Annual report and accounts 2020

3i Infrastructure plc

Introduction

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

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

This Annual report and accounts contains Alternative Performance Measures ('APMs'), which are financial measures not defined in International Financial Reporting Standards ('IFRS'). These include Total return on opening net asset value ('NAV'), NAV per share, Total income and non-income cash, Investment value including commitments and Total portfolio return percentage. The definition of each of these measures is shown on page 58. The Total return for the year shown in the Performance highlights is the total comprehensive income for the year under IFRS. The Total return on opening NAV is a Key Performance Indicator ('KPI').

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

A reconciliation of this portfolio information to the information presented in the Consolidated financial statements is shown on page 59.

The Directors' statement on pages 95 to 99 for 3i Infrastructure plc ('3i Infrastructure', '3iN' or the 'Company') for the year to 31 March 2020 has been drawn up in accordance with applicable English and Jersey law and the liabilities of the Company in connection with this statement shall be subject to the limitations and restrictions provided by such law. This Annual report and accounts contains statements about the future outlook for 3i Infrastructure. Although the Directors believe their expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

The Company is managed by 3i Investments plc (the 'Investment Manager').

The Strategic report comprises pages 1 to 71

Inside this report

Overview

Investment Manager's review

Review of investments and Sustainability

Financial review, Risk and Directors' duties

Governance

Accounts and other information

Performance highlights

Defensive portfolio continuing to perform well through exceptional economic conditions.

Total return on opening NAV

11.4%

Year	Total return on opening NAV
2016	14.0%
2017	9.0%
2018	28.6%
2019	15.4%
2020	**11.4%**

Total return for the year

£224m

NAV per share

254.5p

+8.4%

Year	NAV per share
2016	161.0p
2017	169.0p
2018	211.0p
2019	234.7p
2020	**254.5p**

Delivered the dividend target

Full year dividend per share

9.20p

+6.4%

Year	Full year dividend per share
2016	7.25p+
2017	7.55p
2018	7.85p+
2019	8.65p
2020	**9.20p**
2021 Target	**9.80p**

+ Special dividends
2016: 17p, 2018: 41.40p

Target dividend per share

+6.5%

Cover image: Tampnet
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Turn the flap to reveal the contents of this document →

Chair's statement

3i Infrastructure provides its shareholders with a clear investment proposition, delivering a long-term sustainable return from investing in infrastructure with an attractive mix of income yield and capital appreciation.

"We are confident in our defensive portfolio and in our ability to deliver a long-term sustainable return.

Richard Laing
Chair, 3i Infrastructure plc
6 May 2020

The Company's total return objective is to provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term. We achieved a return of 11.4% in the year ended 31 March 2020, exceeding our target and demonstrating the resilience of our portfolio.

The Covid-19 pandemic is affecting most businesses across the world and its ultimate impact on the Company and its portfolio will only be fully understood over time. However, we believe that our strong liquidity position, our defensive portfolio of businesses providing essential services, our exposure to long-term sustainable trends through this diverse group of businesses and our focus on risk mitigation will offer a significant degree of protection to shareholders.

Our purpose is to deliver a long-term sustainable return to shareholders from investing in infrastructure. Consideration of sustainability and broader environmental, social and governance ('ESG') themes are fundamental to our investment process and how we manage our portfolio. This is not new for the Company, but we intend for this report to provide greater insight into how we look at these themes, how we are developing our approach to them, and how we and our portfolio are making a positive impact.

We have updated the description of our business model to make it clearer how ESG themes are considered at each stage. In the Investment Manager's review, Phil White, Managing Partner and Head of Infrastructure at the Investment Manager, outlines why sustainability is important to both 3i and the Company, and how the Investment Manager is evolving its investment and portfolio businesses' management processes.

In this year's Sustainability report, we are introducing the UN Sustainable Development Goals as a framework to describe the impact of our portfolio on the environment and communities in which they operate. We are also introducing a Task Force on Climate-related Financial Disclosures ('TCFD') section, as we work towards meeting the TCFD recommendations in the coming years.

We carefully considered the final dividend recommendation and the target dividend for the next financial year. Many companies have recently cancelled their dividend payments to preserve liquidity, encouraged by regulatory authorities in some cases.

As an investment company, we understand that our dividend is important to many of our shareholders, and we are in a strong liquidity position which will not be materially impacted by the payment of the final dividend. The interim and final dividends are fully covered by income and non-income cash receipts from our portfolio. We have therefore concluded that it is appropriate to recommend a final dividend in line with our target. We have also decided that it is appropriate to set a target dividend for the next financial year, and hope that this will help our shareholders with their financial planning into 2021.

During the year, the Company sold investments in Wireless Infrastructure Group ('WIG') and the UK operational projects portfolio, generating additional value for shareholders. We also made a new investment in Ionisos, adding timely exposure to the healthcare sector to the portfolio. We believe that the portfolio is well balanced and positioned to provide a sustainable mix of income yield and capital appreciation as we look to emerge from the pandemic.

I am grateful to shareholders for their support during our share issue in October 2019, to the Board for its contribution during this very eventful year and to the Investment Manager for its hard work, particularly in helping our portfolio navigate the current uncertainty.

2007 → 2020

In the 13 years since the initial public offering ('IPO') the Company has delivered an annualised total shareholder return of

11.7%

per annum

Chair's statement

Performance

The Company generated a total return of £224 million in the year ended 31 March 2020, or 11.4% on opening NAV, again exceeding the target of 8% to 10% per annum to be achieved over the medium term. The NAV per share increased to 254.5 pence. We delivered a Total Shareholder Return ('TSR') of -7.3% in the year (FTSE 250: -18.6%), as a consequence of the share price fall in the last few weeks of the financial year following the outbreak of Covid-19. Prior to that, the Company's share price had reached an all time high of 317.5 pence per share. Since IPO, the Company's annualised TSR is 11.7%, comparing favourably with the broader market (FTSE 250: 5.2% annualised over the same period). The Company's share price performance relative to the FTSE 250 has been particularly strong over the last five years.

5 year 3iN share price and FTSE 250 (to 31 March 2020)

Portfolio activity

The Company sold WIG for proceeds of approximately £387 million, realising a 27% IRR from this investment, and sold the UK operational projects portfolio for approximately £194 million, realising a 15% IRR. Both these realisations are further examples of excellent origination, asset management and timely divestment by our Investment Manager. Our first investment in healthcare infrastructure, Ionisos, was made during the year for £186 million and we also completed the acquisition of Joulz for £190 million. The Investment Manager's review describes in more detail the realisations and the new investments alongside portfolio developments.

Share issue

We were delighted with the successful placing, in October 2019, of 81 million shares at a price of 275 pence per share, raising gross proceeds of approximately £223 million before expenses. The issue was substantially oversubscribed with strong interest shown by existing and new shareholders, which was reflected in the final issue price achieved, at a significant premium to NAV. The proceeds were used to repay borrowings and provide liquidity to fund our pipeline of potential investments.

Dividend

Following the payment of the interim dividend of 4.6 pence per share in January 2020, the Board is recommending a final dividend for the year of 4.6 pence per share, meeting our target for the year of 9.2 pence per share, 6.4% above last year's total dividend. We expect the final dividend to be paid on 13 July 2020. Consistent with our progressive dividend policy, we are announcing a total dividend target for the year ending 31 March 2021 of 9.8 pence per share, representing a year-on-year increase of 6.5%.

Corporate governance

The Board aims to uphold the highest standards of corporate governance. The Board has continued to focus on and develop the Company's corporate governance arrangements, committing to observing the requirements of the AIC Code of Corporate Governance (the 'AIC Code') as an appropriate governance framework for an investment company. In February, Samantha Hoe-Richardson was appointed as a non-executive Director. Samantha brings deep expertise and experience, particularly on sustainability and the environment, that will be invaluable to the Company. More detail can be found in the Governance section on pages 74 to 99.

The Company's Annual General Meeting ('AGM') was held on 4 July 2019. All resolutions were approved by shareholders, including the re-election of all Directors to the Board. This year's AGM will be held on 9 July 2020. At the time of writing, we have to assume that the current stay at home and social distancing measures may still be in place at the time of the AGM. We therefore intend to hold the meeting with the minimum number of people legally required to be present and ask that shareholders vote by proxy in advance of the meeting. A conference call including a presentation from the Investment Manager will take place after the meeting is held, also on 9 July 2020, at which shareholders will be given the opportunity to ask questions. Further details will be provided in the notice of meeting and on the Company's website, 3i-infrastructure.com.

Directors' duties

The Directors have a duty to act honestly and in good faith with a view to the best interests of the Company. In accordance with the AIC Code, the Board does this through understanding the views of the Company's key stakeholders (for further details see page 85) 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 (for further details see page 71).

Outlook

The past few months have seen significant volatility in both equity and credit markets and falling oil and power prices. In this environment, the infrastructure sector has performed relatively well, demonstrating its value as an asset class. Against this backdrop, the Company has remained disciplined in its investment approach, maintaining a strong cash position and an appropriate level of gearing in the Company's portfolio. We have invested in sectors that benefit from long-term sustainable trends as discussed in greater detail in the Investment Manager's review. Our portfolio consists of defensive businesses providing essential services to their customers. We are delighted to see our latest investment in Ionisos playing its part in fighting Covid-19 through the sterilisation of testing kits and personal protective equipment.

Despite the current uncertain economic backdrop we remain confident in our business model. We have strong liquidity to support our portfolio companies if needed and to take advantage of investment opportunities as our markets start to recover from Covid-19.

Richard Laing
Chair, 3i Infrastructure plc
6 May 2020

At a glance

A large and diversified investment portfolio.

Portfolio value by investment (at 31 March 2020)

Operational projects
Netherlands and France
Roads and social infrastructure projects

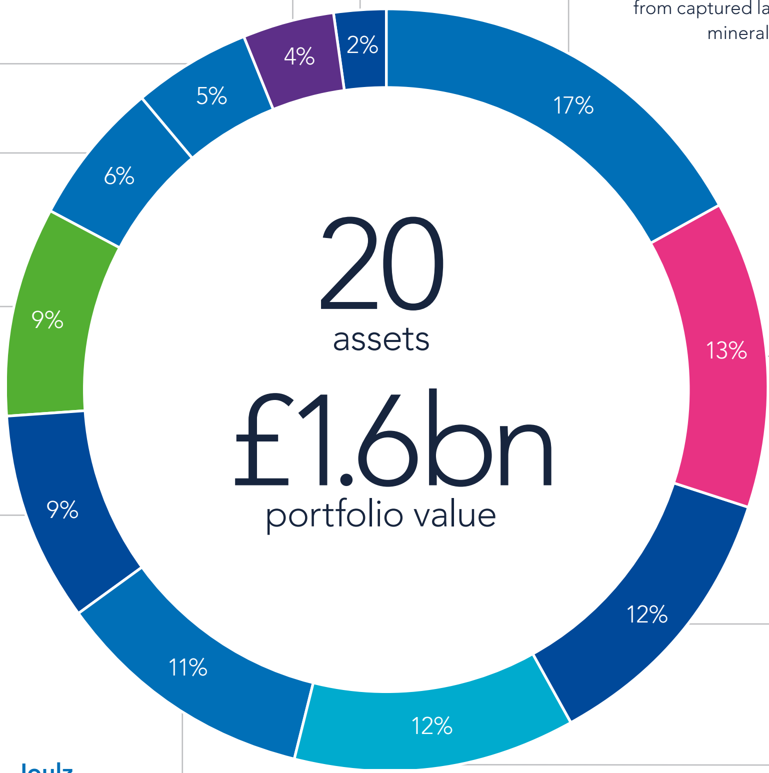
India Fund

Valorem
France
Renewable energy development and operating company

Attero
Netherlands
Energy recovery from waste and recycling

ESVAGT
Denmark
Emergency rescue and response vessels and wind farm service operations vessels

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



Joulz
Netherlands
Energy infrastructure solutions and metering

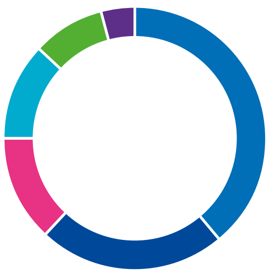
Infinis
UK
Generator of electricity from captured landfill and mineral methane

Tampnet
Norway
Fibre based communications networks

TCR
Belgium
Owner and lessor of airport ground support equipment

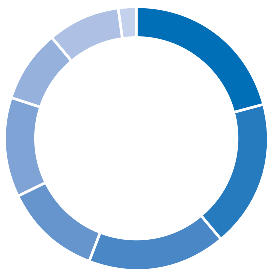
Ionisos
France
Cold sterilisation facilities

Portfolio value by sector (at 31 March 2020)



Utilities	39%
Transportation/logistics	23%
Communications	13%
Healthcare	12%
Natural resources	9%
Social infrastructure	4%

Portfolio value by country (at 31 March 2020)



Netherlands	20%
France	18%
UK	17%
Norway	13%
Belgium	12%
Luxembourg	9%
Denmark	9%
India	2%

Read more on Review of investments
Pages 34 to 43

Megatrends and our portfolio

Megatrends are shaping the world around us, influencing decision making and changing the demands placed on our economy and services.

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

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

Megatrend	Investment theme	Our portfolio
Transitioning to a lower carbon economy	Renewable energy generation	Infinis, Valorem, Attero, ESVAGT
	Electrification/energy transition	Joulz, TCR
	Shared resources	TCR
Digitalisation and technology disruption	Automation and digital operations	Tampnet
	Increasing connectivity	Tampnet
Circular economy	Waste treatment and recycling	Attero
Demographic change	Demand for healthcare	Ionisos
Globalisation	Global trade and transport	Oystercatcher, TCR

Our markets

There are significant uncertainties linked to the current economic turmoil and this has created a dislocation in markets across almost all asset classes.

As parts of the world's economy and supply chains have gone into temporary and partial shut-down, the equity markets have found it difficult to price future corporate earnings, leading to a period of volatility and downward correction. We have seen swift central bank interventions which have delivered aggressive monetary policy solutions alongside unprecedented fiscal stimulus. Low interest rates and targeted quantitative easing will be part of the solution to keep the funding costs for businesses as low as possible.

The defensive nature of investing in infrastructure is now being put firmly to the test and some assets are experiencing stress beyond that seen during the Global Financial Crisis, especially those connected to the transportation sector. Companies have been drawing down on their debt facilities in case financing markets worsen or in anticipation of falling foul of debt covenants. We have a portfolio of resilient and defensive assets, which provide essential services to their customers, and are working hard to support our management teams to navigate and adapt to this uncertain environment.

The demand for infrastructure investment opportunities continues to be high, with investors able to access the investment class through both listed and private funds. The other UK listed infrastructure funds typically target a mix of operational and greenfield Public Private Partnership ('PPP') projects and regulated assets.

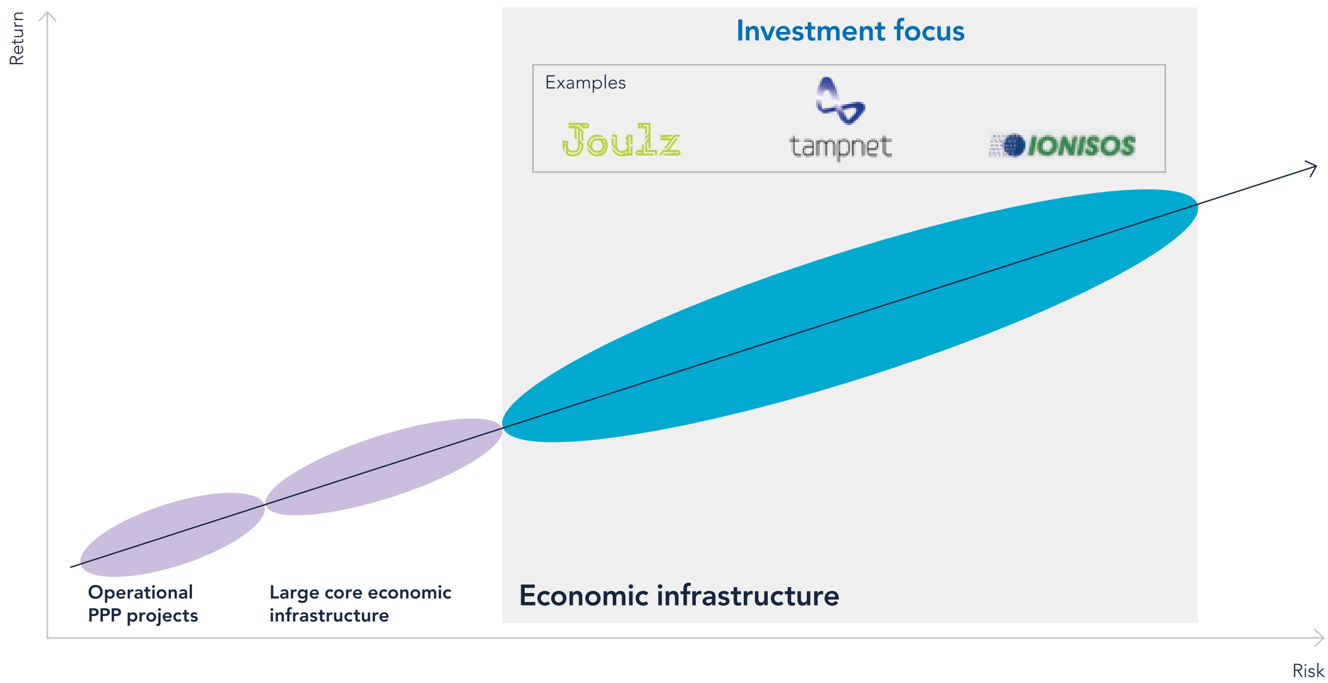
The Company does not compete directly with these funds for new investment as these assets are outside our investment focus. Private funds exist to give investors access to the full range of infrastructure investment opportunities. Those private funds with an economic infrastructure focused mandate remain the Company's primary competitors for new investment.

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

Market activity

Despite the re-pricing of many assets, new investments will become increasingly difficult to execute the longer the Covid-19 crisis goes on. Volatility in public market benchmarks and stay at home and social distancing policies, will make it hard to price and diligence investments in infrastructure assets. We expect the market for transactions to decline in 2020.

Market segmentation and investment focus



Investment focus

Our investment activity remains focused on:

Economic infrastructure businesses

with characteristics that can be managed to enhance value over the period of ownership, including for example some level of demand or market risk.

£100m–£300m

Typical equity investment

9%–14%

Typical range of returns per annum

We focus on mid-market economic infrastructure investments with controlling majority or significant minority investments with strong governance rights. This could also include a co-investment arrangement where we manage the investment on behalf of the consortium.

The returns from investing in operational PPP projects and large core infrastructure businesses continue to be below our target return levels. For some years now we have found the opportunities to invest in greenfield projects to be limited and the equity requirements small compared to the size of our portfolio and therefore this too is not a core focus area for new investment.

Outlook

Institutional investors still have capital to deploy and the infrastructure market should demonstrate its defensive and resilient characteristics relative to other asset classes.

Climate change is an area of focus. This is likely to make decisions around financial support for new technologies in the transition to low-carbon energy even more critical. Private finance will be needed to support the energy transition and to enhance digital infrastructure, which will provide new opportunities to invest. We are well funded and alert to new opportunities arising from the pandemic and the subsequent recovery.

The characteristics we look for in new infrastructure investments

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

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

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

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

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

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

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

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

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

Our business model

Creating long-term sustainable value from Infrastructure.

Our resources

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

3i network
The Investment Manager's team draws on 3i Group's considerable network of business leaders and relationships to help both originate and manage infrastructure businesses.

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

Reputation/brand
We are respected in the marketplace both for our strong investment performance, but also for acting responsibly.

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

Sustainability
Proprietary ESG assessment tool embedded in the investment and asset management decision making process.

Read more
Pages 44 to 49

How we create value

Buy well

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

Buy the right asset
Understand what we are buying through comprehensive due diligence.

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

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

That fits our portfolio
Consistent with our return and yield targets and risk appetite.

With the right governance
Controlling majority or significant minority investments with strong governance rights. Identify immediate governance improvements.

In the right way
Rigorous investment process including all necessary sanctions, anti-money laundering and regulatory checks. Complete ESG risk assessment and follow UN Principles for Responsible Investment.

Manage well

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

A collaborative approach

Governance
- Board representation
- Ensure appropriate capital structure
- Incentivise management

Strategy
- Define sustainable strategic direction
- Develop and execute action plan
- Develop sustainability strategy and support ESG improvement

Execution
- Support, advise and help drive performance
- Ongoing monitoring of performance
- Review further investment and M&A opportunities

We have a long-term view of investments but will sell an investment when that would maximise value for our shareholders.

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

Delivered outcomes

Financial objectives

11.4%
Total return on opening net asset value for the year

9.2p
Ordinary dividend per share

Liquidity

£718m
Funds available for new investments

Portfolio management

3
Number of new platform or bolt-on investments signed

8
Number of divestments signed

Non-financial outcomes

5
Independent Chair and non-executive Board appointments

83%
Percentage of portfolio by value refinanced in the past 36 months

993MW
Installed renewable energy capacity

Our business model

The resources we rely on

3i Infrastructure relies on the expertise of the Investment Manager to source, execute and manage investments, by using its considerable network. The team maintains wide-ranging relationships with advisers, industry professionals and with existing and potential new shareholders, and with providers of debt financing for both the Company and the portfolio.

Board values and culture

The Board operates with core values of Integrity, Accountability and Objectivity. These values underpin the open and collaborative culture the Board aims to create at Board meetings, in discussions amongst Directors between scheduled meetings, in relations with the Investment Manager and in communicating with other advisers and shareholders.

The Board is focused on generating value for all its stakeholders, and on protecting and enhancing the Company's assets and reputation. The Board has selected its members to create a diverse pool of talent with varied expertise, skills and perspectives to meet this ambition. The recent appointment of Samantha Hoe-Richardson is a good example of this. Samantha has deep operational expertise and experience, particularly in environmental and sustainability matters, and has over 10 years' experience covering these issues, most recently in the infrastructure sector.

While not identical, the Board recognises that its interests and those of the Investment Manager are strongly aligned. The Board strives to strike a balance between providing a robust independent challenge to the Investment Manager and maintaining effective working relations. An example of this has been navigating the evolving sustainability landscape which has led the Board to request more information about emerging non-financial risks and to actively engage with the Investment Manager to develop a framework to address these risks.

Investment Manager's team

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

The team includes one of the largest and most experienced groups of infrastructure investment professionals in Europe, supported by dedicated finance, legal, operations and strategy teams. Through this team the Company also benefits from the broader experience and network of 3i Group.

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

Further information on the Investment Manager's team can be found on
Pages 78 to 79

3i network, reputation and brand

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

3i Group's values underpin the activity of the investment management team. These values are Rigour and Energy, Ambition, Accountability and Integrity.

These values and corporate culture promote accountability, and, together with compliance, behaviour and environmental, ethical and social policies and procedures, are designed to ensure consistent standards of conduct.

For further information on 3i Group's values
www.3i.com/sustainability/our-values

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 a governance model that promotes an alignment of interests between management and stakeholders, including shareholders. We develop and supplement management teams, often bringing in a non-executive Chair early in our ownership.

Examples of this engaged asset management approach can be found on our website, 3i-infrastructure.com, including recent videos about companies such as WIG and Valorem.

The Company is committed to achieving its investment objectives in a sustainable way. We ensure that our values and culture are aligned with our purpose and reflected in our business policies and practices. Our success as an investor relies on us maintaining a strong reputation for managing our portfolio sustainably. The Sustainability report on pages 44 to 49 provides some examples of this in 3i Infrastructure's portfolio.

Approach to realisations

In many cases a portfolio company's development under our ownership results in the business moving down the risk-return spectrum, which may result in it becoming an attractive asset for a broader universe of potential investors. Alongside our economic infrastructure businesses we are also able to generate returns by managing Greenfield projects successfully through their construction phase and operational ramp-up. Once these projects become operational, they can be held for yield or sold to crystallise value as we did with the UK operational projects portfolio in December 2019.

While the Company is structured to hold investments over the long term, it has sold assets where compelling offers generate additional shareholder value. Running an effective sales process which produces attractive offers requires disciplined execution and a good understanding of the buyer universe.

