million (2021: £1 million). There was no outstanding balance payable as at 31 March 2022 (2021: nil).

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

The performance hurdle requirement was exceeded for the year to 31 March 2022 and therefore a performance fee of £54 million was recognised (2021: £7 million). The outstanding balance payable as at 31 March 2022 was £64 million (2021: £18 million), which includes the second and third instalments of the prior year fee and the third instalment of the FY20 fee.

Year	Performance fee (£m)	Outstanding balance at 31 March (£m)	Payable in FY23 (£m)
FY22	54	54	18
FY21	7	4	2
FY20	17	6	6

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

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

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

19 Unconsolidated subsidiaries and related undertakings

Name	Place of incorporation and operation	Ownership interest
3i Infrastructure (Luxembourg) S.à r.l.	Luxembourg	100%
3i Infrastructure (Luxembourg) Holdings S.à r.l.	Luxembourg	100%
Oystercatcher Luxco 1 S.à r.l.	Luxembourg	100%
Oystercatcher Luxco 2 S.à r.l.	Luxembourg	100%
Oystercatcher Holdco Limited	UK	100%
3i Osprey LP	UK	69%
3i India Infrastructure Fund A LP	UK	100%
BIF WIP LP (dissolved during the year)	UK	100%
BIF WIP Dutch Holdco B.V. (dissolved during the year)	The Netherlands	100%
3i Infrastructure (Netherlands) B.V. (formerly Heijmans Capital B.V.) (dissolved during the year)	The Netherlands	100%
NMM Company B.V.	The Netherlands	100%
Heijmans A12 B.V.	The Netherlands	100%
3i ERRV Denmark Limited	Jersey	100%
ERRV Luxembourg Holdings S.à r.l.	Luxembourg	100%
3i WIG Limited	Jersey	100%
3i Envol Limited	Jersey	100%
3i Tampnet Holdings Limited	UK	100%
3iN Attero Holdco Limited	UK	100%
3i Amalthea Topco Limited	UK	100%
Reef Topco Limited	UK	100%
Reef Midco Limited	UK	100%
Reef Bidco Limited	UK	100%
Joulz Group:		
Joulz Holdco B.V.	The Netherlands	99%
Joulz Bidco B.V.	The Netherlands	99%
Joulz Diensten B.V.	The Netherlands	99%
Joulz Meetbedrijf B.V.	The Netherlands	99%
Joulz Infradiensten B.V.	The Netherlands	99%
Joulz Laadoplossingen B.V.	The Netherlands	99%
Ionisos Group:		
Epione Holdco SAS	France	96%
Epione Bidco SAS	France	96%
Ionisos Mutual Services SAS	France	96%
Ionisos SAS	France	96%
Ionisos GmbH	Germany	96%
Ionmed Esterilizacion SA	Spain	96%
Scandinavian Clinics Estonia OÜ	Estonia	96%
Steril Milano Srl	Italy	96%
Infinis Group:		
3i LFG Topco Limited	Jersey	100%
Infinis Energy Group Holdings Limited	UK	100%
Infinis Energy Management Limited	UK	100%
Infinis Limited	UK	100%
Infinis (Re-Gen) Limited	UK	100%
Novera Energy (Holdings 2) Limited	UK	100%

Name	Place of incorporation and operation	Ownership interest
Novera Energy Generation No. 1 Limited	UK	100%
Novera Energy Operating Services Limited	UK	100%
Gengas Limited	UK	100%
Novera Energy Generation No. 2 Limited	UK	100%
Renewable Power Generation Limited	UK	100%
Novera Energy Generation No. 3 Limited	UK	100%
Costessey Energy Limited	UK	100%
Mayton Wood Energy Limited	UK	100%
Infinis Alternative Energies Limited	UK	100%
Infinis Energy Services Limited	UK	100%
Novera Energy Services UK Limited	UK	100%
Infinis China (Investments) Limited	UK	100%
Infinis (COE) Limited	UK	100%
Infinis Energy Storage Limited	UK	100%
Novera Energy Pty Limited	UK	100%
Barbican Holdco Limited	UK	100%
Barbican Bidco Limited	UK	100%
Alkane Energy Limited	UK	100%
Alkane Biogas Limited	UK	100%
Alkane Energy UK Limited	UK	100%
Alkane Services Limited	UK	100%
Seven Star Natural Gas Limited	UK	100%
Regent Park Energy Limited	UK	100%
Leven Power Limited	UK	100%
Rhymney Power Limited	UK	100%
Alkane Energy CM Holdings Limited	UK	100%
Alkane Energy CM Limited	UK	100%
Infinis Solar Holdings Limited	UK	100%
Infinis Solar Developments Limited	UK	100%
Infinis Solar Limited	UK	100%
ND Solar Enterprises Limited	UK	100%
Aura Power Solar UK6 Limited	UK	100%
DNS:NET Group:		
DNS Holdings GmbH	Germany	64%
DNS Bidco GmbH	Germany	64%
DNS:NET Internet Service GmbH	Germany	64%
SRL Traffic Systems Group:		
Amalthea Holdco Limited	UK	92%
Amalthea Midco Limited	UK	92%
Amalthea Bidco Limited	UK	92%
Jupiter Bidco Limited	UK	92%
SRL Traffic Systems Limited	UK	92%
SRL GmbH	Germany	92%
SRL Traffic Systems Limited	Ireland	92%

Name	Place of incorporation and operation	Ownership interest
ESVAGT Group:		
ERRV Holdings ApS	Denmark	100%
ERRV ApS	Denmark	100%
ESVAGT Holdings Inc	US	100%
ESVAGT A/S	Denmark	100%
ESVAGT Norge AS	Norway	100%
ESVAGT Holdings Ltd	UK	100%
P/F ESVAGT-Thor	Faroe Islands	51%
ESVAGT UK Ltd	UK	100%

The list above comprises the unconsolidated subsidiary undertakings of the Company as at 31 March 2022.

There are no current commitments or intentions to provide financial or other support to any of the unconsolidated subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support except for those disclosed in Note 16 (2021: none). No such financial or other support was provided during the year (2021: none).

Investment policy (unaudited)

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

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

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

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

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

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

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

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

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

Statement of Directors' responsibilities

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

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

The Directors of the Company and their functions are listed below. The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2022.

Richard Laing
Chair
9 May 2022

Board of Directors and their functions

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

Doug Bannister
Non-executive Director.

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

Samantha Hoe-Richardson
Non-executive Director.

Ian Lobley
Non-executive Director.

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

Portfolio valuation methodology (unaudited)

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

Basis of valuation

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

General

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

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

Quoted investments

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

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

Discounted Cash Flow ('DCF');

Proportionate share of net assets;

Sales basis; and

Cost less any fair value adjustments required.

DCF

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

Proportionate share of net assets

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

Sales basis

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

Cost less fair value adjustment

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

Glossary

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

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

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

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

Board The Board of Directors of the Company.

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

Company 3i Infrastructure plc.

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

External auditor The independent auditor, Deloitte LLP.

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

FY15, FY20, FY21, FY22, FY23 refers to the financial years to 31 March 2015, 31 March 2020, 31 March 2021, 31 March 2022 and 31 March 2023 respectively.

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

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

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

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

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

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

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

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

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

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

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

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

Revolving credit facility ('RCF') A £400 million facility provided by the Company's lenders with a maturity date in November 2024, together with a further £200 million of commitments maturing in December 2022 and £400 million of commitments maturing in January 2023.

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

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

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

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

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

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

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