We work very closely with our management teams to select the appropriate advisers, to prepare detailed plans for a sale process, to identify suitable owners for the business, and to develop an investment case for prospective purchasers that highlights the quality, resilience and attractiveness of the businesses. This has led to material capital gains over the life of the Company.

Further information can be found in the investment track record on
Page 31

Our objectives and strategic priorities

Our objectives

To provide shareholders with:

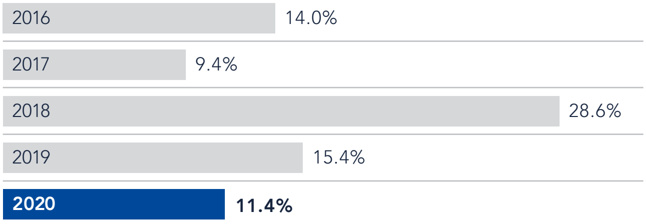
- a total return of 8% to 10% per annum, to be achieved over the medium term
- a progressive annual dividend per share

Our clear strategic priorities

Maintaining a balanced portfolio	Delivering an attractive mix of income yield and capital growth for our shareholders. Investing in a diversified portfolio in developed markets, with a focus on the UK and Europe.	20 **Investments**	17% **Largest single investment in the portfolio 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.	£186m **New investment in the year**	1 **New platform investment, Ionisos**
Managing the portfolio intensively	Driving value from our portfolio through our engaged asset management approach. Delivering growth through platform investments.	13.1% **Total portfolio return in the year**	2 **Bolt-on acquisitions by our platform investments in the year**
Maintaining an efficient balance sheet	Minimising return dilution to shareholders from holding excessive cash, while retaining a good level of liquidity for future investment.	£418m **Cash balances**	£718m **Total liquidity**
Sustainability a key driver of performance	Ensuring that our investment decision and asset management approach considers both the risks and opportunities presented by sustainability.	993MW **Installed renewable energy capacity**	5 **Independent Chair and non-executive Board appointments**

How we measure our performance and KPIs

Total return
(% on opening NAV)



Target	Outcome for the year	Performance against target
To provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term.	Total return of 11.4% for the year to 31 March 2020.	Continued outperformance.

Rationale and definition

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

Performance over the year

- Total return of £224 million in the year, or 11.4% on opening NAV
- The portfolio showed good resilience overall with strong performance in particular from Infinis and Valorem
- The outperformance in total return was driven mainly by the sale of the Company's holding in WIG
- The hedging programme continues to reduce the volatility in NAV from exchange rates
- Costs were managed in line with expectations

Annual distribution
pence per share

Target	Outcome for the year	Performance against target
Progressive dividend per share policy. Targeting a full year dividend for FY20 of 9.20 pence per share.	Total dividend of 9.20 pence per share paid and proposed.	Target met.

+ Special dividends (2016: 17p, 2018: 41.40p)

Rationale and definition

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

Performance over the year

- Proposed total dividend of 9.20 pence per share, or £82 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 £139 million for the year
- Operational costs and finance costs used to assess dividend coverage totalled £34 million in the year. The dividend was fully covered for the year
- Setting a total dividend target for FY21 of 9.80 pence per share, 6.5% higher than for FY20

Valorem
Page 43

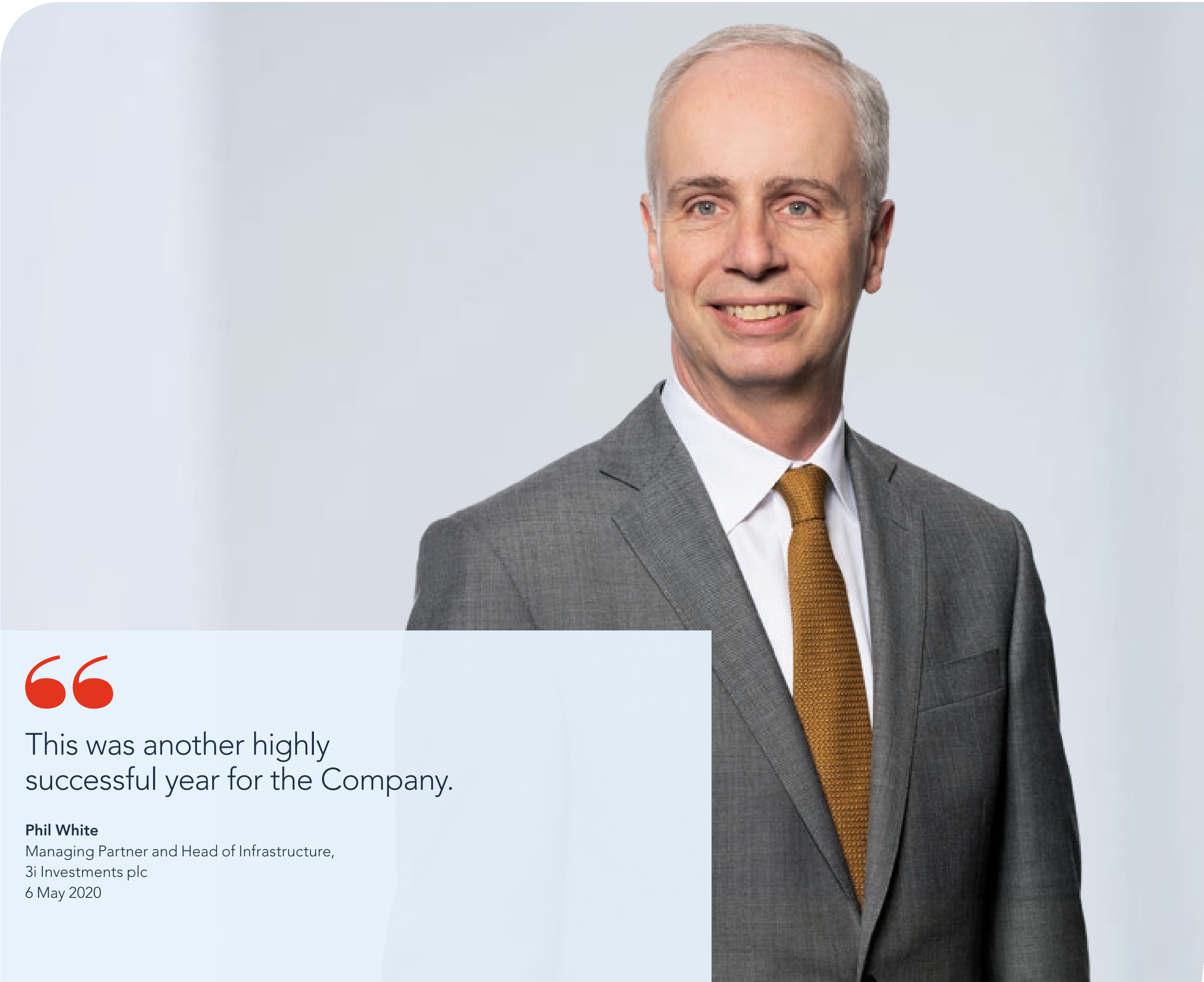
Investment Manager's review

Review from the Managing Partner

The portfolio performed very well for the year as a whole. All our businesses remain operational and are proving resilient as we work closely with the portfolio companies' management teams to address the challenges of the Covid-19 pandemic.

We are pleased to be able to report that while every business is affected to some extent by Covid-19, all of our investments, other than TCR, are operating close to normally and providing continuity of service to their customers. We have constructed a portfolio of asset intensive businesses providing essential infrastructure services, and this portfolio is proving resilient in the face of the unprecedented effects of Covid-19. We are grateful to our portfolio company management teams and staff for their outstanding response to such demanding circumstances.

Although this pandemic and its effects are exceptional, we do know from experience that in times of stress the businesses most vulnerable to failure are those with excess debt and/or limited access to liquidity to provide funding during a downturn. In that respect this situation is not new. We have been proactive in refinancing almost all of our economic infrastructure businesses over the past few years, providing them with long-term debt with good headroom to financial covenants and access to liquidity facilities. In addition, the Company itself is in a strong position, with access to over £700 million of liquidity in the form of cash and a revolving credit facility, to provide additional support to portfolio companies should that be necessary.



This was another highly successful year for the Company.

Phil White
Managing Partner and Head of Infrastructure,
3i Investments plc
6 May 2020

Notwithstanding the pandemic, this was another highly successful year for the Company. The portfolio overall performed well and the realisations of WIG and of the UK operational projects portfolio, both at excellent prices, helped us to exceed materially our medium-term return objective once again. The immediate effects of Covid-19 on our portfolio are in general quite muted other than in the case of TCR, which we discuss further below. However our investment cases, for the most part, do include growth and this we expect to be delayed at least for the duration of the stay at home and social distancing measures enacted in most countries, and to some extent beyond that. This delay to growth has reduced our year end valuations across the portfolio, as have the effects of the recent rapid fall in oil and gas prices, and the fall in electricity prices over the mild winter and more recently. We have also moved the discount rates used to value the majority of our portfolio companies up from the levels we would otherwise have expected at the year end, to reflect the currently heightened uncertainty and greater market volatility.

In recent years the importance of sustainability and meeting ESG standards has increased and this topic has moved up the agenda for many of our investors. This has always formed an integral part of what we do and sustainability is a core part of our analysis of new investments and our management of the portfolio. We use a proprietary ESG assessment tool to review prospective investments and to assess ESG performance of the existing portfolio. We invest in companies that will benefit from long-term sustainable themes such as the transition to a lower carbon economy or the increasing demand for healthcare from an ageing population. Examples of this can be found in the Sustainability report on pages 44 to 49.

Portfolio review

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

TCR, our airport ground handling equipment leasing and maintenance business, had, prior to Covid-19, a successful year with some key strategic achievements. TCR has made good progress in anchoring its activities in the US with new contracts. A first contract in Abu Dhabi also marked a successful entry into the Middle East.

TCR earns the majority of its revenues from leasing ground handling equipment to airlines, ground handling companies and airports. Most of these leases are in the form of fixed lease rental payments. A small proportion of revenues are variable and linked to equipment usage, repair or maintenance. The dramatic fall in air travel due to Covid-19 has reduced these variable revenues, although air cargo movements are continuing to an extent. TCR is working closely with its customers through these exceptional circumstances including, where appropriate, considering taking on further equipment currently owned by customers as an additional leasing contract. Importantly, TCR is managing liquidity carefully and has no near-term refinancing requirement. TCR is our portfolio company most affected by Covid-19 and we recognise that some of those effects may only become visible over the longer term.

Tampnet performed well during the first year under our ownership. International growth was boosted by the award of a new contract for building and operating a 5G network on two platforms offshore of Newfoundland, Canada. This was followed by a contract to supply 4G coverage to Ørsted's offshore windfarm, Hornsea One, the world's largest offshore windfarm. Outperformance in the North Sea was partly offset by delays in the build-out of deep water assets in the Gulf of Mexico. We successfully refinanced the business, earlier than planned, at a lower cost of debt and with longer debt maturities than in our investment case. Management was bolstered by the appointment of Magnus Mandersson as Chair in August 2019. The fall in the oil price since January could subdue growth in the near term, and if sustained could lead to earlier decommissioning of platforms, but a low oil price can also be a catalyst for increasing bandwidth demands from Tampnet's customers as part of the drive to lower operating costs.

Review from the Managing Partner

Joulz was acquired in April 2019 and performed ahead of our investment case for the year, with strong growth in the order book as the Netherlands accelerates its energy transition. Significant progress has been made to complete the carve-out from Stedin, the previous owner, and we strengthened the management team with the appointment of a Head of Metering, an interim CFO and a Financial Controller. Sjoerd Vollebregt was appointed Chair in March 2020, bringing a wealth of experience in the Dutch corporate sector. Joulz is operating normally through the pandemic but there could be some customer distress and weakening of growth as a consequence.

Attero has performed strongly since acquisition in June 2018. The company secured new waste supply contracts at higher gate fees than assumed in our investment case, and landfill volumes and gate fees also outperformed expectations. We appointed Mel Kroon as Chair in June 2019, who brings a technical background and a strong understanding of the energy and electricity value chain. The tax on waste imports to the Netherlands, highlighted in the Half-yearly report, was passed by the Dutch Parliament and Senate and took effect from 1 January 2020. Following the renegotiation of most of its imported waste contracts, Attero expects that the immediate impact of the tax on its revenues will be limited. We do anticipate a reduction in the supply of industrial and commercial waste as a result of the pandemic, offset to an extent by increased household waste. Immediate effects on Attero are mitigated by its medium-term waste supply contracts and significant buffer stock of untreated waste.

Oystercatcher performed in line with expectations this year. The introduction on 1 January 2020 of the IMO's new regulation in relation to the sulphur content of fuels used in shipping has created increased demand for storage of marine gasoil and low sulphur fuel oil, which has benefited some terminals in the Oystercatcher portfolio. The recent collapse in the oil price, which was triggered by a sudden fall in global demand for oil, has caused a switch from a backwardation market structure for oil products, to one of contango. This is a helpful backdrop for Oystercatcher, as a contango market structure creates additional incentive to store and thus increased demand for oil storage.

Infinis performed ahead of budget for the year, primarily due to outperformance in the captured landfill methane business and the resumption of payments under the UK's capacity market following the positive decision of the European Court of Justice on the scheme's legitimacy, including back payments due during the suspension period (which we had not factored into our previous valuation). Infinis is making good progress on its development plan to exploit spare grid capacity and existing land rights by co-locating subsidy-free solar generation assets with its existing captured landfill methane activities and appointed a new Head of Solar development in March 2020. We are seeing increasing potential value in Infinis's strong environmental credentials and its negative carbon footprint. Our valuation of Infinis reflects a lower electricity price following the mild winter, lower oil and gas prices and the pandemic-induced drop in demand.

Ionisos, acquired in September 2019, has performed in line with the investment case both operationally and financially and has made good progress on a number of future growth initiatives. All sites, including in Italy and Spain, have continued to operate throughout the pandemic and Ionisos has responded well to an increase in demand for sterilisation of medical testing kits and protective masks.

ESVAGT has seen good progress in the business over the last six months, both in the offshore wind market and in the oil and gas segment. Operations have been maintained during the Covid-19 pandemic with some increased costs from changes in operating procedures to reduce the risk of infection among crew. The fall in the oil price could reduce demand for vessels during the summer peak, but the management team has worked hard to improve fleet contract coverage, which should reduce volatility in revenues.

Valorem had an excellent year with revenue from electricity generation above budget, 117MW of projects becoming operational and 160MW of new projects closed. Valorem has continued to focus on conversion of its wind and solar pipelines in France and a successful diversification into hydro power projects, following the acquisition of a 51% stake in Force Hydraulique Antillaise ('FHA') in July 2019. Although existing assets have continued to operate during the pandemic, we have seen a slowdown in the progress of assets under construction, due to availability of workers and in some cases a shortage of equipment, such as solar panels.

Further information can be found in the Review of investments on
Pages 34 to 43

Realisations

In December 2019, we announced two realisations from the portfolio, both achieving excellent returns for shareholders. We sold our investment in WIG, the independent wireless infrastructure operator headquartered in the UK, to Brookfield Infrastructure. The sale generated significant additional value for shareholders and was made in the context of a changing competitive landscape in the UK mobile towers sector where scale is increasing in importance, with a number of potential tower transactions anticipated. The sale valued the Company's stake in WIG at approximately £387 million, compared to a valuation of £291 million at 30 September 2019. This equated to an enterprise value for WIG of £575 million, and resulted in a 27% gross IRR and a 1.7x gross money multiple for the Company. Approximately half of the proceeds have been received, with a quarter payable unconditionally in December 2020 and a quarter payable unconditionally in December 2021.

Following a strategic review, we also sold our UK operational projects portfolio. The sale followed the completion of the construction phase for all projects in the portfolio. The projects sold comprised stakes in Ayrshire College, Elgin (a vehicle holding 16 project investments), Mersey Gateway Bridge, Octagon (Norfolk & Norwich) Hospital, the West of Duddon Sands offshore transmission owner project, as well as an interest in the Dalmore Capital Fund. These sales have all completed, delivering a gross IRR to the Company of 15%.

Investment activity

This year we invested £186 million to acquire 100% of Ionisos, the third largest cold sterilisation provider globally, headquartered in France and servicing the medical, pharmaceutical and cosmetics industries. Demand for sterilisation is driven by attractive market fundamentals and non-cyclical market factors, including an ageing population in Western Europe, growing demand for medical services increasingly relying on single use products, and increasingly stringent regulation governing the sterilisation of medical, pharmaceutical and cosmetics products. The investment has also allowed the Company to diversify its sector exposure and increase its presence in France. Ionisos also has operations in Germany, Spain, Italy and Estonia.

Existing commitments of €234 million (£203 million) were funded during the year. These comprised:

- a €220 million (£190 million) investment in Joulz, a leading owner and provider of essential energy infrastructure equipment and services in the Netherlands;
- an €8 million (£7 million) investment in Condorcet Campus, an educational facilities project in France; and
- a €6 million (£6 million) investment in A27/A1, a road project in the Netherlands.

We continue to see a reasonably good flow of new investment opportunities, but have maintained our highly selective stance as we are careful to ensure that we add the right businesses to our portfolio and to not simply pursue growth as an objective. We have been busy managing the portfolio, including the three sizeable investments acquired or completed since March 2019: Tampnet, Joulz and Ionisos.

Outlook

The Company's portfolio is well diversified and has exposure to a range of countries, sectors and risk factors. While exposure to regulatory risks has been reduced over recent years, there is potential volatility from market factors including commodity and electricity prices and GDP growth. Our return performance for this financial year has again exceeded our medium-term objective, even though we have taken account of the effects of Covid-19 on our near-term growth expectations and discount rates, without which we would have expected a return even higher following a very good year of performance from the portfolio. We continue to believe that the portfolio is well positioned to meet the Company's return and dividend targets over the medium term.

Our portfolio company management teams and staff are working very hard to manage their businesses through these exceptional conditions, supported by the strong 3i investment management team and our wider network. The resilience of the portfolio has been reassuring, underlining its key infrastructure characteristics of asset intensive business providing essential infrastructure services, albeit we recognise that these are highly uncertain conditions and that the long-term effects may not be seen for some time. Finally, we are well-funded, with access to cash and liquidity facilities to support portfolio companies if needed and to invest wisely in new opportunities, which we may well see more of once the immediate effects of the pandemic are over.

Phil White
Managing Partner and Head of Infrastructure,
3i Investments plc
6 May 2020

Realisations

Realisation in December 2019

Wireless Infrastructure Group

Net proceeds received

£387m

of which £98 million are payable unconditionally in December 2020 and £98 million in December 2021

Return on investment (Total cash return over cost)

1.7x

Gross IRR

27%

Key achievements during our ownership include:

- Acquired a 36% minority stake bilaterally in 2016, having tracked the business for a number of years previously and built relationships with the management team.
- Bought out the majority of WIG's equity in 2018 outside of a formal process, benefiting from our position as existing shareholder.
- Grew WIG through our ownership both organically and inorganically, supporting the business as it built new towers and other infrastructure and made a number of bolt-on acquisitions.
- Made a strategic decision to accelerate WIG's position in indoor networks and supported the acquisition of Arqiva's portfolio of indoor network assets to become the clear market leader in this segment.
- Replaced WIG's short-term bank debt with a long-term institutional financing, reflecting the strength of WIG's market position.
- Doubled the size of WIG in Ireland – through acquisition – and continued to develop its business in the Netherlands.
- Formed a partnership with Telefonica to build a 5G-ready small cell network in Aberdeen and joined a consortium, with Highways England, developing a network of connectivity for autonomous vehicle testing in the West Midlands.

Realisation in November and December 2019

UK projects portfolio

Net proceeds received

£194m

Return on investment (Total cash return over cost)

2.4x

Gross IRR

15%

Key achievements during our ownership include:

- Gathered a strong and diverse portfolio of UK PPP/PFI projects over time, comprising stakes in Ayrshire College, Elgin (a vehicle holding 16 project investments), Mersey Gateway Bridge, Octagon (Norfolk and Norwich) Hospital, the West of Duddon Sands offshore transmission owner project, as well as an interest in the Dalmore Capital Fund.
- Led a number of these projects through development and construction, alongside reputable partners.
- Managed the portfolio actively to enhance yield and support our progressive dividend policy.
- Concluded, following a strategic review, that it was in the best interests of shareholders to capture the value uplift as all assets had entered their operational stage and to realise the portfolio through a carefully managed sale process.

New investment

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

New investment acquired in September 2019 having committed to invest in July 2019

IONISOS

Invested

£186m

Equity stake

96%

Ionisos is a leading owner and operator of cold sterilisation facilities servicing the medical, pharmaceutical and cosmetics industries.

Investment rationale

- Cold sterilisation is an essential element of the manufacturing process of medical, pharmaceutical and cosmetics products that cannot be subject to traditional heat based sterilisation techniques.
- Demand is driven by attractive market fundamentals in the health and pharmaceutical sectors, underpinned by ageing populations, increased prevalence of single use medical equipment and a growing focus on hospital originated diseases.
- Ionisos provides the Company with exposure to a new sector, healthcare infrastructure, increasing portfolio diversification.
- Ionisos is based in France with smaller operations in Germany, Spain, Italy and Estonia.

Characteristics

Asset intensive business that is hard to replicate
Ionisos operates 11 large sterilisation facilities across Europe which are capex intensive to build and require regulators' approval and ongoing oversight.

Good visibility on future cash flows
Servicing a large number of customers and enjoying a very low churn rate.

Provide essential services
Sterilisation serves the fundamental purpose of preventing infection to end-users and accordingly is often a regulatory requirement for pharmaceutical and medical products.

Acceptable element of demand risk
Demand driven by attractive long-term fundamentals in the health and pharmaceutical sectors.

Established market position
Third largest provider in the world, servicing over 1,000 customers.

Opportunities for further growth
Expanding sites to meet growing demand, potential market consolidation and greenfield development.

Portfolio

The portfolio comprises a diversified, defensive set of businesses providing essential services and benefiting from long-term sustainable trends. We are confident that the portfolio is well positioned to deliver our target returns.

The Company's portfolio was valued at £1,647 million at 31 March 2020 (2019: £1,681 million), and delivered a total portfolio return in the year of £272 million including income and allocated foreign exchange hedging (2019: £325 million).

Table 1 below summarises the valuations and movements in the portfolio, as well as the return for each investment, for the year. In accordance with accounting standards, 'Investments at fair value through profit or loss' as reported in the Consolidated balance sheet includes, in addition to the portfolio asset valuation, the cash and other net assets held within intermediate unconsolidated holding companies. These amounts are set out at the foot of the table below, to provide a reconciliation between the Directors' valuation of the portfolio assets and 'Investments at fair value through profit or loss' reported in the Consolidated financial statements.

Table 1: Portfolio summary (31 March 2020, £m)

Portfolio assets	Directors' valuation 31 March 2019	Investment in the year	Divestment in the year	Accrued income	Value movement	Foreign exchange translation	Directors' valuation 31 March 2020	Allocated foreign exchange hedging	Underlying portfolio income in the year	Portfolio total return in the year[1]
Infinis	289	–	(17)[2]	–	13	–	**285**	–	18	**31**
Tampnet	198	4[3]	–	–	10	(7)	**205**	8	5	**16**
TCR	187	8[3]	–	3	(3)	–	**195**	1	11	**9**
Ionisos	–	186	(1)[2]	4	4	1	**194**	2	4	**11**
Joulz	–	190	(1)[2]	2	(9)	5	**187**	(1)	18	**13**
Oystercatcher	155	–	–	–	(1)	–	**154**	–	5	**4**
ESVAGT	160	18[3]	–	1	(17)	(21)	**141**	14	19	**(5)**
Attero	102	2[3]	–	–	(3)	2	**103**	(2)	11	**8**
Valorem	76	–	–	–	10	2	**88**	(1)	4	**15**
WIG	288	–	(387)	(3)	102	–	**–**	–	8	**110**
Economic infrastructure portfolio	**1,455**	**408**	**(406)**	**7**	**106**	**(18)**	**1,552**	**21**	**103**	**212**
Projects	197	15[3,4]	(191)	(1)	47	1	**68**	–	14	**62**
India Fund	29	–	–	–	(1)	(1)	**27**	–	–	**(2)**
Total portfolio	**1,681**	**423**	**(597)**	**6**	**152**	**(18)**	**1,647**	**21**	**117**	**272**
Adjustments related to unconsolidated subsidiaries[5]	16	–	–	(5)	(6)	–	5	–	6	–
Reported in the Consolidated financial statements	**1,697**	**423**	**(597)**	**1**	**128**	**–**	**1,652**	**21**	**123**	**272**

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

2 Shareholder loan repaid.

3 Capitalised interest.

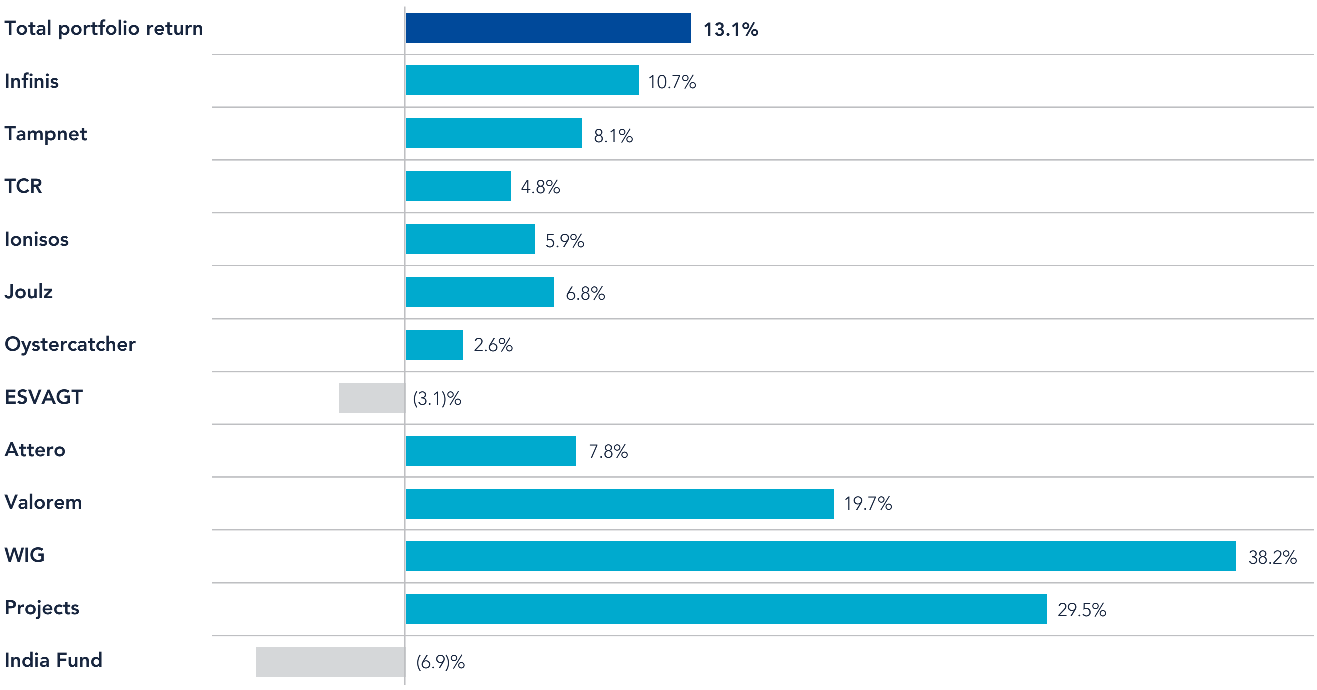
4 Drawdown of commitment.

5 Income statement adjustments explained in Table 7 and Balance sheet adjustments explained in Table 8 in the Financial review on page 59.

The total portfolio return in the year of £272 million is 13.1% of the aggregate of the opening value of the portfolio and investments in the year (excluding capitalised interest), which total £2,070 million. Outperformance was driven primarily by a valuation uplift and subsequent realisation of the investments in WIG and the UK projects portfolio, together with good performance from Valorem and Infinis.

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

Chart 1: Portfolio return by asset (year to 31 March 2020)



Movements in portfolio value

The movements in portfolio value were driven principally by the realisations during the year at prices considerably above opening valuation, and by new investments during the year, as well as by the delivery of planned cash flows and other asset outperformance. Partly offsetting this were discount rate increases across the majority of the portfolio to reflect increased uncertainty resulting from Covid-19. A reconciliation of the movement in portfolio value is shown in Chart 2 below. The portfolio summary shown in Table 1 details the analysis of these movements by asset. Changes to portfolio valuations arise due to several factors, as shown in Table 2.

Economic infrastructure portfolio

The economic infrastructure portfolio generated a value gain of £106 million in the year (or £88 million including exchange movements).

The sale of **WIG** for a 34% premium to the March 2019 valuation generated a £102 million value gain. This reflected the changing competitive landscape in the UK mobile towers sector where scale is increasing in importance and the sale process therefore attracted aggressively priced bids for WIG's high quality portfolio.

Infinis generated a value gain of £13 million in the year and contributed £35 million of distributions. This was due to a combination of business outperformance, an improved regulatory environment, the initiation of its solar development programme and a small reduction in the discount rate partially offset by a reduced power response pipeline and updated power price forecasts.

The value gain for **Tampnet** of £10 million principally reflects the refinancing that we completed in the first half of the year that was achieved at a lower cost of debt and longer debt maturities than assumed in our investment case. We increased the discount rate to reflect the recent increased uncertainty in the sector following the oil price fall.

The value gain for **Valorem** was £10 million following a reduction in the discount rate as the business continued to develop its pipeline of projects into operation.

Ionisos experienced a £4 million gain following a recent refinancing of the business on improved terms partly offset by a small increase in the discount rate.

The value of **ESVAGT** reduced by £17 million. Higher than expected utilisation in the offshore wind market was offset by Emergency Rescue and Response Vessel ('ERRV') demand being lower in the first half of the year than had been forecast and by negative foreign exchange movements. We increased the discount rate to reflect the increased uncertainty in the oil sector following the recent oil price fall.

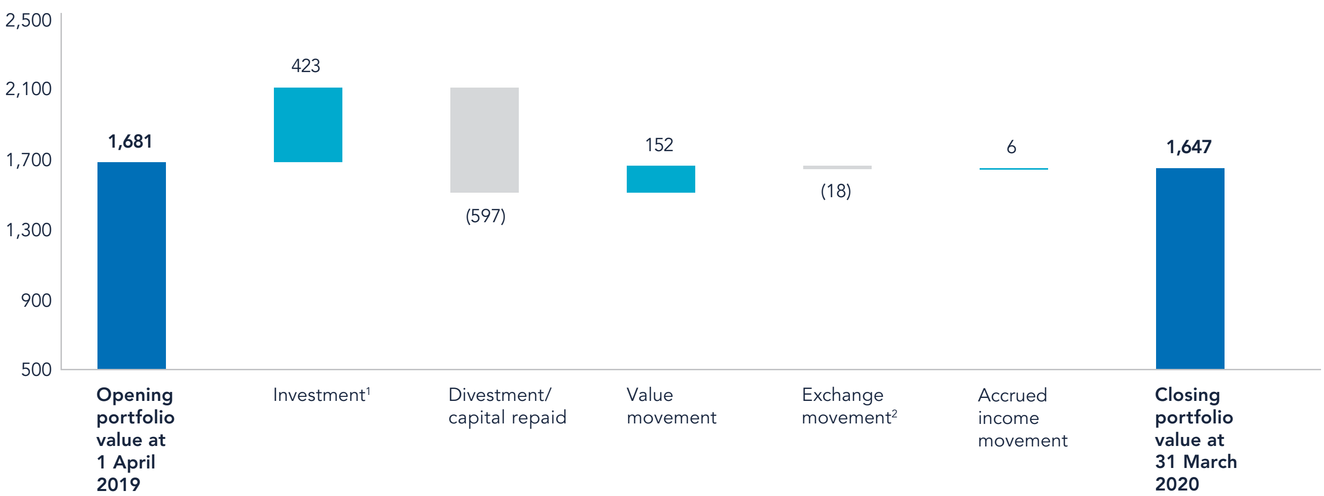
Joulz saw a £9 million reduction reflecting an expectation of slower growth in the near term due to Covid-19 and a small increase in the discount rate.

TCR had a negative value movement of £3 million due to lower ground support equipment usage recently as flight movements reduced, increased working capital requirements and a delay to growth, coupled with an increase in the discount rate. This offset outperformance over most of the year.

Attero decreased in value by £3 million as we increased the discount rate to reflect the uncertainty in future commercial and industrial waste volumes due to the reduction in economic activity resulting from Covid-19.

The value of **Oystercatcher** reduced by £1 million as we increased the discount rate to reflect the greater uncertainty as a result of movements in oil prices and the potential impact of Covid-19 on revenue linked to activity levels, partly offset by an improved outlook for contract renewal pricing due to the current contango market structure and global shortage of oil storage capacity.

Chart 2: Reconciliation of the movement in portfolio value (year to 31 March 2020, £m)



1 Includes capitalised interest.

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

Projects portfolio

The value gain in the projects portfolio reflected the sale of the UK projects at a 25% premium to the opening value, and the reduction in the discount rate for the Condorcet Campus project in France and the A27/A1 motorway project in the Netherlands as these projects achieved operational status in the year.

During the year, the Company sold its equity investment in the Hart van Zuid project to an existing shareholder at book value and the corresponding commitment was cancelled with no impact on the capital return. This was by agreement with our industrial partners who had support from the public sector authority to expand the project's remit beyond an infrastructure investment case.

India Fund

The value of the India Fund declined slightly as delays in project completion and funding constraints for the road projects persist. We are continuing to pursue exits for the remaining assets.

Summary of portfolio valuation methodology

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

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

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

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

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

Given the uncertainty and volatility seen in the public markets, and the unknown ultimate impact of Covid-19, it is more difficult than usual to support an estimate of fair value of the investments as at 31 March 2020. Our underlying principle remains unchanged. We continue to value our portfolio on a fair value basis in line with IPEV guidelines. We considered both the macro environment and investment specific value drivers. The decline in public market pricing provided some indication of the increased uncertainty for market participants and we considered this not only at a macro level but also specifically for each portfolio company's sector and geography. We also considered the effects of Covid-19 on the individual portfolio companies, including in relation to liquidity and delays to debtor payments; forecast revenue, supply chain, employee and slower growth effects; and the offset of government and central bank mitigation measures. As a 'through the cycle' investor with a strong balance sheet we are not in a 'fire sale' scenario and so we considered this period's valuation in the context of the longer-term value of the investments.

Table 2: Components of value movement (year to 31 March 2020, £m)

Value movement component	Value movement in the year	Description
Planned growth	157	Net value movement resulting from the passage of time, consistent with the discount rate and cash flow assumptions at the beginning of the year less distributions received in the year.
Other asset performance	76	Net value movement arising from actual performance in the year and changes to future cash flow projections, including financing assumptions and changes to regulatory determination assumptions. Includes the uplift on the sale of WIG since the half year.
Discount rate movement	(6)	Value movement relating to changes in the discount rate applied to the portfolio cash flows.
Macroeconomic assumptions	(75)	Value movement relating to changes to macroeconomic out-turn or assumptions, eg power prices, inflation, interest rates on deposit accounts and taxation rates. This includes changes to regulatory returns that are directly linked to macroeconomic variables.
Total value movement before exchange	**152**	
Foreign exchange retranslation	(18)	Movement in value due to currency translation to year end date.
Total value movement	**134**	

Movements in portfolio value

In relation to the Covid-19 pandemic we made the following general assumptions, but these have been adapted for country and company-specific circumstances:

- general stay at home policies/closed borders/major restrictions on travel for four months from 1 April 2020;
- August considered disrupted, but restrictions begin to unwind;
- September/October/November 2020 sees businesses gradually reverting to 'normal' operations but not at normal trading levels which only revert at the end of 2020 and beginning of 2021; and
- banks continue to honour revolving credit facility and other debt facilities.

Although we sought to reflect the effects of Covid-19 principally in the free cash flow forecasts for each investment, we also reviewed discount rates resulting in, for almost all portfolio companies, a higher discount rate than we would have applied without Covid-19. These increases reflect generally increased uncertainty, including around future inflation, power prices and oil prices, as well as company-specific factors. The highest increase we have applied is 1%. However, we reduced the discount rate for Infinis, reflecting the evolution of that business towards solar with less peak power price risk than in the previous valuation.

Discount rate

Chart 3 shows the movement in the UK 10-year government bond yield over the life of the Company, with a fall in the 'risk-free' rate in the first five years, followed by a relatively stable period of low rates in the wake of the Global Financial Crisis and then a further fall as a result of the recent economic turmoil.

The reduction in the weighted average discount rate used to value our portfolio, shown in Chart 4, has been more modest than this fall in risk-free rates, partly due to changes in portfolio composition. Should interest rates rise in the future, we expect the impact on our valuations to be similarly moderated.

Further information on the valuation of the investment portfolio can be found on Page 117

The Company is relatively uncorrelated to wider equity markets, with a low beta of 0.4 against the FTSE 250 index on a five-year basis. The stability and predictability of the long-term returns our portfolio generates are increasingly attractive in a persistently low interest rate environment.

Chart 4 below shows the movement in the weighted average discount rate applied to the portfolio at the end of each year since the Company's inception and the position as at March 2020. During the year, the weighted average discount rate increased following the sale of WIG and the UK projects, the new investments in Joulz and Ionisos and the impact of the Covid-19 pandemic.

Investment track record

As shown in Chart 5, since its launch in 2007, 3i Infrastructure has built a portfolio that has provided:

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

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

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

The value created through this robust investment performance was crystallised in a number of instances through well managed realisations, shown as 'Realised assets' in Chart 5. While the Company is structured to hold investments over the long term, it has sold assets where compelling offers have generated additional shareholder value. This was the case with WIG this year which generated an IRR of 27%, Eversholt Rail in 2015 and XLT in 2019 which both generated IRRs in excess of 40% and Elenia and AWG in 2018, which generated IRRs of 31% and 16% respectively.

Portfolio asset returns in Chart 5 include an allocation of FX hedging where applicable.

Chart 3: UK 10-year government bond yield movement since March 2008 (31 March, %)

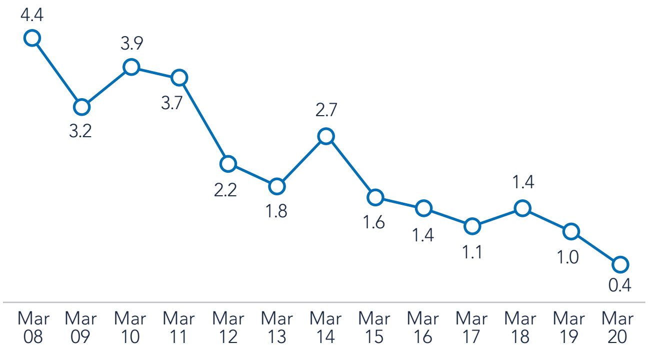


Chart 4: Portfolio weighted average discount rate (31 March, %)

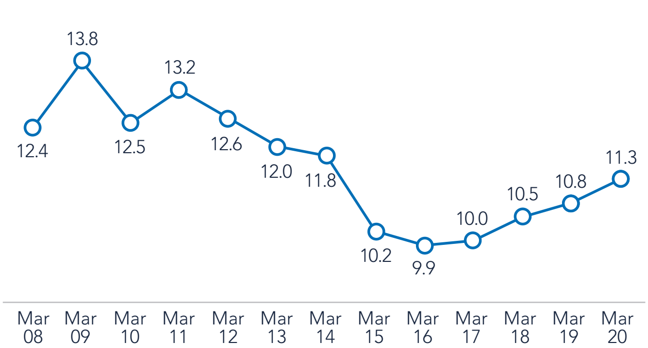
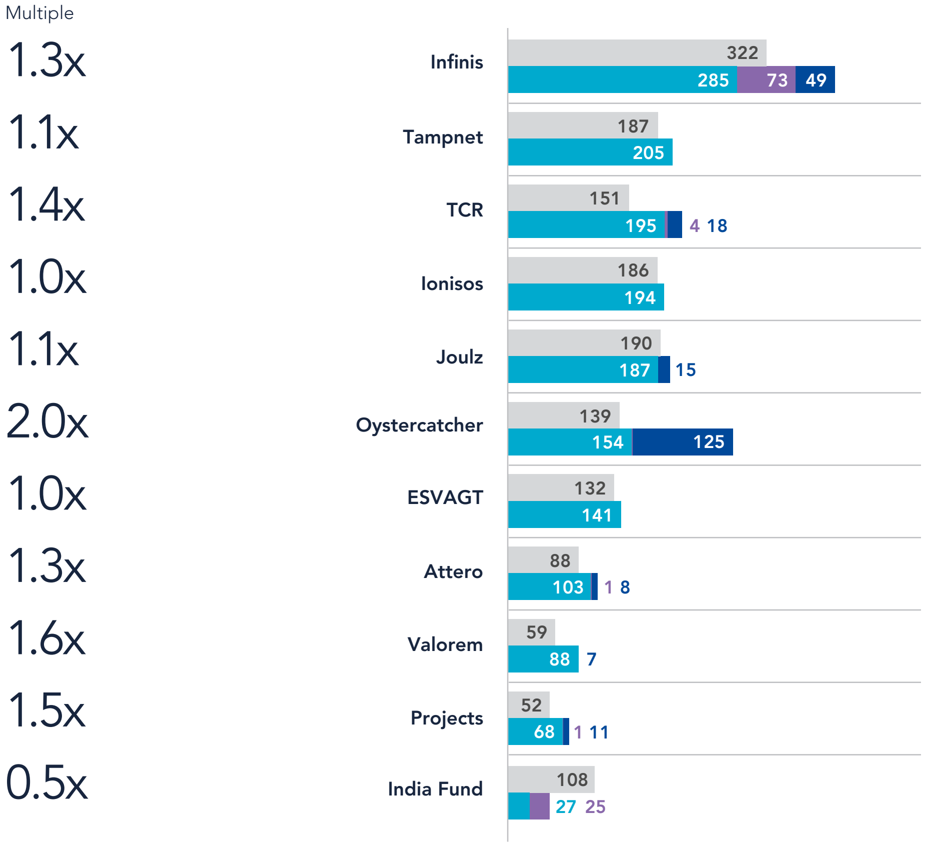


Chart 5: Portfolio asset returns throughout holding period (since inception, £m)

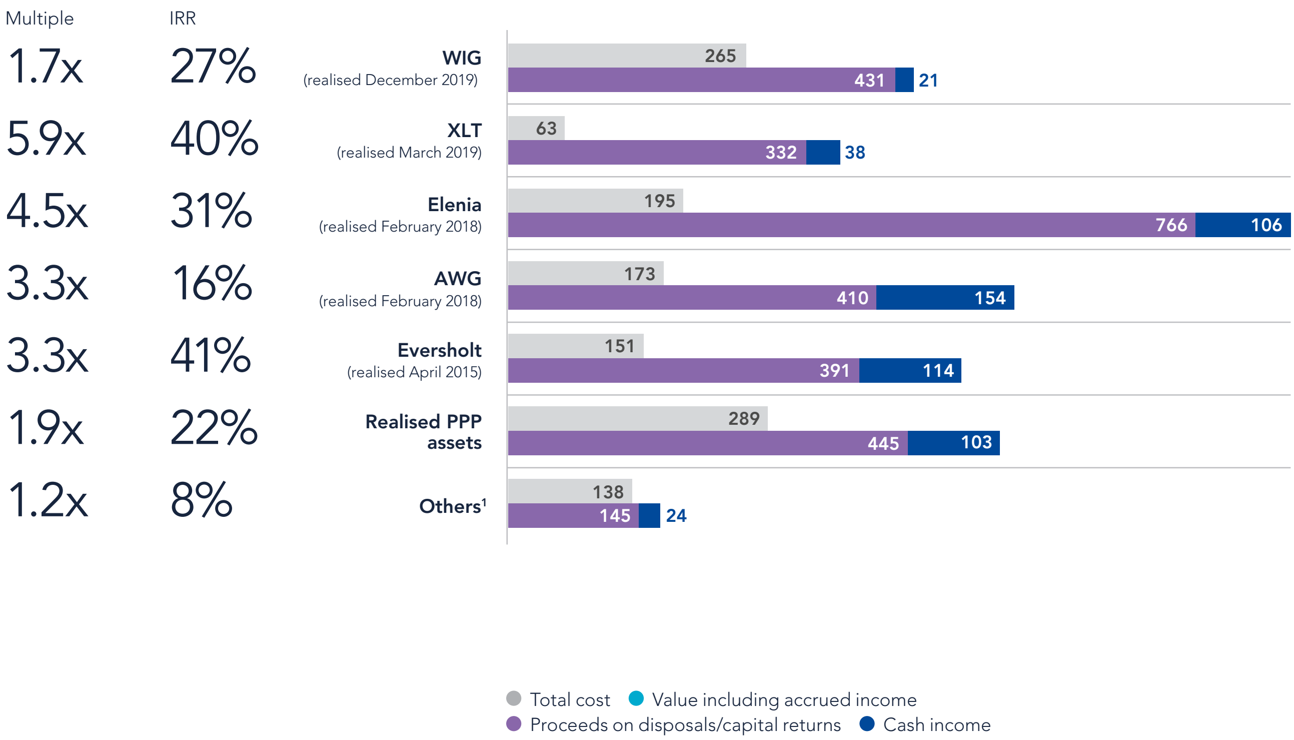
Existing portfolio (Total return)



Asset IRR to 31 March 2020

19%

Realised assets (Total return)



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.

Infinis
Page 36

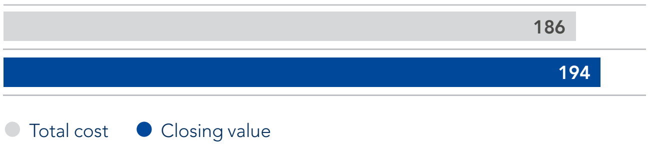
Review of investments and Sustainability

Review of investments

Investment

IONISOS

Performance (£m)



Ownership 96%	**Date invested** September 2019	**Management team HQ** Dagneux, France
Country France	**Currency** EUR	**Sector** Healthcare

Developments in the year

Overall Ionisos has performed in line with our investment case since acquisition and has shown good resilience during the Covid-19 lockdown with all plants operating close to normally. This period has increased focus on sterilisation, decontamination and disinfection in the medical and pharmaceutical industry and additional growth opportunities are arising, in particular for test kits and laboratory devices. We have seen a reduction in demand for the sterilisation of products where the medical need has been postponed due to Covid-19.

We continue to see Ionisos as a very resilient business with loyal customers. The management team is making good progress in creating extra capacity at existing facilities, including extension projects. During summer 2019, Ionisos completed the acquisition of Steril Milano, a smaller sterilisation business in Italy. This gave Ionisos ownership of two operating ethylene oxide facilities and an E-Beam plant, which was under construction and entered in operation in December. We have made good progress with other identified growth projects.

Since the end of the financial year, we have refinanced Ionisos's debt facilities, achieving better terms than anticipated at acquisition, with longer maturities and lower cost.

For further information about our investments, see our website
www.3i-infrastructure.com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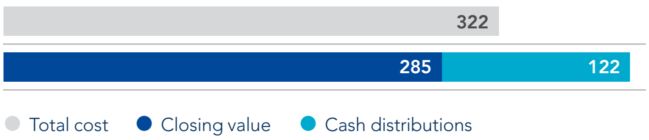
IONISOS

Review of investments

Investment

infinis

Performance (£m)



Ownership	Date invested	Management team HQ
100%	December 2016	Northampton, UK
Country	**Currency**	**Sector**
UK	GBP	Utilities

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

Developments in the year

Infinis continues to perform well, operationally and financially, and to support the Company's yield.

Its core business, generating baseload electricity from captured landfill methane and captured mineral methane, exceeded budget. The positive valuation impact from this outperformance was offset by weaker power prices and lower power price expectations.

Infinis continues to review growth opportunities, commissioning 12MW of new power response capacity during the year. It has also progressed development plans for energy parks which combine technologies, co-locating subsidy-free solar PV power generation with Infinis's existing captured landfill methane activities and utilising spare grid capacity. Infinis appointed a new Head of Solar in March 2020 to support this initiative.

The regulatory outlook has improved with the resumption of Capacity Market payments (including back-dated payments covering the suspension period) and a conclusion to Ofgem's Targeted Charging Review of network 'residual charges'. However, significant uncertainty still exists over the broader future of network access charging arrangements and the level of post-Brexit carbon price support.

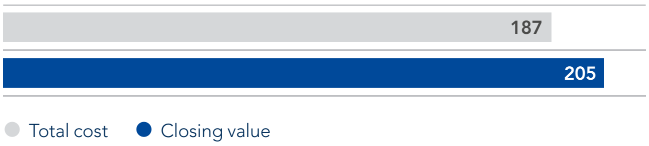
Although not yet quantifiable, we increasingly see additional value in Infinis's strong environmental credentials and in particular its negative net carbon footprint due to the atmospheric emission of methane that it prevents.

In September 2019, Richard Lewis was appointed as a non-executive director to the Board of Infinis, bringing 25 years of experience in the energy industry.

Investment

tampnet

Performance (£m)



Ownership
50%

Date invested
March 2019

Management team HQ
Stavanger, Norway

Country
Norway

Currency
NOK

Sector
Communications

Developments in the year

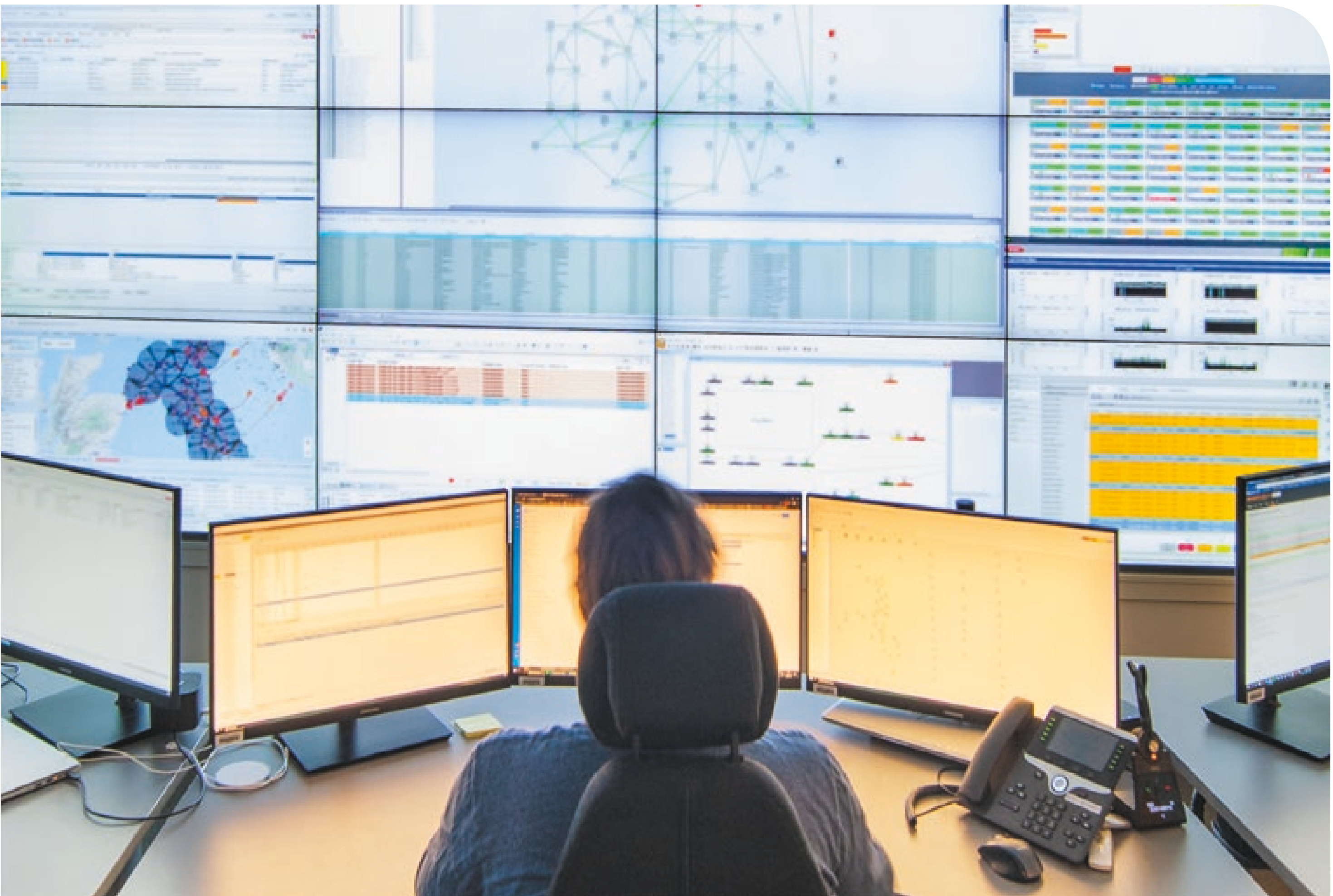
Tampnet performed broadly in line with expectations during the year. The core business in the North Sea delivered continued revenue growth, partially offset by network installation delays in the Gulf of Mexico.

Tampnet has been awarded a contract to enter the Canadian market where it will supply 5G coverage to two ExxonMobil owned platforms in offshore Newfoundland. We continue to evaluate a number of further growth opportunities internationally.

During the first half of the year, Tampnet's debt facilities were refinanced at a lower cost and with longer maturities than assumed in our investment case.

We have also strengthened the management team with the appointment of Magnus Mandersson as Chair; Magnus has over 25 years of experience in the global telecommunications sector.

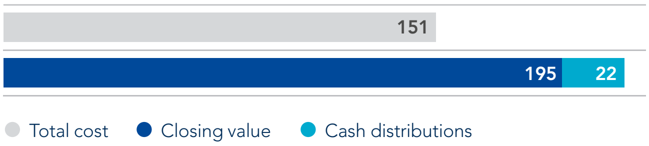
For further information about our investments, see our website
www.3i-infrastructure.com



Review of investments

Investment

Performance (£m)



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

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

Developments in the year

TCR performed well in the year, growing to lease ground support equipment in 149 airports, predominantly in Europe, where it is the market leader, but also in Malaysia and expanding into Australia, New Zealand, the US and the Middle East under our ownership.

The company has made good progress in anchoring its activities in the US with new contracts. It also won a repair and maintenance contract with British Airways, completed a sale and lease back agreement of equipment with Swissport in Saudi Arabia and secured a full service rental contract with Etihad in Abu Dhabi, which marked TCR's entry into the Middle East.

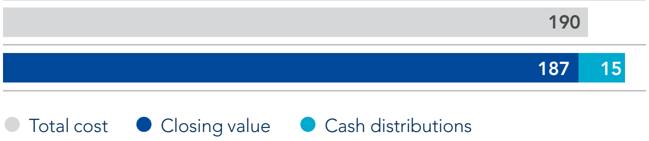
TCR has been affected by the dramatic fall in air travel since the start of the Covid-19 pandemic. The majority of its revenues are lease rental payments that are fixed and not impacted by reduced air traffic. Some of TCR's customers, comprising airlines, airports and ground handlers, are facing cash flow shortfalls and that could potentially have consequential effects on TCR. Longer term, air traffic may take several years to return to pre-pandemic levels.

During these uncertain trading conditions, TCR is managing its liquidity position and working closely with its customers. It will also explore potential new business opportunities arising from the crisis.

Investment

Joulz

Performance (£m)



Ownership	Date invested	Management team HQ
100%	April 2019	Delft, Netherlands
Country	**Currency**	**Sector**
Netherlands	EUR	Utilities

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

Developments in the year

Joulz has outperformed our investment case since our acquisition in April 2019. This was primarily due to low levels of customer churn in the Metering business and higher order intake in the Infrastructure Services business, confirming Joulz's position at the heart of its customers' mission critical electrical infrastructure and the strong energy transition trend in the Netherlands.

The operational carve-out from Stedin is on track to be completed by the end of 2020. We have strengthened the management team with the appointments of a new Head of Metering, a new Head of Business Development, and an Interim CFO.

The strategy for Joulz is to build on its customer relationships and develop into an integrated energy solution provider. In line with this strategy, Joulz acquired GreenFlux's electric vehicle charging station business on 31 March 2020, with over 3,000 charging points across the Netherlands, and the management team is evaluating several further growth opportunities in particular in the solar and heat sectors.

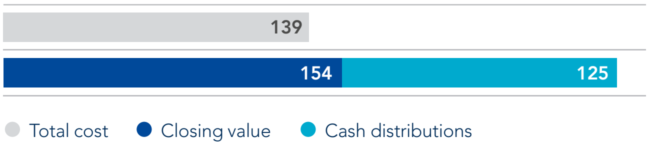
In March 2020, Sjoerd Vollebregt was appointed Chair of Joulz. Sjoerd brings significant experience in large international industrial companies, having been Chair and CEO of Stork BV, an industrial engineering conglomerate until 2014.

Review of investments

Investment

Oystercatcher

Performance (£m)



Ownership
45%

Date invested
August 2007 and June 2015

Management team HQ
Various

Country
Netherlands, Belgium, Malta and Singapore

Currency
EUR

Sector
Transport/Logistics

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

Developments in the year

Over recent years the oil storage market has faced two challenges: an extended period of backwardation in the oil product markets, alongside uncertainty around product demand in the lead up to the introduction of the new IMO 2020 regulation, which regulates the sulphur content of fuel used for shipping. Across the sector, terminals have seen less demand for storage in certain locations, as well as downward pressure on storage pricing.

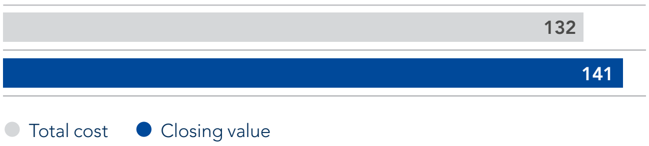
Since its introduction on 1 January 2020, IMO 2020 has created opportunities for oil storage terminals – with storage being required for a wider range of product specifications. Since March 2020, the oil products market has been in contango, caused by a sudden drop in global demand for oil products and the resulting drop in oil prices. This provides a helpful backdrop to oil storage terminals, as contango creates the incentive to store and leads to greater demand and therefore upward pressure on storage pricing.

The Oystercatcher portfolio features strong locations and high quality facilities and service levels which are highly valued by customers. This is particularly the case in Singapore, which represents over half of the value of our investment, and where we expect the terminal to benefit from growing petroleum product consumption in Asia over the long term.

Investment

ESVAGT

Performance (£m)



Ownership
50%

Date invested
September 2015

Management team HQ
Esbjerg,
Denmark

Country
Denmark,
Norway and UK

Currency
DKK

Sector
Natural resources/Energy

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

Developments in the year

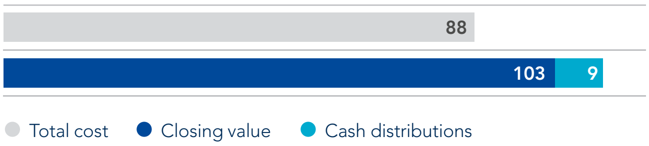
The market conditions in which ESVAGT operates improved during the second half of the year. The wind service operation vessels ('SOVs') segment is the primary driver of growth for the business where ESVAGT is the market leader. In the North Sea, ESVAGT has committed to five new contract backed SOVs since our acquisition. Internationally, ESVAGT is developing its focus on the US wind market, where it is preparing to support the expansion strategy of its European customers. ESVAGT is in discussions with the shipyard contracted to supply new SOVs, which is experiencing financial difficulties. We do not expect this to result in a material impact on ESVAGT's ability to fulfil its contractual obligations.

In the emergency rescue and response ('ERRV') segment, stabilising supply/demand dynamics allowed ESVAGT's management to successfully implement its strategy of improving contract coverage for the fleet. However, we anticipate that the recent drop in oil prices will impact ERRV demand in 2020 and negatively affect ESVAGT's spot business.

Review of investments

Investment

Performance (£m)



Ownership
25%

Date invested
June 2018

Management team HQ
Apeldoorn, Netherlands

Country
Netherlands

Currency
EUR

Sector
Utilities

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

Developments in the year

Market supply and demand dynamics evolved favourably for most of the financial year, supporting our investment thesis and driving Attero's strong performance. Market gate fees increased across all three of Attero's main business lines.

A tax of €32/ton on imported waste (to align with the existing tax on incinerated domestic waste) has taken effect from 1 January 2020. Following the renegotiation of most of its imported waste contracts, Attero expects that the immediate impact of the tax on its financial performance will be limited.

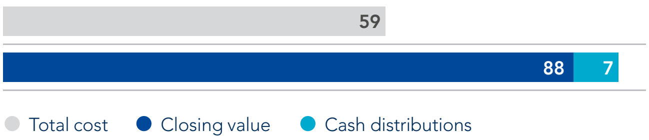
In June 2019, Mel Kroon was appointed Chair of Attero. Mel was previously the CEO of TenneT, the Dutch electricity transmission grid operator. Mel brings a strong background in asset intensive industries, and an in-depth understanding of the energy sector. He also has experience of working across the private and public sectors in the Netherlands and Europe.

Covid-19 has caused a drop in industrial and commercial waste, partly offset by an increase in household waste. Attero is protected from this to an extent thanks to its medium-term contracts for waste supply and its buffer of untreated waste, but we do anticipate a decline in Attero's 2020 performance as a result of the pandemic.

Investment

VALOREM
opérateur en énergies vertes

Performance (£m)



Ownership
28.5%

Date invested
September 2016

Management team HQ
Bègles,
France

Country
France

Currency
EUR

Sector
Utilities

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

Developments in the year

Valorem had a good financial year with revenue from electricity generation above budget, 117MW of projects becoming operational and 160MW of projects closed. Since acquisition, the company has now increased its asset base by 2.5x, owning 436MW of fully developed renewable capacity as of February 2020 compared to 179MW in September 2016. Valorem's operational portfolio is relatively young, with an average residual feed-in-tariff life of over 12 years.

Valorem has built an impressive future pipeline of 3.5GW of wind, solar and hydro projects across European geographies, of which 1.5GW is at an advanced development stage. The development of this pipeline into operation will drive future value growth.

Valorem continues to focus on the conversion of its pipeline in France, on larger wind and solar projects, and a successful diversification into hydro, fostered by the acquisition of FHA in July 2019.

In April 2019, following a wide auction, Valorem sold 90% of a Finnish project totalling 71MW. The rest of the Finnish pipeline continues to make progress.

Sustainability report

There is a strong link between companies that have high environmental, social and governance ('ESG') standards and those that are able to achieve long-term sustainable business growth. This is aligned with the Company's purpose and our experience.

As owners of a portfolio of infrastructure assets, we are in a privileged position. We have a wide scope of influence which extends beyond our own organisation to a number of portfolio companies, their management teams, employees, customers and suppliers. Our engaged asset management approach means that decisions can be made quickly, so we can have a lot of impact.

We recognise the responsibility we have to our shareholders to deliver long-term sustainable returns, and to the communities and environment in which we operate to run essential infrastructure in a responsible manner. We use our position as a shareholder in the businesses we own to influence and support management to operate responsibly, in a way that delivers a positive environmental and social impact. We encourage all of our businesses to review regularly their approach to, and ambition for, sustainability.

This matters to us as individuals, to the Board of 3i Infrastructure, to the people managing and working within our portfolio companies and to their customers and suppliers. As investors, we depend on all of these stakeholders for our investments to be successful.

We believe that investors who do not engage in a serious way around sustainability will be left behind.

Anna Dellis
Partner, 3i Investments plc
February 2020

Investing responsibly

Responsibility starts when we first consider investing in a company. The Investment Manager is a signatory to the UN Principles for Responsible Investment and has embedded responsible investing policies into its investment and asset management processes. 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.

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

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

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

Our influence and approach to ESG management

ESG-related key performance indicators are monitored on a monthly basis and progress towards a broader set of objectives is reviewed in detail each year using the Investment Manager's proprietary ESG assessment tool. The Investment Manager completes this assessment for every new economic infrastructure investment and prepares and prioritises, alongside management, an action plan for the business based on the recommendations from this assessment. This process also considers ESG value creation opportunities. These ideas are also reviewed and prioritised with the portfolio company management teams.

Alongside the Company's formal sustainability review cycle the Investment Manager also conducts periodic reviews into important or emerging topics that impact our portfolio. During the year this included:

- a round table discussion on plastics and their responsible use and management with other companies in the Investment Manager's combined Infrastructure and Private Equity portfolios;
- a review of cyber security standards for each of the Company's portfolio companies by a third-party security specialist; and
- a detailed piece of work looking at climate risk, the output of which is described on page 48.

UN Sustainable Development Goals

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

During the year, the Board and the Investment Manager considered each of the portfolio companies against the SDGs. This process, alongside the conversations between the portfolio companies and the Investment Manager around sustainability, helps us to understand the impact that each of the investments makes, to identify improvements and to help develop their sustainability strategy and objectives.

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

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

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

Through its investment portfolio the Company supports the transition towards a low carbon economy. Investments such as Valorem and Infinis contribute towards sustainable energy generation. Attero, a leader in the waste treatment market, produces sustainable electricity for 350,000 households by recovering energy from waste, alongside the treatment of waste materials which can be reprocessed or recycled. TCR and ESVAGT are reducing the carbon intensity of their fleets of ground handling equipment and vessels respectively.

For case studies on TCR and ESVAGT
Pages 46 to 47

Oystercatcher	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 16 Peace, justice and strong institutions
Joulz	7 Affordable and clean energy; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 13 Climate action; 16 Peace, justice and strong institutions
Tampnet	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 16 Peace, justice and strong institutions
ESVAGT	7 Affordable and clean energy; 8 Decent work and economic growth; 13 Climate action; 16 Peace, justice and strong institutions
Infinis	7 Affordable and clean energy; 8 Decent work and economic growth; 11 Sustainable cities and communities; 13 Climate action; 16 Peace, justice and strong institutions
Ionisos	3 Good health and well-being; 8 Decent work and economic growth; 16 Peace, justice and strong institutions
Attero	7 Affordable and clean energy; 8 Decent work and economic growth; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 16 Peace, justice and strong institutions
TCR	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 16 Peace, justice and strong institutions
Valorem	7 Affordable and clean energy; 8 Decent work and economic growth; 11 Sustainable cities and communities; 13 Climate action; 16 Peace, justice and strong institutions

Where we are having the biggest impact

- 3 Good health and well-being
- 7 Affordable and clean energy
- 8 Decent work and economic growth
- 9 Industry, innovation and infrastructure
- 11 Sustainable cities and communities
- 12 Responsible consumption and production
- 13 Climate action
- 16 Peace, justice and strong institutions

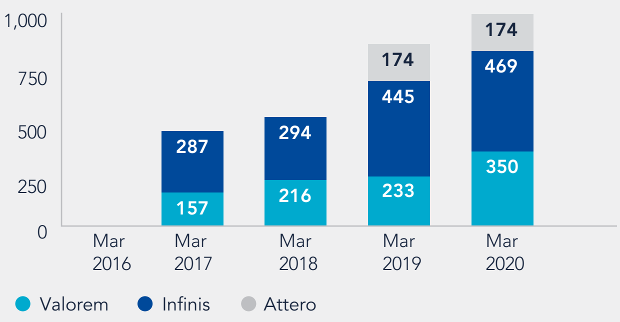
For further information about climate risk
Page 63

Sustainability report

Renewable energy capacity

Since 2016, the Company has invested in three businesses that generate electricity from renewable resources. The installed capacity across these businesses is now almost 1 GW, enough to power all of the households in Ireland. We have a long pipeline of new potential generating capacity for future development. The chart below shows the growth in renewable energy generating capacity over the last four financial years.

Renewable energy installed capacity
(at 31 March, MW)



Benefits for communities (SDGs 8, 9 and 11)

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

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

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

Regulation and tax (SDG 16)

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

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

TCR: Helping customers develop more sustainable operations

Over the past few years, airports have been increasingly implementing measures to improve the sustainability of their operations, with more than 200 European airports having pledged to reach net zero carbon emissions by 2050. Most emissions from an airport result from aircraft movements, but the airport Ground Support Equipment ('GSE') represents approximately three quarters of non-aircraft emissions.

TCR is helping airports promote more sustainable operations by improving the management of the existing GSE fleet and encouraging the gradual replacement of old diesel equipment with a more sustainable asset base. 37% of TCR's motorised fleet is electric today, well above the industry average.

TCR's pioneering role on pooling supports an airport's transition to lower its carbon emissions. Pooling is the sharing of GSE at a terminal or at an airport between several ground handlers. Because it optimises use of the GSE across participants in the pool, pooling typically reduces the size of the fleet on the apron by up to 40%, which improves airside operations through reduced congestion and improved quality of services and safety. For example, Luton Airport has seen a dramatic improvement in its operations since implementing GSE pooling with TCR in 2017. As the recognised global specialist in GSE pooling management, under our ownership TCR has won a significant portion of pooling projects opened to independent GSE lessors.

TCR has also undertaken several initiatives to reduce the impact of waste streams on the environment. As an example, almost all lead-acid batteries for electric GSE are recycled and TCR is piloting the use of more energy efficient lithium-ion batteries.

Under our ownership, TCR has increased its focus on health and safety for all stakeholders, from employees to customers. Lost time injury frequency rate has almost halved since our investment in June 2016. The business also renewed its ISO 9001 (Quality) certifications, ensuring adherence with the latest international standards.

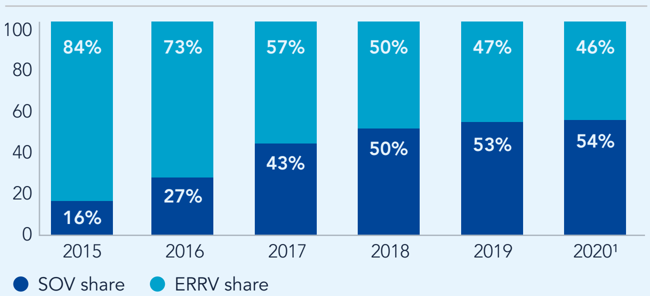
We actively support the management team's ambition to be at the forefront of sustainable solutions for GSE.

ESVAGT: Supporting the energy transition

ESVAGT is an innovative operator in the offshore wind sector, with its highly specialised vessels providing maintenance support to this fast growing segment. ESVAGT's vessels ('SOVs') provide full time accommodation to wind farm engineers, allowing safe and efficient conduct of continuous maintenance programmes which maximise electricity generation from turbines, improving overall uptime, and ensuring operational robustness of the wind farms for the long term. This is increasingly important for the offshore wind industry as operators are focused on their ability to lower the total cost of energy produced in order to reduce dependency on Government support schemes.

During our ownership, we have supported the company on its journey to become the market leader in the offshore wind segment in the North Sea with approximately a 40% market share today. The offshore wind segment is forecast to contribute 54% of ESVAGT's 2020 budgeted earnings compared to around 16% at the time of acquisition in 2015. ESVAGT is well positioned to benefit from the continued rapid growth in offshore wind development in the North Sea, where almost 30 new wind farms are forecast to come online in the next five years.

SOV and ERRV share of earnings over time



1 Budget.

Transitioning to a low to zero-emission world requires engagement from everyone involved in the energy sector. ESVAGT started its accelerated journey towards becoming a low emission operator when we acquired the business in 2015. The management team has also set challenging targets for its future operations, aiming to be carbon neutral by 2035 and emissions free by 2050. ESVAGT has a number of initiatives to reduce its impact on the environment and to support local communities. For example:

- the business has started to offset its emissions by encouraging employee engagement around sustainability through large scale tree-planting projects and recycling incentives where the proceeds from waste disposal will fund projects in local communities;
- ESVAGT is developing battery and hybrid technologies, including using low emission bio fuels, for its vessels that will not only be better for the environment but also reduce the overall cost for the company; and
- ESVAGT, Siemens Gamesa and Ørsted are together developing a drone-based solution for the delivery of spare parts and tools from a vessel to an offshore wind turbine. This will reduce fuel consumption and improve the overall operation offshore.

Offshore wind will play an important role in the ongoing energy transition and it will continue to drive our growth strategy for ESVAGT.

Sustainability report

TCFD disclosures

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

During the year, the Audit and Risk Committee considered a roadmap to achieving compliance with the core elements of climate-related financial disclosures recommended by the TCFD. The inclusion of these disclosures in this Annual report and accounts is part of that roadmap, and there is work underway to develop the disclosures further. We therefore expect these disclosures to evolve in future years, in particular in relation to metrics and targets. The following should be read in conjunction with the rest of the Annual report and accounts. We have cross referenced the relevant sections under each of the headings below. As an investment company, the majority of the disclosures relate to the Company's portfolio of investments rather than to the Company itself. The portfolio and Company disclosures are therefore described separately in the Strategy, Risk management and Metrics and targets sections below.

Governance

The Board as a whole reviews the Company's approach to sustainability, ESG and related policies and addresses specific issues if they arise. The Board has adopted the Responsible Investment policy of the Investment Manager.

The Board discharges its responsibilities for the assessment and monitoring of sustainability and climate-related risks and opportunities through the Company's Audit and Risk Committee. The Audit and Risk Committee, among other areas, is responsible for internal controls and risk management, including the assessment and management of ESG risks and opportunities, and for ensuring compliance with environmental legislation and regulation. The Audit and Risk Committee is also responsible for reviewing and approving disclosures under the TCFD framework.

Day-to-day accountability for sustainability, including climate change-related issues, rests with the Investment Manager. Further detail on risk governance can be found in the Risk report on page 60.

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

Strategy

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

Portfolio

Our investment strategy is to make a limited number of new investments each year, selected within our target sectors and geographies on the basis of their compatibility with our return targets and fit with the existing portfolio. The Company does not operate a sustainability-driven investment strategy, but does seek to identify investments that benefit from long-term trends many of which link to sustainability themes. As set out earlier in this section the Company, through its Investment Manager, carries out its investment activities under 3i Group's Responsible Investment policy, which is embedded in the Investment Manager's investment and portfolio management processes and is considered rigorous by industry standards. We screen out businesses which have unsustainable environmental practices. Once invested, we use our influence to encourage the development of more environmentally sustainable behaviours in our portfolio companies, as well as investments to mitigate our portfolio companies' environmental impact. We are committed to improve our role as a responsible investor on an ongoing basis.

Company

3i Infrastructure plc has a very limited direct impact on the environment and is not a significant producer of greenhouse gas emissions.

Risk management

Portfolio

We monitor all relevant portfolio risks, including climate-related risks and changing consumer preferences in response to environmental issues, through our rigorous investment assessment and portfolio monitoring processes. This is critical to protecting and enhancing the value of our assets and is at the core of what we do. We always undertake ESG due diligence, including environmental due diligence, before making new investments, and monitor ESG risks throughout the life of our investments. We continue to develop our governance and risk management framework to ensure that sustainability-related risks in our portfolio are treated as a priority by our portfolio company management teams.

Company

3i Infrastructure plc is not exposed to material environmental risks. The Company has no employees. The business of the Company is conducted through the Investment Manager and Jersey administrator who do not have any office locations dedicated to the Company. The Company has a comprehensive risk governance framework and compliance processes and procedures to ensure that all risks, including ESG risks, are monitored and managed with due care and diligence and that the Company is fully compliant with all applicable environmental legislation. Further information can be found in the Risk report on page 60.

Metrics and targets

Portfolio

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

Company

As noted above, 3i Infrastructure plc has a very limited direct impact on the environment and is not a significant producer of greenhouse gas emissions. The Company consumed less than 40,000 kilowatt hours of energy in the financial year and is therefore exempt from the new streamlined energy and carbon reporting disclosure requirements.

Attero
Page 42

Financial review, Risk and Directors' duties

Financial review

The Company delivered another year of strong financial performance.

Key financial measures (year to 31 March)

	2020	2019
Total return[1]	**£224m**	£259m
NAV	**£2,269m**	£1,902m
NAV per share	**254.5p**	234.7p
Total income[2]	**£121m**	£115m
Total income and non-income cash	**£139m**	£201m
Portfolio asset value[2]	**£1,647m**	£1,681m
Cash balances[2]	**£418m**	£266m
Total liquidity[3]	**£718m**	£550m

1 IFRS Total comprehensive income for the year.
2 Reconciliation of measures to the financial statement balances is set out in Tables 7 and 8 on page 59.
3 Includes cash balances of £413 million (2019: £257 million), unrestricted cash in subsidiaries of £5 million (2019: £9 million) and £300 million (2019: £284 million) undrawn balances available under the Company's revolving credit facility.

We have a strong liquidity position to weather these challenging conditions and to fund attractive new investment opportunities.

James Dawes
CFO, Infrastructure
6 May 2020

We have a balance sheet that provides the Company with a strong liquidity position to weather these challenging conditions and to fund attractive new investment opportunities. The portfolio has the income-generating capacity to support the progressive dividend policy. The target dividend for FY21 of 9.8 pence per share is an increase of 6.5% over FY20. This dividend is expected to continue to grow progressively in future years.

Returns

Total return

The Company generated a total return for the year of £224 million, representing an 11.4% return on time-weighted opening NAV and equity issued (2019: £259 million, 15.4%). This performance is ahead of the target return of 8% to 10% per annum over the medium term.

This outperformance was driven by the strong return from the sale of WIG and the UK operational projects portfolio, partly offset by the impact of the Covid-19 pandemic. Changes in the valuation of the Company's portfolio assets are described in the Movements in portfolio value section of the Investment Manager's review on pages 28 to 30.

Total income of £121 million in the year grew by 5% on the previous year, with good levels of dividend receipts from Joulz and Attero, partially offset by reduced income from Oystercatcher. Total income and non-income cash of £139 million in the year was lower than last year due to a lower level of refinancing proceeds (2019: £201 million).

The dividend to shareholders for FY20 was fully covered, with a significant surplus.

This growth in income was supported by non-income cash receipts of £18 million during the year, principally related to distributions from Infinis (2019: £86 million). These non-income cash receipts reflect distributions from underlying portfolio companies, which would usually be income to the Company, but which are distributed as a repayment of investment for a variety of reasons. Whilst non-income cash does not form part of the total return shown in Table 3 below, it is included when considering dividend coverage.

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

The Financial statements' classification of these components of total return includes transactions within unconsolidated subsidiaries as the Company adopts the Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) basis for its reporting. The non-material adjustments required to reconcile this analysis to the Financial statements are shown in Table 7 on page 59.

Capital return

The capital return is the largest element of the total return. The portfolio generated a value gain of £152 million in the year to 31 March 2020 (2019: £204 million), as shown in Chart 8 on page 54. The largest contributor was the sale of WIG which generated £102 million. These value movements are described in the Movements in portfolio value section of the Investment Manager's review.

Financial review, Risk and Directors' duties

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

	2020	2019
Capital return (excluding exchange)	**152**	204
Foreign exchange movement in portfolio	**(18)**	3
Capital return (including exchange)	**134**	207
Movement in fair value of derivatives	**21**	5
Net capital return	**155**	212
Total income	**121**	115
Costs	**(52)**	(69)
Other net income/(costs) including exchange movements	**–**	1
Total return	**224**	259

Financial review

Foreign exchange impact

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

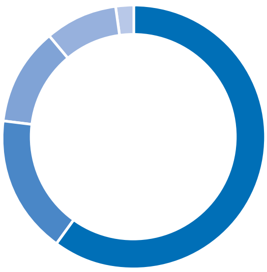
Portfolio foreign exchange movements after accounting for the hedging programme, increased the net capital return by £3 million (2019: £8 million). As shown in Chart 7, the reported foreign exchange loss on investments of £18 million (2019: gain of £3 million) included a loss of £1 million from the Company's exposure to the Indian rupee, which is not hedged. This was fully offset by a £21 million gain on the hedging programme (2019: gain of £5 million). The positive hedge benefit resulted from interest rate differentials on the euro hedging programme.

Income

The portfolio generated income of £117 million in the year (2019: £115 million). Of this amount, £34 million was through dividends (2019: £35 million) and £83 million through interest on shareholder loans (2019: £80 million). An additional £3 million of interest was accrued on the vendor loan notes issued in lieu of WIG proceeds together with a further £1 million of interest receivable on deposits (2019: negative interest of £0.1 million).

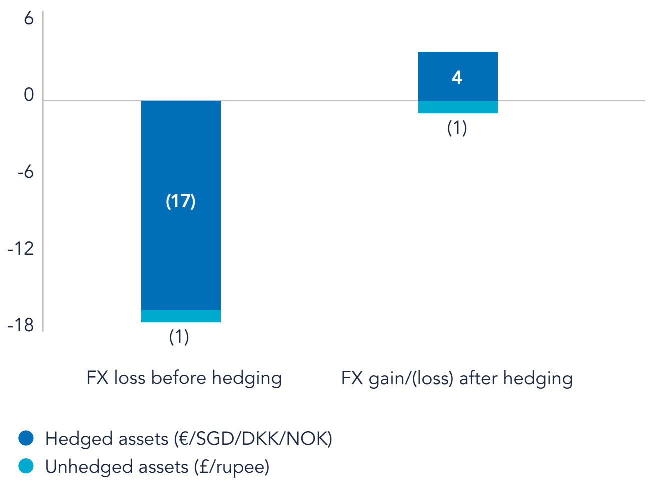
The strong contribution from Joulz and Attero offset the loss of income contribution from the sale of XLT in the prior year and the reduction in income from Oystercatcher. A breakdown of portfolio income is provided in Chart 9 on page 55.

Chart 6: Portfolio value by currency
(at 31 March 2020)



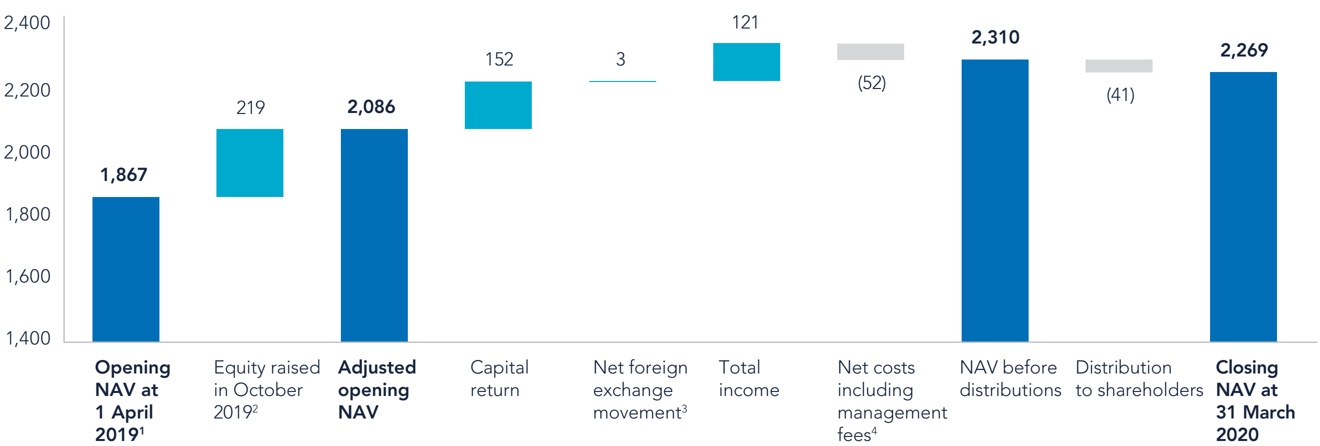
EUR	59%
GBP	17%
NOK	13%
DKK	9%
INR	2%

Chart 7: Impact of foreign exchange ('FX') movements on portfolio value (year to 31 March 2020, £m)



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

Chart 8: Reconciliation of the movement in NAV (year to 31 March 2020, £m)



1 Opening NAV of £1,902 million net of final dividend of £35 million for the prior year.
2 Net of issue costs of £4 million.
3 Foreign exchange movements are described in Chart 7 above.
4 Includes non-portfolio exchange.

The Company received £13 million of dividends from Joulz, significantly ahead of our investment case. This reflected the business's outperformance on a profit and cash basis.

Higher than budgeted dividends were received from Attero following stronger operational performance, certain one-off cash receipts and positive working capital movements.

Dividends from Oystercatcher were lower than the prior year partly due to the timing of receipt of distributions, but also due to a deterioration in the oil storage market during much of the year.

Interest income from ESVAGT increased year-on-year after capitalisation of outstanding interest in December 2019.

Costs

Management and performance fees

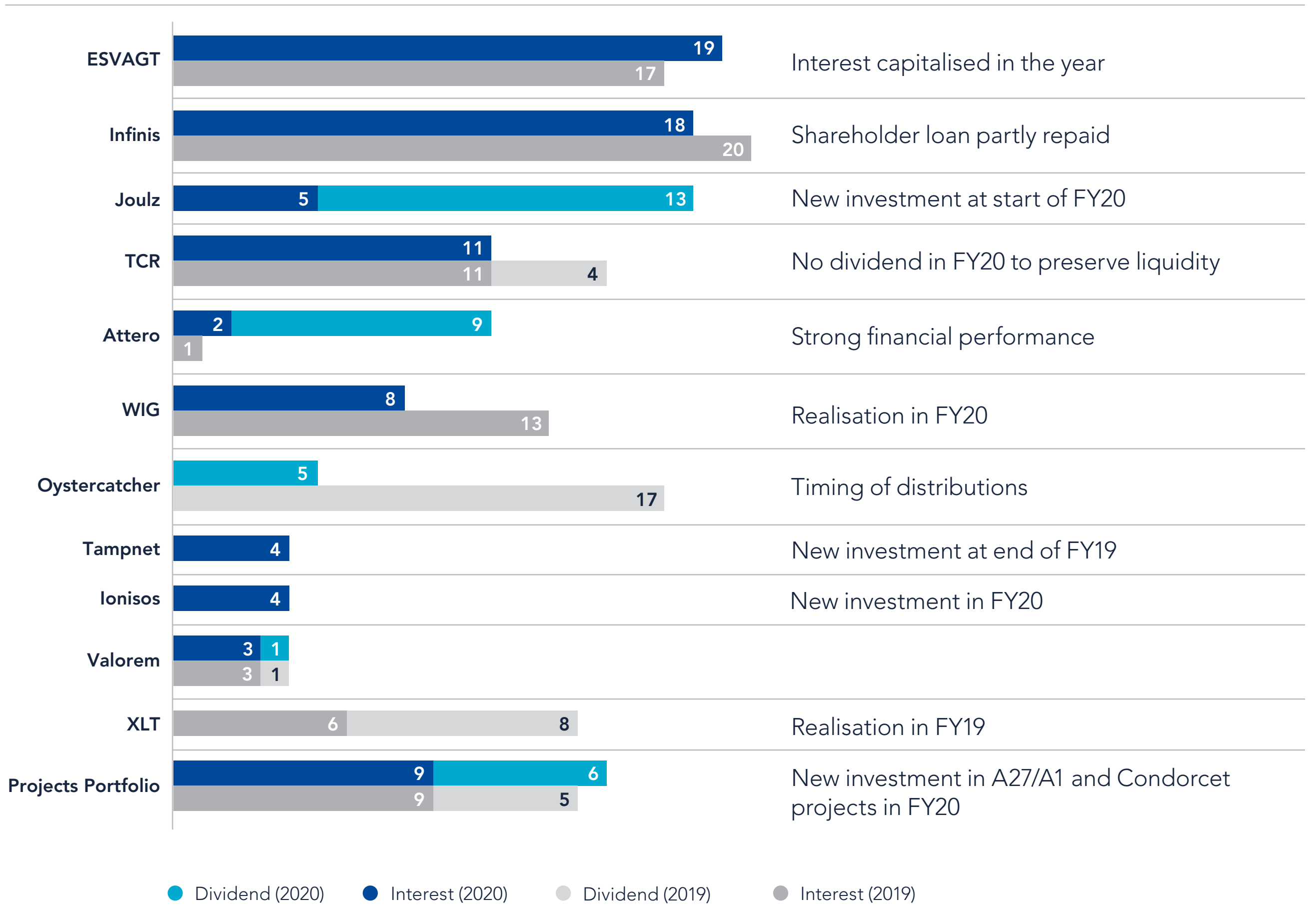
During the year to 31 March 2020, the Company incurred management fees of £28 million (2019: £30 million). The fees, payable to 3i plc, consist of a tiered management fee, and a one-off transaction fee of 1.2% payable in respect of new investments. The management fee tiers range from 1.4%, reducing to 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 conditions are met. This hurdle was exceeded for the year ended 31 March 2020 resulting in a performance fee payable to 3i plc in respect of the year ended 31 March 2020 of £17 million (2019: £31 million). The first instalment, of £6 million, will be paid in May 2020. For a more detailed explanation of how management and performance fees are calculated, please refer to Note 18 to the accounts on pages 133 and 134.

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 2020, fees payable totalled less than £1 million (2019: £1 million).

Chart 9: Breakdown of portfolio income (year to 31 March, £m)



Financial review

Other operating and finance costs

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £3 million in the year (2019: £3 million).

Finance costs of £3 million (2019: £4 million) in the year comprised arrangement, commitment and utilisation fees for the Company's £300 million revolving credit facility ('RCF').

Ongoing charges ratio

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

The Company's ongoing charges ratio is calculated in accordance with the Association of Investment Companies ('AIC') recommended methodology and was 1.42% for the year to 31 March 2020 (2019: 1.81%). 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, such as WIG and the UK projects portfolio, reduce the ongoing charges ratio.

The AIC methodology does not include performance fees or finance costs. However, the AIC recommends that the impact of performance fees on the ongoing charges ratio is noted, where performance fees are payable. The cost items that contributed to the ongoing charges ratio are shown below. The ratio including the performance fee was 2.24% (2019: 3.52%). The total return of 11.4% for the year is after deducting this performance fee and ongoing charges.

Balance sheet

The NAV at 31 March 2020 was £2,269 million (2019: £1,902 million). The principal components of the NAV are the portfolio assets, cash holdings, the vendor loan notes from the sale of WIG, the fair value of derivative financial instruments and other net assets and liabilities. A summary balance sheet is shown in Table 5. Movements in portfolio value are discussed on pages 28 to 30, including the impact on valuations from Covid-19.

The accounting standards require cash or other net assets and liabilities held within intermediate holding companies to be presented as part of the fair value of the investments. The Directors consider that it is helpful for users of the accounts to be able to consider the valuation of the Company's portfolio assets and total aggregate cash and net assets/liabilities within the Company and its unconsolidated subsidiaries. The non-material adjustments required to provide this analysis are shown in Table 8 on page 59.

At 31 March 2020, the Company's net assets after the deduction of the final dividend were £2,228 million (2019: £1,867 million).

Cash and other assets

Cash balances at 31 March 2020 totalled £418 million (2019: £266 million), including £5 million (2019: £9 million) of unrestricted cash balances held within intermediate unconsolidated holding companies.

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

The movement from Other net liabilities in the prior year to Other net assets represents the vendor loan notes and a decrease in the performance fee accrual.

Borrowings

The Company has a £300 million RCF in order to maintain a good level of liquidity for further investment whilst minimising returns dilution from holding excessive cash balances. This is a three-year facility, which was extended for the second time by a year in May 2020. The maturity date is now April 2023.

At 31 March 2020, the RCF was not drawn. In the prior year it had been used to issue letters of credit for undrawn commitments to projects of £16 million. These letters of credit have now all been cancelled. There are currently no cash drawings.

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

	2020	2019
Investment Manager's fee[1]	**25.8**	30.1
Auditor's fee	**0.4**	0.4
Directors' fees and expenses	**0.5**	0.5
Other ongoing costs	**2.4**	1.8
Total ongoing charges	**29.1**	32.8
Ongoing charges ratio	**1.42%**	1.81%

1 Includes investment adviser's fee prior to 15 October 2018.

NAV per share

The total NAV per share at 31 March 2020 was 254.5 pence (2019: 234.7 pence). This reduces to 249.9 pence (2019: 230.4 pence) after the payment of the final dividend of 4.6 pence (2019: 4.325 pence). There are no dilutive securities in issue.

Dividend and dividend cover

The Board has proposed a dividend for the year of 9.2 pence per share, or £82 million in aggregate (2019: 8.65 pence; £70 million). This is in line with the Company's target announced in May last year.

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

Table 6 below shows the calculation of dividend coverage and dividend reserves. The final dividend cover surplus is £23 million for the year (2019: £95 million). The retained amount available for distribution, following the payment of the final dividend, will be £876 million (2019: £678 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. This could be due to holding uninvested cash or where lower distributions have been received from portfolio companies in order to preserve liquidity during the Covid-19 pandemic.

Alternative Performance Measures ('APMs')

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

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

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

The definition and reconciliation to IFRS of the APMs is shown on pages 58 and 59.

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

	2020	2019
Portfolio assets	**1,647**	1,681
Cash balances	**418**	266
Derivative financial instruments	**21**	(16)
Other net assets (including vendor loan notes)	**183**	(29)
NAV	**2,269**	1,902

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

	2020	2019
Total income, other income and non-income cash	**139**	202
Operating costs including management/advisory fees	**(34)**	(37)
Dividends paid and proposed	**(82)**	(70)
Dividend surplus for the year	**23**	95
Dividend reserves brought forward from prior year	**678**	345
Realised profits or losses over cost on disposed assets	**192**	269
Performance fees	**(17)**	(31)
Dividend reserves carried forward	**876**	678

Financial review

The table below defines our APMs.

APM	Purpose	Calculation	Reconciliation to IFRS
Total return on opening NAV	A measure of the overall financial performance of the Company. For further information see the KPI section (page 15).	It is calculated as the total return of £224 million, as shown in the Consolidated statement of comprehensive income, as a percentage of the opening NAV of £1,902 million net of the final dividend for the previous year of £35 million, adjusted on a time-weighted basis for the receipt of the £219 million capital raise on 15 October 2019. An adjustment to increase the opening NAV of £100 million is required for this time weighting.	The calculation uses IFRS measures.
NAV per share	A measure of the NAV per share in the Company.	It is calculated as the NAV divided by the total number of shares in issue at the balance sheet date.	The calculation uses IFRS measures and is set out in Note 14 to the accounts.
Total income and non-income cash	A measure of the income and other cash receipts by the Company which support the payment of expenses and dividends.	It is calculated as the total income from the underlying portfolio and other assets plus non-income cash being the repayment of shareholder loans not resulting from the disposal of an underlying portfolio asset.	The reconciliation of Total income to IFRS is shown in Table 7. The proceeds from partial realisations of investments are shown in the Consolidated cash flow statement. The realisation proceeds which result from a partial sale of an underlying portfolio asset are not included within non-income cash.
Investment value including commitments	A measure of the size of the investment portfolio including the value of further contracted future investments committed by the Company.	It is calculated as the portfolio asset value plus the amount of the contracted commitment.	The calculation uses portfolio assets shown in the reconciliation in Table 8, together with the value of future commitments as set out in Note 16 to the accounts. Undrawn loan commitments to the India Fund are not included as these are not expected to be drawn.
Total portfolio return percentage	A measure of the financial performance of the portfolio.	It is calculated as the total portfolio return in the year of £272 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 £2,070 million.	The calculation uses capital return (including exchange), movement in fair value of derivatives, underlying portfolio income, opening portfolio value and investment in the year. The reconciliation of all these items to IFRS is shown in Table 1.

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

Reconciliation to Financial statements

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

Table 7: Reconciliation of summary total return (year to 31 March 2020, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries	Financial statements
Capital return (including exchange)	134	(6)	128
Movement in fair value of derivatives	21	–	21
Net capital return	**155**	**(6)**	**149**
Total income	121	6[1]	127
Costs	(52)	–	(52)
Total return	**224**	**–**	**224**

1 Dividend income, received by unconsolidated subsidiaries from portfolio assets in the prior year but not paid up to the Company until the current year. The payment of the dividend is reflected in capital return as it has reduced the carrying value of these subsidiaries.

Table 8: Reconciliation of summary balance sheet (at 31 March 2020, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries[1]	Financial statements
Portfolio assets	1,647	5	1,652[2]
Cash balances	418	(5)[3]	413
Derivative financial instruments	21	–	21
Other net assets (including vendor loan notes)	183	–	183
NAV	**2,269**	**–**	**2,269**

1 'Investments at fair value through profit or loss' in the Financial statements includes £5 million of unrestricted cash balances held within intermediate unconsolidated holding companies. The adjustments reclassify these balances to show the underlying value of the total cash holdings as monitored by the Board.

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

3 Cash balances held in unconsolidated subsidiaries totalled £5 million.

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

	2020	2019
Total income	**121**	115
Non-income cash	**18**	86
Total	**139**	201

Risk report

Introduction

During the year the Board undertook a thorough review of its risk exposure and appetite. On behalf of the Board, the Audit and Risk Committee, alongside the Investment Manager, reassessed the emerging, key and principal risks. This review took account of the increasing importance of risks posed to the Company and its portfolio from accelerating climate change and wider sustainability matters. More recently, the conversations between the Board and the Investment Manger have been dominated by the current and potential impact of Covid-19 on the portfolio.

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

Risk framework

Risk related reporting

Internal

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

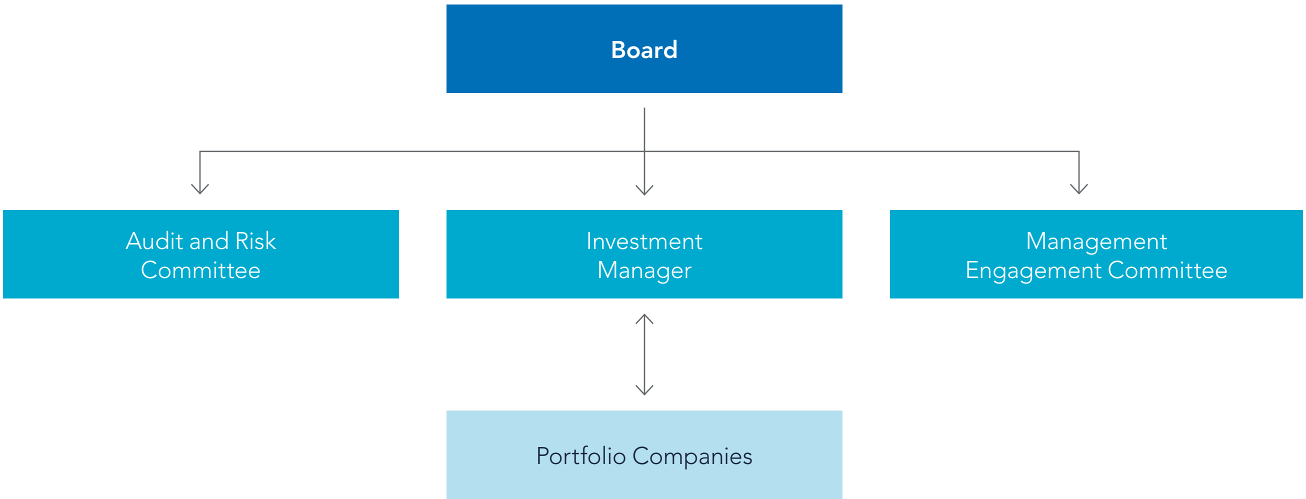
External – Annual report

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

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

Wendy Dorman
Chair, Audit and Risk Committee

Risk governance



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

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

Risk review process

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

- infrastructure and broader market overviews;
- key macroeconomic indicators and their impact on the performance and valuation of portfolio companies;
- regular updates on the operational and financial performance of portfolio companies;
- experience of investment and divestment processes;
- compliance with regulatory obligations;
- analysis of new and emerging regulatory initiatives;
- liquidity management;
- analysis of changes in operational, financial and regulatory risk following the move in management and tax domicile of the Company from Jersey to the UK;
- consideration of scenarios which may impact the viability of the Company;
- assessment of emerging risks; and
- review of the Company's risk log.

The Audit and Risk Committee uses the risk framework to identify a number of emerging and key risks, and evaluate changes in risks over time. Developments during the year in the more significant key risks are discussed on pages 63 to 67.

The Audit and Risk Committee evaluates the impact and likelihood of identified key risks, with reference to the Company's strategy and business model. The evaluation of these key risks is then shown on a risk matrix, an example chart of which is shown on page 62. The adequacy of the mitigation plans and controls are then assessed and, if necessary, additional actions are agreed and reviewed at a subsequent meeting.

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

The categorisation of risks is explained in more detail on
Pages 62 and 63

Risk report

Risk appetite

The Committee has reviewed the risk matrix and set out the Company's appetite for each of the key risks. As an investment company, the Company seeks to take investment risk. The appetite for investment risk is described on pages 8 and 9 of this report, and in the Investment policy towards the end of this document. The Company seeks to limit or manage exposure to other risks to acceptable levels.

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

This strategy has served the Company well over the last five years.

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

In October 2019, the Committee undertook a review of the risk appetite, and the appetite for investment risk in particular. It 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 Committee recognises that the overall portfolio risk has evolved over time as the Company has realised the 'large core' assets that were acquired before the change in investment risk appetite and new economic infrastructure assets were acquired.

In January 2020, the Committee reviewed the risk matrix and set out the Company's appetite for each of the key risks. The assessment of Emerging risks is described in more detail below. The assessment of impact and likelihood of several of the key risks was updated, and Climate risk is now considered to be a key risk having previously been assessed as an emerging risk.

In April 2020, the Committee reviewed the risk matrix again to assess the impact of Covid-19 on identified key and emerging risks.

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 benefiting from protection in a downside). We believe the current appetite for risk is appropriate, demonstrated by a balanced portfolio and low risk metrics on both share price and asset level returns, albeit both these measures have been impacted to some extent by the recent Covid-19 pandemic.

Risk categorisation

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

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.

We have a relatively diverse spread of assets in the portfolio and it is important that we continue to further broaden the portfolio and diversify risk. 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.

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. This emerging risk category includes 'megatrends' such as urbanisation, resource scarcity and technical disruptions. These powerful long-term trends will shape business, society and communities around the globe and could have a material impact on the performance and resilience of the portfolio. The Board and the Investment Manager consider these factors when reviewing the performance of the portfolio and when evaluating new investments, seeking to identify which factors present a risk and which are an opportunity. As part of the ongoing risk identification and management of the Company, the Board considers whether these emerging risks should be added to the Company's risk register.

Key risks

We have seen 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. This new key risk, as well as developments in existing significant key risks, are discussed further on pages 66 and 67.

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

We have increased our disclosures and reporting on climate risk and our Investment Manager has evolved its proprietary ESG tool to allow us to assess this and other risks in more detail across the portfolio. The Task Force on Climate-Related Financial Disclosures ('TCFD') established by the Financial Stability Board provides a framework and set of standards to report against which we are making progress in adopting, see page 48.

All of the companies in our portfolio recognise the importance of considering climate change and are working towards sustainable business models and operations with different initiatives across the portfolio such as reducing energy use, and helping new and existing customers with the energy transition. As discussed in the Sustainability report, the physical and transition climate-related risks are also seen as opportunities for all companies in our portfolio.

There are no acute physical nor transition risks identified in the portfolio that would suggest that climate-related risk is a principal risk, although an example of the impact of a transition risk is the introduction of a tax on imported waste in the Netherlands which impacts Attero. This year, we have therefore upgraded climate-related risk to a key risk.

Within the category of key risks, the principal risks identified by the Committee in the financial year are set out in the table below, alongside how the Company seeks to mitigate these risks.

Risk report
Principal risks and mitigations

Principal risks	Risk description	Risk mitigation
External		
Market/economic Risk exposure has increased	• Macroeconomic or market volatility, such as the impact of Covid-19, flows through to pricing, valuations and portfolio performance • Fiscal tightening impacts market environment • Risk of sovereign default lowers market sentiment and increases volatility • Misjudgement of inflation and/or interest rate outlook	• Resources and experience of the Investment Manager on deal-making, asset management and hedging solutions to market volatility • Periodic legal and regulatory updates on the Company's markets and in-depth market and sector research from the Investment Manager and other advisers • Portfolio diversification to mitigate the impact of a downturn in any geography or sector
Competition No significant change in risk exposure	• 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 has increased	• Debt becomes increasingly expensive, eroding returns • Debt availability is restricted • The Company's RCF or portfolio company debt cannot be refinanced due to lack of appetite from banks	• The Investment Manager maintains close relationships with a number of banks and monitors the market through transactions and advice • Regular reporting of Company liquidity and portfolio company refinancing requirements • Investment Manager has an in-house Treasury team to provide advice on treasury issues
Strategic		
Unbalanced portfolio Risk exposure has increased	• Failure to ensure adequate spread of assets invested to minimise concentration risks (eg by geography, sector, demand driver, regulator) and fulfil investment policy • Difficulty in maintaining geographical diversity, or sale of large assets, may lead to an unbalanced portfolio • Misjudgement of risk when entering new sectors, industries or geographies	• Investment process explicitly addresses questions of geographical and sector balance in the portfolio • Portfolio concentration measures are reviewed periodically by the Board • The Investment Manager is selective when making new investment commitments • Portfolio diversity has changed over the year through the addition of exposure to healthcare infrastructure in the acquisition of Ionisos and by the sale of WIG and the UK operational projects
Deliverability of return target No significant change in risk exposure	• 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 • Covid-19 pandemic effects were considered in the March 2020 valuation of the portfolio

Principal risks	Risk description	Risk mitigation
Investment		
Inappropriate rate of investment No significant change in risk exposure	• Failure to achieve new investment impacts shareholder perception, returns and growth prospects • Excess 'vintage risk' magnifies the impact of poor performance from a vintage of investments • Poor management of investment pipeline	• Good flow of new investment opportunities • Portfolio concentration measures, including vintage diversification, are reviewed periodically by the Board • The Investment Manager undertakes a concentration review for each new investment • Balance sheet and liquidity monitored regularly by the Board
Security of assets No significant change in risk exposure	• Destruction of value and reputation from an incident, such as a cyber or terrorist attack • Unauthorised access of information and operating systems • Regulatory and legal risks from failure to comply with cyber related laws and regulations, including data protection	• Regular review of the Company and key service providers • Regular review and update of cyber due diligence for potential investments • Review of portfolio companies for cyber risk management and incident readiness
Operational		
Loss of senior Investment Manager staff No significant change in risk exposure	• 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 • Size of the senior team, with new promotions to partner during the financial year, and strength of the 3i Group brand

Covid-19

Covid-19 presents the biggest risk to the global economy and to individual companies since the Global Financial Crisis and has had a severe impact on economic growth forecasts worldwide. The ultimate impact on the Company and its portfolio will only be fully understood over time, as the length and extent of the crisis become clearer. Not all industries or companies will be impacted to the same degree, but all portfolio companies will be impacted to some extent, either directly or indirectly, for example through the reduction in air traffic, the fall in the oil price or lower power prices. More detail can be found in the Investment Manager's review and elsewhere in this Risk report.

The Committee has reviewed the impact of Covid-19 on the key risks. The risk exposure from market/economic risk has clearly increased, as shown in the table above. This is now the top risk facing the Company.

While government bond yields and bank base rates have reduced since February 2020, there may be an impact on the appetite of lenders to provide acquisition finance or to refinance existing debt facilities. The Committee considers that the risk exposure to a deterioration in debt markets has increased.

As noted above, the impact of Covid-19 on portfolio companies is uncertain, and the risk of a reduction in investment performance has increased. In addition, the increase in working from home may lead to an increase in cyber security incidents, such as 'phishing' attempts. The Investment Manager and portfolio companies are aware of this risk, and have taken steps to mitigate it.

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

Risk report

Review of significant key risks

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

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

External risks – market and competition

The markets in which the Company seeks to invest, and in particular the European economic infrastructure market, are competitive, with strong demand for new investments. This has supported value gains for existing assets in the portfolio and realisations in the latter part of 2019. Some of these gains have been eroded as a result of the downturn brought on by the Covid-19 pandemic. In this challenging environment, the Investment Manager continues to leverage its network and skills to look for investments that can deliver attractive and sustainable risk-adjusted returns to the Company's shareholders.

The UK left the EU on 31 January 2020. Future trading arrangements are not yet clear and could pose a risk to the Company. The regulatory environment in which the Company operates may also change, but it is not yet clear how. The majority of the Company's investments are in domestic businesses with limited cross-border trading. This mitigates the risk to the Company of the UK having unfavourable trading terms with the EU.

Attero imports waste from the UK. The tax on waste imports to the Netherlands was passed by the Dutch Parliament and Senate and took effect from 1 January 2020. Following the renegotiation of most of its imported waste contracts, Attero expects that the immediate impact of the tax on its revenues will be limited. We do anticipate a reduction in the supply of industrial and commercial waste as a result of the pandemic, offset to an extent by increased household waste, which in itself should have limited effects on Attero because of its medium-term waste supply contracts and significant buffer stock of untreated waste.

Inflation has decreased marginally across Europe and the UK. This can have an impact for European assets which have revenues at least partially linked to inflation, although lower inflation may also result in decreased costs.

Short-term interest rates and future interest rate expectations in the UK and Europe have remained close to historically low levels during the year and have fallen further in the latter part of the financial year. This had positive implications for some of the portfolio assets and contributed to the favourable refinancing of debt in Tampnet and Ionisos.

There was significant volatility in sterling exchange rates during the year, in response to continuing uncertainty concerning the UK leaving the EU earlier in the year and the Covid-19 pandemic later in the year. Sterling ended the year weaker against other currencies. The Company's objective is to hedge substantially its direct and indirect euro, Danish krone, Norwegian krone and Singapore dollar exposures. The revaluation of the hedging programme is impacted by movements in forward exchange rates which are not necessarily matched exactly by an equivalent change in the spot exchange rate at which the assets are translated. This benefited the Company this year.

Ongoing access to debt markets is important to assets in the portfolio, particularly as existing debt matures. Changes in the terms and availability of debt finance, including from underlying performance of portfolio assets, could impact valuations. The refinancings undertaken for Tampnet and Ionisos mitigate against this risk by extending the maturity of their debt on favourable terms.

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

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

A minority of TCR's revenues are variable and linked to equipment usage, repair or maintenance. The dramatic fall in air travel due to Covid-19 has reduced these variable revenues, and we have adjusted downwards our estimate of future revenues and increased the discount rate to reflect the current uncertainty and increased customer risk.

The fall in the oil price since January is a risk to growth at Tampnet in the near term, and if sustained could lead to earlier decommissioning of platforms, but a low oil price can also be a catalyst for increasing bandwidth demands from Tampnet's customers as part of the drive to lower operating costs.

At Oystercatcher, the introduction of the IMO 2020 regulations for the fuel used in shipping has now created increased demand for storage of marine gasoil and low sulphur fuel oil. The recent fall in the oil price, following the fall in demand caused by Covid-19 and the increased production announced by Saudi Arabia, has caused a contango in the forward price curve for most stored products, with future prices higher than spot prices increasing demand for storage, which is helpful for Oystercatcher's terminals as they renew maturing contracts with customers.

Infinis is impacted by a lower electricity price following the mild winter, lower oil and gas prices and the pandemic-induced drop in demand for electricity.

ESVAGT's operations have been maintained during the Covid-19 pandemic, with some increased costs from changes in operating procedures to reduce the risk of infection among crew. The fall in the oil price could reduce demand for vessels during the summer peak, albeit ESVAGT has the majority of its fleet on medium to long-term contracts.

Ionisos is a provider of cold sterilisation and ionising radiation treatment services to the medical, pharmaceutical, plastics and cosmetics industries. Gamma radiation, one of the three methods of cold sterilisation used, relies on the radioactive decay of Cobalt-60, a scarce resource. Ionisos has secured its Cobalt-60 requirement for the next two years.

External risks – regulatory and tax

The Company is a UK approved investment trust and the affairs of the Company are directed to enable it to maintain its UK tax residency and its approved investment trust status.

The Company's investment in Infinis is exposed to electricity market regulation around the receipt of embedded benefits for exporting power directly to distribution networks. In December 2019, Ofgem confirmed its intention, starting in April 2021, to remove the embedded benefit Infinis receives through exemption from the balancing charges on electricity exports. Payments under the UK's capacity market have resumed following the positive decision of the European Commission on the scheme's legitimacy, including back payments due during the suspension period. Carbon taxes are an important driver of UK power prices, and there are two main schemes: EU ETS and UK Carbon Price Support. There is uncertainty on whether the UK will leave the EU ETS in December 2020 and also over the level of future Carbon Price Support.

Strategic risks

The Company manages its balance sheet and liquidity position actively, seeking to maintain adequate liquidity to pursue new investment opportunities, while not diluting shareholder returns by holding surplus cash balances. Following the receipt of proceeds from the realisations of WIG and the UK projects portfolio, the Company has ample liquidity. At 31 March 2020 there was £418 million available in cash and a further £300 million from the Company's undrawn RCF available for future investment. The RCF includes an additional £200 million accordion feature which the Company could seek to exercise if required.

Following the realisations, the portfolio is less exposed to the UK, and following the recent investment in Ionisos is more diversified across sector and geography. No investment is now above 17% of portfolio value.

Investment risks

The Company made one new investment commitment during the year, in Ionisos, alongside completion of the investments in Joulz and FHA (a Valorem follow-on). In line with the Company's investment focus, these new investments have characteristics which may increase volatility in returns from time to time, for example from exposure to demand or price risk.

The portfolio overall is resilient, and performing well operationally during the Covid-19 pandemic. The investments in the India Fund now only represent approximately 2% of the Company's portfolio and are being managed for realisation.

As outlined above and in the Sustainability report, shareholder and other stakeholder focus on environmental matters increased in the year. Climate-related risk is now considered a key risk, with the impact expected to be seen within our portfolio. We have therefore categorised climate-related risk as an investment risk. We consider that the recently imposed tax on waste imported by Attero, discussed in the external risks section above, is a good example of a change in regulation that impacts a portfolio company that was driven by the need to transition to lower carbon emissions.

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

Operational risks

The key areas of operational risk include the loss of key personnel at the Investment Manager, and whether the Investment Manager's team can continue to support the delivery of the Company's objectives. The team has strength and depth and remained stable in the year, with promotions to partner from within the team. 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.

Risk report
Viability statement

The Directors consider the long-term prospects of the Company to be favourable. The Company has a diverse portfolio of infrastructure investments, producing good and reasonably predictable levels of income which cover the dividend and costs. The defensive nature of the portfolio and 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 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 2023. The Directors have taken account of the current position of the Company, including its strong liquidity position with £418 million of cash and £300 million of undrawn credit facilities, and the principal risks it faces which are documented in this Risk report.

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

The assessment was conducted over several months, during which the proposed scenarios were evaluated by the Board, the assumptions set, and the analysis produced and reviewed. Since the onset of the Covid-19 pandemic, several scenarios were run to stress test the portfolio assuming various levels and lengths of restriction on travel and working, and the impact on the customer base of our portfolio companies. Other analysis included the impact of a Brexit outcome that is unfavourable to the Company, consideration of widespread economic turmoil, a reduction in the ability of portfolio companies to distribute cash to the Company, the possible impact of climate-related events and transition risks, a tightening of debt markets and the loss of a large investment.

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

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

The Directors consider that a three-year period to March 2023 is an appropriate period to review for assessing the Company's viability. This reflects greater predictability of the Company's cash flows over that time period, the term of the Company's RCF, and increased uncertainty surrounding economic, political and regulatory changes over the longer term.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to March 2023.

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 of our Annual report and accounts to 31 March 2020. The financial position of the Company and its consolidated subsidiary, its cash flows, liquidity position and borrowing facilities are described in the Financial statements and related Notes to the accounts.

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

The Directors have made an assessment of going concern, taking into account the Company's cash and liquidity position, current performance and outlook, which considered the impact of the Covid-19 pandemic, using the information available up to the date of issue of these financial statements. The assessment modelled a number of adverse scenarios to assess the potential impact that Covid-19 may have on the Company's operations and portfolio companies, in addition to the scenarios mentioned in the Viability statement on page 68. The assessment reviewed the Company's supplier base, considering any single points of failure and the possibility of suppliers experiencing financial stress. The assessment included the consideration of contingency plans for the key suppliers including the Investment Manager, the Registrar, the Jersey administrator and the brokers.

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

At 31 March 2020, liquidity remained strong at £718 million (2019: £550 million). Liquidity comprised cash and deposits of £418 million (2019: £266 million) and undrawn facilities of £300 million (2019: £284 million). In addition, the Company is due to receive deferred consideration from the realisation of WIG in two tranches, £98 million in December 2020 and £98 million in December 2021.

The Company had no investment commitments to new investments at 31 March 2020. As in previous periods, the Company does not expect the $37.5 million commitment to the India Fund to be drawn. The Company had ongoing charges of £29 million in the year to 31 March 2020, detailed in Table 4 in the Financial review on page 56, which are indicative of the ongoing run rate in the short term, a performance fee of £17 million due in three equal instalments with only the first instalment payable in the next 12 months and a proposed final dividend for FY20 of £41 million. In addition, while not a commitment, the Company has a dividend target for FY21 of 9.8 pence per share. Whilst a significant amount of income is expected to be received from the portfolio investments during the coming year, the Company has sufficient liquidity to meet its financial commitments even if no income were received and has sufficient resources to make equity investments in existing portfolio companies where required.

A key focus of the portfolio valuations at 31 March 2020 was an assessment of the impact of the Covid-19 pandemic on each portfolio company, considering the performance before the outbreak of Covid-19, the projected short-term impact on the portfolio company's cash flows, and also the longer-term view of the possible impact on the portfolio company including the pace of recovery from stay at home and social distancing policies.

The Directors have acknowledged their responsibilities in relation to the financial statements for the year to 31 March 2020. After making the assessment on going concern, the Directors considered it appropriate to prepare the financial statements of the Company on a going concern basis, having considered the impact of Covid-19 on its operations and on its portfolio. The Company has sufficient financial resources and liquidity and is well positioned to manage business risks in the current economic environment and can continue operations for a period of at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and accounts.

Directors' duties

The Directors have a duty to act honestly and in good faith, with a view to the best interests of the Company. In accordance with the AIC Code, the Board does this through understanding the views of the Company's key stakeholders (see page 85) 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.

During their induction the Directors are briefed on their duties and can access professional advice on these either through the Company or from an independent adviser (see page 88 for more details). The Directors fulfil their duties through the Company's governance framework and through their delegation of discretionary investment management authority to the Investment Manager, other than in respect of transactions which exceed certain financial thresholds, which still require a decision of the Board. For more details of our governance structure see pages 74 and 99.

Our purpose and investment approach focus on long-term sustainable returns. Risks across the business are carefully assessed and managed across the business.

Read more in the Chair's statement and Risk report
Pages 2 and 60

The Board actively engages with all members and considers their interests when setting the Company's strategy.

Read more in our Governance report
Pages 85 and 86

Although we do not have employees, we have a vested interest in the employees of our portfolio companies.

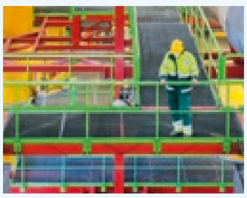
Read more in our Review of investments
Page 34

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

Read more in our business model
Page 10

We engage with a range of stakeholders either through the Investment Manager who engages with the Company's key business relationships, or as a Board in our ongoing dialogue with external global advisers and shareholders.

Read more in Stakeholder engagement
Page 85



We embed sustainability as a core part of managing the portfolio. We use our influence to promote a commitment in our portfolio companies to mitigate any adverse environmental and social impacts and enhance positive effects on the environment.

Read more in our Sustainability report
Page 44

Examples of key Board decisions which considered s172 matters

Decision	Share placing in October 2019
Context	The Company had drawn on its RCF to fund the acquisition of Ionisos. The Board and the Investment Manager considered that it was appropriate to raise equity in the market in order to pay down these drawings and provide liquidity to fund potential pipeline investments.
Stakeholder considerations	The brokers advised the Board on a number of options for raising equity in the market. The Board carefully considered the interests of the different shareholder groups, their ability to participate in the share placing, the ease or otherwise of the different equity raising options and the costs involved.
Impact of the decision on the long-term success of the Company	The share placing successfully raised approximately £219 million. It was substantially oversubscribed and received strong support from its existing and new shareholders. The price achieved represented a premium of 19.4% to the net asset value as at 31 March 2019, demonstrating investors' belief in the strength of the Company as an attractive investment.
Outcome	The Board discussed and approved a non pre-emptive share placing in October 2019. The cash drawn from the RCF was repaid and additional liquidity was made available to fund the pipeline.

Decision	Appointment of new non-executive Director
Context	The Board has continued to receive advice on environmental and sustainability matters both from the Investment Manager and external advisers where appropriate. The Board considered that it would be beneficial for the long-term success of the Company to appoint a new Director with specific expertise in environmental and sustainability matters.
Stakeholder considerations	As detailed in the Sustainability report, environmental and sustainability matters are key to the long-term success of the Company's portfolio which in turn will be able to provide long-term sustainable returns for the Company. Investors increasingly demand appropriate action on these matters and the Directors carefully considered the investors' views along with all relevant legislation and guidance.
Impact of the decision on the long-term success of the Company	Having a Board member with specific expertise on environmental and sustainability matters enables the Board to develop its understanding, provide advice to the Investment Manager and challenge where appropriate. In turn this will lead to the further development of the Board's knowledge in this area and ensure that the Company continues its growth and leadership on environmental and sustainability matters.
Outcome	Samantha Hoe-Richardson joined the Board as a non-executive Director on 22 February 2020. Her relevant experience is described on page 77.

This Strategic report, on pages 1 to 71, is approved by order of the Board.

Authorised signatory
3i plc
Company Secretary
6 May 2020

TCR
Page 38

Governance

Introduction to Governance

Effective governance remains a constant focus of the Company and the Board and underpins everything we do.

During the year the Board reviewed its corporate governance arrangements and after careful consideration, decided to adopt the requirements of the 2019 Association of Investment Companies Code of Corporate Governance (the 'AIC Code'). The Board considers that the AIC Code is the best practice corporate governance framework in respect of the governance of investment companies and is appropriate for the Company.

The Board considers that the Board Committee Terms of Reference and Schedule of Matters Reserved to the Board remain appropriate and ensure ongoing compliance with the regulatory environment.

The Board has worked with the Investment Manager to articulate a clear purpose for the Company that aligns the aims of the Company with the Company's values, strategy and culture. The Board applies the values of Integrity, Accountability and Objectivity (see page 12) which underpin its culture and the Investment Manager applies the 3i Group plc values as the basis of how it does business (see page 13).

During the year, there were six scheduled meetings of the Board of Directors. Due to the nature of the Board's involvement in the operation of the Company, there were five additional ad hoc Board meetings arranged at short notice. Details of the Directors' attendance at the scheduled Board meetings and at Board Committee meetings can be found on page 76. In addition, the Board held a Strategy Day where the Board worked with the Investment Manager to further develop the long-term strategy of the Company. The Board has regular telephone calls with the Investment Manager who updates the Board members on its activities between Board meetings.

Having the right balance of skills amongst the Directors ensures that the Board can be responsible to shareholders for the overall management and oversight of the Company, for agreeing its strategy, monitoring its financial performance, setting and monitoring its risk appetite and maintaining an effective system of internal controls.

Further details on Company leadership
Pages 76 – 77

> The Board continues to focus on effective corporate governance which remains fundamental to how the Company conducts its business. This supports the creation of long-term sustainable value for our shareholders and for wider society.

Richard Laing
Chair, 3i Infrastructure plc
6 May 2020

The Board was delighted to confirm the appointment of Samantha Hoe-Richardson as a non-executive Director on 22 February 2020 following receipt of approval from the Jersey Financial Services Commission ('JFSC'). Samantha brings an in-depth understanding of environmental and sustainability matters which will be invaluable to the Board as these matters are a key focus for the way in which the Company does business. The Company's policy is to have a Board with a diverse range of skills, professional backgrounds and gender.

To that end it will continue to ensure that in making appointments to the Board it, and any search firm that assists it, will consider a wide range of candidates from different backgrounds while making appointments on merit and which meet the objectives of its policy on diversity, including gender, social and ethnic background, cognitive and personal strengths. As described in more detail in the Nomination Committee report on page 89, the Board is committed to ensuring that its composition will satisfy, in the medium term, the diversity targets set by the Hampton-Alexander review.

3i Investments plc acts as the Investment Manager of the Company having been appointed in October 2018 and having previously been the Company's Investment Adviser. The Investment Manager has discretionary investment management authority other than in respect of certain transactions which must be referred to the Board.

Further details on the investment management agreement and the leadership of the Investment Manager can be found on pages 83 and 78 to 79. The Management Engagement Committee oversees the relationship with the Investment Manager and monitors its performance. Further details of its oversight can be found on page 83.

The Board recognises the importance of engaging with shareholders as our key stakeholders. It is the Chair's responsibility to ensure that there is the opportunity for shareholders to enter into dialogue with the Board on strategy, corporate governance and any other matter they wish to raise. The Chair welcomes the opportunity to meet with shareholders as required. The Board is grateful to all shareholders for their continued support and to those who have given feedback. Where shareholders have expressed concern over particular issues, the Board seeks to understand those concerns and address them where possible.

The Board, working with the Audit and Risk Committee, is responsible for ensuring that its Annual report and accounts is fair, balanced and understandable, for establishing and maintaining the risk management and internal controls systems, and exercising oversight over the risk management framework. Further details on the work of the Audit and Risk Committee can be found on pages 90 to 92.

The role of the Remuneration Committee is to determine and maintain a fair reward structure to attract and retain the right talent to incentivise non-executive Directors to deliver the Company's strategic objectives and to maintain a positive working relationship with the Investment Manager. Further details on the work of the Remuneration Committee can be found on page 94.

During 2019, the Company Secretary conducted a Board performance evaluation and the findings provided a further opportunity to continue to enhance the Board's contribution to the long-term success of the Company. Further details of the evaluation can be found on page 88.

Compliance with the AIC Code

The AIC Code has been endorsed by the Financial Reporting Council ('FRC') and supported by the JFSC. The Board confirms that the Company is meeting its obligations under the AIC Code and in respect of the associated disclosures under paragraph 9.8.6 of the Listing Rules.

Board leadership and purpose

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

Read more
Pages 76 – 81

Division of responsibilities

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

Read more
Pages 82 – 84

Composition, succession and evaluation

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

Read more
Pages 87 – 89

Audit, Risk and Internal Control

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

Read more
Pages 90 – 93

Remuneration

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

Read more
Page 94

Leadership
Board of Directors

1 Richard Laing
Non-executive Chair

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

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

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

2 Doug Bannister
Independent Non-executive Director

Doug has over 26 years of experience in the transportation sector, having led businesses trading around the world for P&O Nedlloyd and Maersk Line.

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

Board member since 1 January 2015. Member of the Audit and Risk, Management Engagement, Remuneration and Disclosure Committees. Resident in the UK.

Experience/Skill	Richard Laing[1]	Paul Masterton[2]	Wendy Dorman[3]	Doug Bannister	Sam Hoe-Richardson	Ian Lobley	Robert Jennings
Investment Trust	●		●				●
Financial	●		●		●	●	●
Audit	●		●		●		●
Risk	●	●	●	●	●	●	●
Environmental/Sustainability	●	●		●	●	●	●
Infrastructure	●		●	●	●	●	●
Senior Executive	●	●	●	●	●	●	
Technical/Engineering					●	●	
Governance	●	●	●	●	●	●	●
Public Policy	●		●	●	●		●
International Markets	●	●		●	●	●	●
M&A/Capital Markets	●	●			●	●	●
Information Technology/Digital		●			●	●	

1 Chair.
2 Senior Independent Director.
3 Chair of Audit and Risk Committee.

3 Wendy Dorman
Independent non-executive Director

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

Wendy has over 26 years' tax experience, principally in the taxation of UK and offshore investment funds, advising on tax aspects of fund structuring, risk mitigation and compliance. She led the Channel Islands tax practice of PwC from 2008 to 2015. Wendy was Chair of the Jersey branch of the Institute of Directors from 2014 to 2016 and is a former President of the Jersey Society of Chartered and Certified Accountants. She is a non-executive Director of Jersey Finance Limited and a non-executive Director and Chair of the Audit and Risk Committee of Jersey Electricity plc and CQS New City High Yield Fund Limited. Wendy is a Chartered Accountant.

Board member since 1 March 2015. Chair of the Audit and Risk Committee. Member of the Management Engagement, Remuneration, Nomination and Disclosure Committees. Resident in Jersey.

4 Samantha Hoe-Richardson
Independent non-executive Director

Samantha brings an in-depth understanding of environmental and sustainability matters with over 10 years' experience covering these issues, as well as broad based non-executive Director experience.

Samantha was Head of Environment & Sustainable Development at Network Rail until 2017 and prior to that was Head of Environment at Anglo American plc. She is currently a non-executive Director and Chair of the Audit Committees for both Lancashire Holdings Limited and Unum Limited. Samantha previously worked in investment banking and audit and she holds a master's degree in nuclear and electrical engineering. Samantha is a qualified Chartered Accountant.

Board member since 22 February 2020. Member of the Audit and Risk, Management Engagement, Remuneration and Disclosure Committees. Resident in the UK.

5 Robert Jennings CBE
Independent non-executive Director

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

Robert has been Chair of Sequoia Economic Infrastructure Fund Limited since its inception in 2015, and was one of the Department for Transport nominated non-executive Directors of Crossrail Limited. He is one of the founders of Chapter Zero which aims to support non-executive Directors who wish to learn more about climate change from a corporate governance perspective, and since June 2019 has served on its Board and Steering Committee. Robert previously worked in HM Treasury as a special adviser to the transport team. He was Chair of Southern Water until February 2017. He qualified as a Chartered Accountant early in his career and was joint head of UBS's Infrastructure Advisory business until he retired from the bank in 2007.

Board member since 1 February 2018. Member of the Audit and Risk, Management Engagement, Remuneration and Disclosure Committees. Resident in the UK.

6 Paul Masterton
Independent non-executive Director,
Senior Independent Director

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

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

Board member since 4 April 2013. Senior Independent Director and Chair of the Remuneration Committee. Member of the Audit and Risk, Management Engagement, Nomination and Disclosure Committees. Resident in Jersey.

7 Ian Lobley
Non-executive Director

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

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

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

Leadership
Investment management team

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1 **Phil White** Managing Partner

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

Phil is a non-executive Director of Ionisos.

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

2 **James Dawes** CFO

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

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

3 **Matt Barker** Partner

Matt joined 3i in 2010 and is a Partner in the Infrastructure team in London. He focuses on new investments and the asset management of a number of 3i Infrastructure's portfolio assets. He has been a senior team member on 3i Infrastructure's investments in WIG, TCR, Tampnet and Eversholt. In recent years, he has led the successful divestments of WIG, AWG and Eversholt.

Matt is currently a non-executive Director of TCR and Tampnet.

Prior to joining 3i, Matt began his career with Macquarie's Infrastructure Funds business and was part of the team responsible for the management of the Australian Stock Exchange listed fund, Macquarie Airports.

4 **John Cavill** Partner

John is a Partner in 3i's Infrastructure team in London and joined 3i in 2013. John leads the asset management activity for the projects portfolio and is responsible for setting the strategy for asset management activities, overseeing implementation of value protection and enhancement activities, and overseeing performance reporting.

John was a non-executive Director of WIG and XLT.

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

5 **Aaron Church** Partner

Aaron joined 3i in 2013 and is a Partner in 3i's Infrastructure team in London, where his focus is on origination, execution and asset management of economic infrastructure investments.

He has extensive infrastructure investing experience across the transport, utilities, energy and waste sectors. He was a senior deal team member on the acquisitions of Joulz, Attero, Tampnet, Infinis, Oiltanking Ghent/Terneuzen and ESVAGT.

Aaron is currently a non-executive Director of Joulz, Attero and Oiltanking Singapore.

Prior to joining 3i, he was an infrastructure investor at HRL Morrison & Co in Europe and Australasia, having started his career at the Boston Consulting Group.

6 **Anna Dellis** Partner

Anna joined 3i in 2006, is a Partner in the Infrastructure team in London, and leads asset management for the portfolio of economic infrastructure investments. Over the last 14 years, Anna has had a leading role on many of the large infrastructure investments made by 3i, including Elenia and Eversholt Rail. In 2015, she led the successful bid for 45% stakes in Oiltanking terminals in Ghent and Terneuzen.

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

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

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7 **Stéphane Grandguillaume** Partner

Stéphane is a Partner in 3i's Infrastructure team in Paris and joined 3i in 2013. Stéphane leads 3i's Infrastructure business in France and is responsible for origination, execution and fundraising in relation to project opportunities across Europe.

Stéphane is a non-executive Director of Valorem and Ionisos.

Previously, Stéphane headed Barclays Infrastructure in Paris and prior to that was head of Egis Investment Partners.

8 **Nigel Middleton** Partner

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

Nigel is involved in investment appraisal and management of investments in infrastructure projects in various funds managed by 3i. He led the formation and management of Infrastructure Investors ('I2'), a joint venture infrastructure fund between Barclays, Société Générale and 3i Group. He established and manages BIIF, a long-term 'buy and hold' PPP fund which acquired I2 in 2009.

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

9 **Scott Moseley** Partner

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

Scott led the investments in Tampnet, ESVAGT, Elenia and XLT, and was a senior team member on Eversholt. He led the successful divestments of Elenia and XLT as well as previously being responsible for junior debt investments in Arqiva, Associated British Ports, Télédiffusion de France, Thames Water and Viridian.

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

10 **Tim Short** Partner

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

His transaction experience includes Attero, Elenia, ESVAGT, Infinis, Ionisos, Joulz, Oystercatcher, Tampnet, TCR and WIG.

Tim is currently a non-executive Director of Infinis.

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

11 **Bernardo Sottomayor** Partner

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

Bernardo holds board positions at TCR, Attero and Joulz.

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

Leadership
Role of the board

Overview

The Board's role is to lead the Company, and establish and implement its purpose (of delivering a long-term sustainable return) and strategy (maintaining a balanced portfolio of infrastructure investments delivering an attractive mix of income yield and capital appreciation to shareholders). The Company has no employees and its investment and portfolio monitoring activities have been delegated by the Board to 3i Investments plc in its role as Investment Manager. The Board ensures that the Investment Manager has the resources and capabilities to support the delivery of its purpose and strategy. The Board's core values of Integrity, Accountability and Objectivity underpin its open and collaborative culture and are supplemented by the skills that each individual Director brings to the Company (for further information see page 76). The Board reviews its key decisions during the year to ensure that lessons are learnt from such decisions and that it monitors and assesses the manner in which it reached such decisions.

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

Board of Directors and Board committees

The Board is assisted in its activities by a number of standing committees of the Board and, in undertaking its duties, it delegates certain authorities and decisions to these committees. The Board reviews the membership of these committees on a regular basis. The Board committee structure, together with a summary of the roles and composition of the committees, is outlined in the table on page 81.

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

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

Further details on the key responsibilities and areas of focus of the Board and its Committees, as well as details of attendance at scheduled full Board meetings, are set out on page 81, pages 83 to 84 and pages 89 to 94.

Changes to the Board of Directors

Samantha Hoe-Richardson was appointed as an independent non-executive Director with effect from 22 February 2020. She has been appointed as member of each of the Audit and Risk Committee, the Management Engagement Committee, the Remuneration Committee and the Disclosure Committee. There have been no other changes to the Board of Directors or to the membership of the Board Committees during the year.

The Board's responsibilities and processes

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

The Board has put in place an organisational structure to ensure the efficient performance of its responsibilities. This is further described under the heading 'Internal control' on page 83.

3i Infrastructure plc

Board Committees

Audit and Risk Committee

Financial reporting, risk and internal controls

Wendy Dorman (Chair)
Doug Bannister
Samantha Hoe-Richardson
Robert Jennings
Paul Masterton

Read more Pages 90 and 92

Remuneration Committee

Director remuneration

Paul Masterton (Chair)
Doug Bannister
Wendy Dorman
Samantha Hoe-Richardson
Robert Jennings
Richard Laing

Read more Page 94

Nomination Committee

Board appointments and size and composition of the Board

Richard Laing (Chair)
Wendy Dorman
Paul Masterton

Read more Page 89

Management Engagement Committee

Monitoring of the performance of the investment adviser/ Investment Manager

Richard Laing (Chair)
Doug Bannister
Wendy Dorman
Samantha Hoe-Richardson
Robert Jennings
Paul Masterton

Read more Page 93

Disclosure Committee

Monitoring compliance with disclosure requirements

Richard Laing (Chair)
Doug Bannister
Wendy Dorman
Samantha Hoe-Richardson
Robert Jennings
Paul Masterton

Read more Page 83

Meetings of the Board

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

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Management Engagement Committee	Disclosure Committee
Richard Laing	5(6)	–	1(1)	2(2)	2(2)	1(1)
Doug Bannister	6(6)	3(3)	1(1)	–	2(2)	1(1)
Wendy Dorman	6(6)	3(3)	1(1)	2(2)	2(2)	1(1)
Samantha Hoe-Richardson	0(0)	0(0)	0(0)	–	0(0)	0(0)
Robert Jennings	5(6)	3(3)	1(1)	–	2(2)	1(1)
Ian Lobley	6(6)	–	–	–	–	–
Paul Masterton	6(6)	3(3)	1(1)	2(2)	2(2)	1(1)

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

Division of responsibilities

The Chair of the Board

The Chair, Richard Laing, leads the Board in the determination and implementation of its purpose, strategy and culture. For further details of the Board's values and culture see page 12. The Chair is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chair also acts as the Company's appointed member to the Advisory Board for the India Fund. He receives no additional remuneration for this role. The Chair facilitates the effective contribution of all the Directors and constructive relations between the Company's advisers, including the Investment Manager, and the Directors. The Chair maintains direct links with the Company's advisers and ensures that regular reports from them are circulated to the Directors to enable the Directors to remain aware of their views. The Chair ensures, with the co-operation of the Investment Manager, that a programme of effective communications with shareholders is in place, including with the Chair and Senior Independent Director, when shareholders so wish and ensures that the Directors remain aware of shareholders' views. The Chair met with a number of shareholders during the course of the year. He was able to report to the Board on the matters raised in these meetings which assisted the Directors in having a more complete understanding on the issues which were important to those shareholders.

Senior Independent Director

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

Directors

The Board comprises the Chair and six non-executive Directors. Biographical details for each of the Directors are set out on page 76. All Directors served throughout the year under review, with the exception of Samantha Hoe-Richardson, who was appointed with effect from 22 February 2020. The Directors were re-elected at the Company's AGM in 2019, with Samantha Hoe-Richardson standing for election for the first time at the forthcoming AGM on 9 July 2020.

No Director has a contract of employment with the Company, nor are any such contracts proposed. Each of the Directors has an appointment letter which reflects the best practice guidelines published in December 2011 by the Institute of Chartered Secretaries and Administrators. The opportunity was taken to update the appointment letters for each of the Directors (other than Samantha Hoe-Richardson) in July 2019. Copies of the appointment letters are available from the Company Secretary upon request.

Following the formal appraisal process of Directors, and in accordance with Provision 7.2, paragraph 23 of the AIC Code, the Chair will propose the election or re-election of all Directors at the forthcoming 2020 AGM.

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

In addition to fulfilling their legal responsibilities as Directors, the non-executive Directors are expected to bring independent judgement to bear on issues of strategy, performance, investment appraisal and standards of conduct. They are also expected to ensure high standards of financial probity on the part of the Company. As well as papers for Board meetings, the Directors receive monthly management accounts, reports and information which enable them to scrutinise the Company's performance against agreed objectives.

Directors' independence

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

As a non-independent Director who is not a member of the Management Engagement Committee, Ian Lobley did not participate in the Board's evaluation in 2019 of the performance of the Investment Manager.

The Company Secretary

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

Investment Manager

On 15 October 2018, the Company appointed 3i Investments plc as its Investment Manager (it having previously acted as the Company's investment adviser) with discretionary investment management authority, other than in respect of transactions which exceed certain financial thresholds, which still require approval by the Board. For example this year the Investment Manager used its discretionary investment management authority to invest in Ionisos and divest the UK operational projects portfolio. Whilst these were decisions of the Investment Manager, the Investment Manager keeps the Board regularly updated on the progress of the deal pipeline, and proposed and completed transactions.

With effect from 1 April 2019, fees under the Investment Management Agreement consist of a tiered management fee and time weighting of the management fee calculation, a one-off transaction fee of 1.2% payable in respect of new investments, and the payment of a performance fee on a phased basis and subject to future performance tests. The applicable tiered rates are shown in the table below:

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

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

The Board, through the Management Engagement Committee, carried out the 2019 annual evaluation of the Investment Manager and managed the relationship with the Investment Manager on behalf of the Company. Further details on the Management Engagement Committee can be found on page 93.

Further details of the performance fee and the relationship between the Company, 3i Infrastructure and 3i Group are described in more detail in Note 18 on pages 133 and 134.

Disclosure Committee report

The Disclosure Committee met during the year to consider matters within its remit, in particular in relation to the treatment of price sensitive information during a number of transactions. On occasion and where appropriate the Board itself considered matters relating to the treatment of price sensitive information, rather than convening a separate Disclosure Committee. This was particularly the case during the non pre-emptive equity placing when careful consideration was given at all appropriate moments as to whether the Company was in possession of price sensitive information and if so, what steps should be taken.

Internal control

The Board has overall responsibility for the Company's risk management and internal control, including the determination of the nature and extent of the principal risks it is willing to take to achieve its strategic objectives. The Company's overall risk management and internal control process is regularly reviewed by the Board and the Audit and Risk Committee and complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. The process has been in place for the year under review and up to the date of approval of this Annual report and accounts 2020.

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

The Audit and Risk Committee receives presentations and reports on the control systems and their operation from its main service providers, including from the Heads of Internal Audit and Compliance of the Investment Manager and the risk log containing a description of events that have occurred and relevant actions/mitigants taken. The Committee tracks open internal audit actions and receives reports on their progress to closure. The Company's Compliance Manager, Money Laundering Reporting Officer and Money Laundering Compliance Officer presents a report at every Audit and Risk Committee meeting. The Audit and Risk Committee is responsible for the assessment and evaluation of these reports in the context of the delegated investment management and support services and for determining the effectiveness of those internal controls.

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

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

Division of responsibilities

Board activity during the year

The Board's responsibilities are set out on page 80. The principal matters considered by the Board during the year in relation to those responsibilities included:

Strategy and returns	• approval of the Company's overall strategy, plans and annual operating budget; • annual review and continued approval of key agreements with service providers; • review of the infrastructure market segments in which the Company operates, and of competitors' activity and the returns available from investing in those markets; • the impact of sustainability and climate change issues on the Company and its investment strategy; • approval of the Company's target total return at 8-10% over the medium term; • approval of the dividend policy targeting a progressive annual dividend per share; • approval of the dividend target for FY20 of 9.20 pence per share, as announced with the Company's full-year results to 31 March 2019; • designation of 3.4 pence of the 4.6 pence interim dividend and 1.9 pence of the 4.6 pence final dividend as an interest distribution; • approval of the non-pre-emptive equity placing of 81 million new ordinary shares to listing and to trading on the London Stock Exchange's Main Market for listed securities; • approval of the Company's policies; and • approval of the continuing policy not to have an internal audit function.
Investment and portfolio	• consideration of the new investment in Ionisos; • approval of the divestment of WIG; • consideration of the divestment of the UK projects portfolio; • review of regular reports relating to investment activity; • review of reports relating to the infrastructure market; • review of investment opportunities in a number of European target geographies; • review of UK infrastructure market options; • regular reviews of portfolio performance, including the underlying performance of assets and review of the expected future returns from the portfolio; • review of the impact of the Covid-19 pandemic on the portfolio assets; • review of the impact of sustainability and environmental measures on portfolio companies and how such companies were addressing these issues; and • review of the valuation of the portfolio investments by the Investment Manager at 30 September 2019 and at 31 March 2020, including the benchmarking of those valuations in the context of prevailing market conditions.
Financial management	• approval of the Company's half-yearly and annual Financial statements; • review of the Company's liquidity policy; • review of the monthly finance reports and performance updates; • review of appropriate funding arrangements and treasury management; • approval of the Company's annual budget for the year to 31 March 2020; and • assessment of the Company's viability through consideration of scenario and stress testing.
Manage relations with the Investment Manager	• a review with the Investment Manager of its origination and asset management capabilities; and • formal evaluation of the performance of the Investment Manager.
Other	• appointment of Samantha Hoe-Richardson as a non-executive Director; • succession planning taking into account a wide range of diversity considerations and the skills and experiences of the current Directors; • consideration of whether to offer a scrip dividend alternative to shareholders; • independence of non-executive Directors; • approval of the change to corporate governance arrangements by adopting the AIC Code; • Board and Board Committee evaluations; • approval of the Directors' and Officers' Indemnity Insurance; • review of the Board Committees Terms of Reference and the Schedule of Matters Reserved to the Board, all of which remained unchanged; and • review of past key decisions in order to learn from such decisions.

Engaging with stakeholders

The Company is an externally managed investment company whose activities are all outsourced. It does not have any employees. The Company has identified its key stakeholders, as shown in the table below, how we engage with them and what we expect to achieve through such engagement.

Stakeholders	Benefits of engagement	How we engage and what we do	What we achieve
Investors	Engagement with investors ensures the Board are aware of the investors' views, including whether the Company is meeting investors' expectations through the implementation of its strategy.	The Board maintains and values regular dialogue with our investors. See page 86, Relations with shareholders.	The investors are able to make informed decisions about their investment in the Company.
Investment Manager	The Investment Manager is appointed with discretionary investment management authority under the terms of the Investment Management Agreement. See page 83. We actively engage with the Investment Manager to evaluate its performance against the Company's strategy and to understand any risks and opportunities this may present to the Company.	The Directors meet with the Investment Manager at every Board and Audit and Risk Committee meeting throughout the year and hold regular update calls between scheduled meetings. The relationship with and performance of the Investment Manager is monitored by the Management Engagement Committee. See page 93.	The Company is well managed and the Board receives appropriate and timely support and advice from the Investment Manager.
Brokers	The Board and the Investment Manager work with the brokers to provide access to markets and liquidity in the Company's shares.	The brokers meet the Board at least annually to advise on all aspects of their remit. Engagement may be more frequent, as was the case during the share issue in October 2019. The Investment Manager meets regularly with the brokers who keep them up to date on both Company and wider market related matters.	The brokers promote the Company as an attractive investment trust and work to ensure liquidity in the Company's shares.
Key third-party service providers	The Company contracts with third parties for other services including the auditors, the depository, legal advisers, the financial PR adviser, the registrar, the Jersey administrator and 3i plc (for company secretarial, treasury, accounting and internal audit services). Provision of these services is necessary to ensure both the success of the Company and its legal and regulatory compliance.	The key third-party service providers work closely day-to-day with the Investment Manager. This interaction provides an environment where issues can be dealt with efficiently. The Audit and Risk Committee annually reviews both the arrangements that are in place with all key third-party service providers and their performance to reinforce the overview at a corporate level. Key service providers attend Board and Committee meetings as appropriate to advise the Board on specific matters. See page 80.	The work of the key third-party service providers ensures compliance by the Company with its legal and regulatory obligations in addition to the maintenance of the Company's reputation and high standards of business conduct.

Relations with shareholders

Approach to Investor Relations

The Board recognises the importance of maintaining a purposeful relationship with shareholders and the Company has a comprehensive Investor Relations programme, devised and implemented by the Investment Manager, to help existing and potential investors to understand the Company's activities, strategy and financial performance. Major shareholders are offered the opportunity to meet with the Chair and the Senior Independent Director and they maintain a regular dialogue with such shareholders in order to understand their views on governance and the Company's performance against its purpose and strategy. The Investment Manager advises the Committee chairs on the views of shareholders on significant matters related to such chair's areas of responsibility. The Board receives updates from the Chair and the Investment Manager following shareholder meetings, as well as updates from the Company's brokers on shareholder issues. The Company's brokers made a number of presentations to the Board during the non-pre-emptive equity placing in order to advise them on the appropriate approach, the market and the process itself. Directors are invited to attend the Company's presentations to analysts and have the opportunity to meet shareholders at the AGM.

The Investment Manager briefs the Board on a regular basis on the implementation of the Investor Relations programme and on feedback received from analysts and investors. Any significant concern raised by shareholders in relation to the Company is communicated to the Board. Research published by investment banks on the Company is circulated to the Board on a regular basis.

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

Annual General Meeting

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

Further information regarding the proposed arrangements for the 2020 AGM due to the Covid-19 restrictions can be found in the Chair's statement on page 5.

Equity placing

We were delighted with the successful placing, in October 2019, of 81 million shares at a price of 275 pence per share, raising proceeds of approximately £219 million. The new shares issued represented approximately 10% of the Company's issued ordinary share capital prior to the placing. The issue was substantially oversubscribed with strong interest shown by existing and new shareholders which was reflected in the final issue price achieved, at a significant premium to NAV. The proceeds were used to repay borrowings and provide liquidity to fund our pipeline of potential investments.

Annual and half-yearly results presentations

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

Individual investors

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

Capital Markets Event

In February 2020 the Investment Manager organised a successful Capital Markets Day for institutional investors which showcased the Company's investments in Tampnet, Ionisos and Joulz. The event was attended by the CEOs of all three companies who presented on their businesses and discussed the key trends impacting their sectors.

The presentations, including videos, can be found at
www.3i-infrastructure.com

Institutional investor programme

May

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

July

The AGM is usually the opportunity for the Company's Directors and members of the Investment Manager's team to meet attending shareholders. Alternative arrangements for the 2020 AGM have been put in place due to the Covid-19 restrictions and shareholders will be given the opportunity to ask questions of the Directors and the Investment Manager at a conference call after the AGM (see page 5).

Nov

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

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

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

These meetings continue throughout the year, as required.

Composition, succession and evaluation
Evaluation and training

Performance evaluation
Board and Committees

The Company Secretary undertook an evaluation of the performance of the Board, the Audit and Risk Committee and the Chair. The evaluation involved the completion by all Directors of a questionnaire. The Investment Manager's Managing Partner, Phil White, and CFO, James Dawes, both of whom attend Board meetings, also completed the questionnaire. The anonymity of all respondents to the questionnaire was maintained in order to promote the open and frank exchange of views.

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

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

The Company Secretary facilitated a discussion on the report with all participants. The Board noted that the results of the review showed a high degree of overall satisfaction with the composition and expertise of the Board, and the dynamics between Directors. The performance of the Board was seen to have improved again since the previous year's review. The effectiveness of the Investment Manager was also rated very highly with continued improvement in the information provided to the Board and increased contact with the wider investment management team.

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

- continuing to address the future composition of the Board through any new appointments and in the succession plan, in particular in relation to diversity issues;
- embedding the new governance structure following the move of management and tax domicile from Jersey to the UK;
- giving greater consideration to macro-economic factors in the economic cycle; and
- reviewing past key decisions to learn lessons from them.

The following recommendations were made in the review this year:

- to continue to test and develop the Company's strategy;
- to continue to focus on Board diversity in the longer term;
- to broaden the Board's understanding of the views and requirements of investors;
- to focus on the Board's oversight of risk management; and
- to refine the Board's oversight of asset valuations.

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

Composition, succession and evaluation
Evaluation and training

Training and development

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

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

- aspects of the infrastructure market, sector reviews and infrastructure assets;
- briefings in relation to changes to laws and regulations in Jersey and the UK;
- corporate governance, changes to the audit market and the AIC Code;
- maintenance of the investment trust status;
- UK corporation tax compliance;
- equity capital markets and methods of raising equity;
- approach to sustainability and the related risks, opportunities and reporting;
- information security awareness;
- role of the Depository; and
- the role of long-term debt.

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

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

Nomination Committee report

Committee remit

The Committee is responsible for adopting a formal and transparent procedure for the appointment of new Directors. Final decisions on nominations, however, are taken by the entire Board. The Nomination Committee can use the services of external search consultancies when new Directors are being recruited. As well as seeking an appropriate balance of expertise and experience, especially in finance and infrastructure, the nominations process considers diversity in its widest sense.

Matters reviewed in the year

The Committee has undertaken succession planning to ensure that processes and plans are in place with regards to future Board appointments dealing with both succession and diversity. Following an extensive search using an independent recruitment consultant, Odgers Berndtson (who have no connection to the Company or its Directors), the Committee recommended to the Board the appointment of Samantha Hoe-Richardson as a non-executive Director. The Board approved this appointment on 16 December 2019 and the appointment became effective on 22 February 2020 following receipt of the JFSC's letter of no objection.

The remaining Board membership remained unchanged this year.

The Committee recognises that the composition of the Board, with two female Directors out of a total of seven, falls short of the gender diversity targets set by the Hampton-Alexander review. The Committee is committed to ensuring that the Board composition will satisfy these requirements in the medium term, and it will develop its succession plan in line with both the Hampton-Alexander review targets and the wider diversity requirements of the AIC Code. It is important to also note that the Articles of the Company provide that the number of Directors should not exceed seven. Since the transfer of tax domicile and management of the Company from Jersey to the UK in October 2018, the Company is required to have only two Jersey resident independent non-executive Directors and this will enable future appointees to be selected from a wider and more diverse candidate pool.

Richard Laing
Chair, Nomination Committee
6 May 2020

All members served throughout the year.

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

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

Richard Laing
Chair, Nomination Committee

Audit, risk and internal control
Audit and Risk Committee report

Committee remit

The purpose of the Committee is to assist the Board in discharging its responsibilities with regard to financial reporting, risk and internal controls.

Matters reviewed in the year

Financial reporting

The Committee reviewed and made recommendations to the Board regarding significant accounting matters and the accounting disclosures in the Half-yearly report and Annual report and accounts of the Company.

All members served throughout the year with the exception of Samantha Hoe-Richardson who joined the Committee on 22 February 2020 following her appointment to the Board. All the members of the Audit and Risk Committee are independent non-executive Directors who have the necessary range of financial, risk, control and commercial experience required to provide effective challenge. The Audit and Risk Committee Chair, Wendy Dorman, is a Chartered Accountant, and the Board is satisfied that she has recent and relevant financial experience. The Chair of the Board is not a member of the Committee but attends meetings by invitation. The Committee Chair meets regularly with the external Auditor.

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

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

- valuation of the Company's investment portfolio – this year, the areas examined included the current and projected performance of portfolio companies, the cash flow projections and level of discount rates applied in valuation models, with a particular focus on those used for economic infrastructure assets. Given the increased uncertainty surrounding the impact of Covid-19 on the individual portfolio companies and the wider market, the Committee paid particular attention to investment portfolio valuations at 31 March 2020. Market developments were closely monitored and valuation assumptions, particularly the impact of the Covid-19 pandemic on the portfolio companies, were scrutinised in detail and discussed with the Investment Manager and the Auditor, including the Auditor's infrastructure valuation expert. Based on their review and the advice received the Committee was able to satisfy itself that the principles of valuation adopted by the Investment Manager had been applied correctly and consistently;
- investment income recognition – the Committee reviewed management information for the portfolio and individual portfolio companies to identify where variances of income from expectations required further examination;

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

Wendy Dorman
Chair, Audit and Risk Committee

- calculation of the management and performance fees payable to the Investment Manager. The Committee undertook a detailed review of the performance fee calculation. The Committee also had access to a review of the calculation of the performance fee carried out by the internal audit function of the Investment Manager and engaged the external Auditor to perform additional agreed-upon-procedures work to agree that the management and performance fees were calculated in accordance with the underlying Investment Management Agreement; and
- investment entity considerations – the Committee reviewed the assessment that the Company continues to meet the criteria of an investment entity. As part of this exercise, the Committee assessed the new entities which were invested into during the year. All of these are considered to be investment holding companies or project special purpose vehicles and therefore they are held at fair value through profit or loss.

The Committee considered the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 with which it is complying voluntarily, in line with best practice reporting. The Committee specifically reviewed the Annual report and accounts to conclude whether the financial reporting is fair, balanced, understandable, comprehensive and consistent with how the Board assesses the performance of the Company's business during the financial year, as required for companies with a Premium Listing.

As part of this review, the Committee considered if the Annual report and accounts provided the information necessary to shareholders to assess the Company's position, performance, strategy and business model and reviewed the description of the Company's Key Performance Indicators.

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

- valuation of derivative financial instruments;
- the Company's investment trust status, the related policies and procedures, the Company's satisfaction of the retention test and the application of the interest streaming rule in accordance with the Statement of Recommended Practice – Financial Statements of Investment Companies and Venture Capital Trusts issued by the AIC;
- the assessment and management of ESG risks and opportunities, and ensuring compliance with environmental legislation and regulation;
- the roadmap to adoption of the disclosures recommended by the TCFD;
- post balance sheet events; and
- other changes in presentation within the report to improve clarity for users.

The Committee presented its conclusions on the above areas to the Board and advised the Board that it considered the Annual report and accounts, taken as a whole, to be fair, balanced and understandable and that it provided the information necessary for the shareholders to assess the Company's position, performance, business model and strategy.

External audit

Shareholders approved the appointment of Deloitte LLP as external Auditor for the year ended 31 March 2020 at the Company's July 2019 AGM. Jacqueline Holden has been the audit partner for Deloitte LLP since first appointment in 2018.

Auditor effectiveness

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

- the high level of engagement from the audit partner throughout the audit process;
- the audit matched the process set out in the audit plan;
- the Auditor had undertaken work to address the risks identified their plan and any subsequent risks that had been identified;
- the use of sophisticated technology to support the conduct of the audit;
- the level and quality of challenge received from the external Auditor;
- a good knowledge of accounting standards, governance requirements and the infrastructure market;
- the robust and perceptive handling of the key accounting and audit judgements;
- the support received by the external Auditor from the external Auditor's technical team;
- the continuity of the audit team was predominantly retained from the previous year;
- the focus of the Auditor on compliance with the UK Investment Trust Regulations and AIC Statement of Recommended Practice; and
- the final report was presented based on a good understanding of the Company's business and included granularity around the valuation assumptions.

The Committee concluded that the audit was effective and that a resolution be proposed to shareholders recommending the re-appointment of Deloitte LLP at the 2020 AGM.

Audit, risk and internal control

Non-audit services

The Committee monitors the Company's policy for non-audit services to ensure that the provision of such services by the external Auditor does not impair the Auditor's independence or objectivity. The Committee reviewed and approved the Company's policy on the provision of non-audit services which is compliant with the provisions applicable to public interest entities in the Revised Ethical Standard 2016 published by the Financial Reporting Council. In order to safeguard Auditor objectivity and independence, the chair of the Audit and Risk Committee is required to approve all non-audit work undertaken by the Auditor for the Company and its subsidiaries in advance, and as a general rule the Auditor will not be engaged on investment-related work. However, exceptions to this may be permitted if (i) the Company is acting in a consortium, (ii) the Auditor is considered a specialist in the sector, or (iii) the Auditor is best placed to undertake the work through its knowledge of the Company's financial systems, procedures and internal controls.

Deloitte LLP and its associates provided non-audit services to the consolidated Group for fees totalling £65,173 for the year to 31 March 2020 (2019: £65,929). This related to agreed-upon procedures on the advisory, management and performance fees (£9,000), a review of the interim Financial statements (£40,000) and interim dividend reports for three of the Luxembourg subsidiaries (£16,173). In this financial year, in line with the Company's policy, Deloitte LLP provided non-audit services during the year in relation to certain non-consolidated investee companies. The fees for these services are ordinarily borne by the underlying investee companies or unconsolidated subsidiaries, and therefore are not included in the expenses of the Group.

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

Risk and internal control

As detailed on page 60, the Committee is responsible on behalf of the Board for overseeing the effectiveness of the Company's risk management and internal control systems. During the year, the Committee:

- carried out a review of the risk management framework and updated the risk matrix, where appropriate, to reflect the Company's key risks and consideration of new and emerging risks;
- conducted risk reviews as detailed in the Risk report on pages 60 to 69;
- regularly reviewed the risk log;
- considered the impact on risk of investing in core plus investment assets and compared the market perceptions of the Company's risks to its peers;
- considered reports from the Company's Compliance Officer, Money Laundering Compliance Officer and Money Laundering Reporting Officer;
- considered the presentation of risk-related matters in the Annual report and accounts;
- considered the viability statement and the reverse stress test analysis;
- considered reports on the controls systems and their operation from the main service providers, including from the internal audit department of the Investment Manager and determined the effectiveness of the internal controls; and
- reviewed the fact that the Company does not have a separate internal audit function and recommended to the Board that it was not considered appropriate given the structure of the Company.

Other matters

Other matters reviewed by the Committee during the year were:

- the Company's compliance with its regulatory requirements generally;
- the treasury counterparty credit risk review on limits, limit usage, liquidity, treasury governance and policy, counterparty credit risk, balance sheet strategy, the successful extension of the revolving credit facility for a further year, foreign exchange hedging activities, LIBOR reform and European Markets Infrastructure Regulation compliance;
- the coverage of the proposed interim and final dividends, including a review of the Board's assessment of the coverage of dividend payments through income generated by the Company, non-income cash distributions received from portfolio companies, net capital profits generated from the sale of portfolio assets and retained reserves;
- oversight of the Company's whistleblowing policy and its whistleblowing arrangements;
- the Company's compliance with its regulatory obligations in Jersey, including a review of compliance with the Certified Funds Code of Practice; and
- the Group structure, with consideration being given to ensuring it is still appropriate for both current legislation and the transfer of management from Jersey to the UK.

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

Wendy Dorman
Chair, Audit and Risk Committee
6 May 2020

Management Engagement Committee report

Committee remit

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

All members served throughout the year with the exception of Samantha Hoe-Richardson who joined the Committee on 22 February 2020 following her appointment to the Board. The Committee comprises all Board members (with the exception of Ian Lobley, the 3i Group nominated Director).

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

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

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

Following its assessment, and based on the good performance of the Investment Manager, the Committee recommended to the Board, and the Board agreed, that the continued appointment of the Investment Manager on the terms set out in Note 18 on pages 133 and 134 is in the interest of shareholders as a whole.

Richard Laing
Chair, Management Engagement Committee
6 May 2020

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

Richard Laing
Chair, Management Engagement Committee

Remuneration
Remuneration Committee report

Committee remit

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

Remuneration policy

The remuneration of each of the Directors is subject to fixed fee arrangements and none of the Directors received any additional remuneration or incentives in respect of his or her services as a Director of the Company. The Directors' fees were reduced in April 2019 following the Company becoming a managed alternative investment fund, which led to a reduced time commitment for Directors. The Committee reviewed the current level of the Directors' fees taking account of the time spent including but not limited to attendance at meetings, Board calls with the Investment Manager, the strategy day and attending ad hoc meetings.

All members served throughout the year with the exception of Samantha Hoe-Richardson who joined the Committee on 22 February 2020 following her appointment to the Board.

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

The Committee recommended to the Board that the Directors' fees remain unchanged, in particular in the current low inflationary environment but noted that they may warrant increase in 2021.

The Directors' fees for the financial year to 31 March 2020 were as follows:

Directors' fees	**Amount paid in the year ended 31 March 2020 £**	Amount paid in the year ended 31 March 2019 £
Richard Laing	**120,000**	140,000
Doug Bannister	**46,000**	54,000
Wendy Dorman	**56,000**	61,000
Samantha Hoe-Richardson[1]	**9,583**	–
Robert Jennings	**46,000**	54,000
Ian Lobley[2]	**46,000**	51,000
Paul Masterton	**53,000**	61,000

1 Appointed with effect from 22 February 2020.
2 Fee payable to 3i plc.

Paul Masterton
Chair, Remuneration Committee
6 May 2020

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

Paul Masterton
Chair, Remuneration Committee

Directors' statement

Principal activity

The Company is a closed-ended UK investment trust that invests in infrastructure businesses and assets. The Directors do not anticipate any change in the principal activity of the Company in the foreseeable future. Its unconsolidated subsidiaries are shown in Note 19 on pages 135 and 136.

Investment trust status

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

Corporate governance

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

The Company complied with all the provisions of the AIC Code for the financial year ended 31 March 2020.

Directors' duties

Details of compliance by Directors with their Directors' duties are set out on pages 70 and 71.

Appointment and re-election of Directors

The appointment and re-election of Directors is governed by the Articles, the Companies (Jersey) Law 1991 and related legislation. The Articles provide that at each AGM of the Company all the directors at the date of notice convening the AGM shall retire from office and each director may offer himself or herself for election or re-election. In addition, under the AIC Code, all directors should be subject to annual election by shareholders. As a result, all Directors will retire and stand for election or re-election at the next AGM to be held on 9 July 2020.

Portfolio management and voting policy

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

Regulation

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

AIFMD

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

The Investment Manager is a subsidiary of 3i Group plc and the Remuneration Policy of 3i Group plc (which applies to the Investment Manager) was approved by 3i Group plc's shareholders in 2017. Details of the Remuneration Policy are set out in the 3i Group plc Annual report and accounts for 2017. The disclosures required by the Investment Manager as an AIFM are contained in the Annual report and accounts and the Pillar 3 Disclosures of 3i Group plc (www.3i.com). These disclosures include the remuneration (fixed and variable) of all staff and all AIFM Identified Staff of the Investment Manager. Due to 3i Group plc's operational structure, the information needed to provide a further breakdown of remuneration attributable to the staff and the AIFM Identified Staff of the Investment Manager as the Company's AIFM is not readily available and would not be relevant or reliable.

In accordance with Part 5 of The Alternative Investment Fund Managers Regulations 2013, the Investment Manager, as an AIFM, requires all controlled portfolio companies to make available to employees an annual report which meets the disclosure requirements of the Regulations. These are available either on the portfolio company's website or through filing with the relevant local authorities.

Directors' statement

NMPI

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

Since the Company obtained approval as a UK investment trust, with effect from 15 October 2018, its shares are excluded from these rules and therefore the restrictions relating to NMPIs do not apply to its shares.

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

Results and dividends

The Financial statements of the Company and its consolidated subsidiary (together referred to as the 'Group') for the year appear on pages 110 to 136. Total comprehensive income for the year was £224 million (2019: £259 million). An interim dividend of 4.6 pence per share (2019: 4.325 pence) in respect of the year to 31 March 2020 was paid on 13 January 2020. The Company chose to designate 74% of the interim dividend as an interest distribution (3.40 pence per share of the total dividend of 4.60 pence per share). For UK tax purposes the effect of the designation was that shareholders were treated in respect of the designated part as though they had received a payment of interest, whilst being treated as having received a payment of dividend in respect of the non-designated part.

The Directors recommend that a final dividend of 4.6 pence per share (2019: 4.325 pence) be paid in respect of the year to 31 March 2020 to shareholders on the register at the close of business on 19 June 2020. The Company has chosen to designate 41% of the final dividend as an interest distribution (1.9 pence per share of the total dividend of 4.6 pence per share).

The distribution of the dividend payments between interim and final dividends is evaluated by the Board each year, according to the Company's performance, portfolio income generation and other factors, such as profits generated on the realisation of portfolio assets. The Company will be targeting a dividend for FY21 of 9.8 pence per share.

Strategy, performance and principal risks

The Strategic report on pages 1 to 71 provides a review of the performance and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Operations

The Investment Manager is responsible for the determination and supervision of the investment policy and for the approval of investment opportunities, subject to the investments or divestments remaining below an agreed threshold. Where investments or divestments are above the agreed threshold, the Board is responsible for approving these opportunities. The Investment Manager discusses with the Board potential investment opportunities and proposed divestments, whether or not they are within the Investment Manager's delegated authority under the Investment Management Agreement.

Management arrangements

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

Other significant service arrangements

In addition to the arrangements described above, 3i plc and 3i Investments plc (both subsidiaries of 3i Group), in relation to certain regulatory services, have been appointed by the Company to provide support services to the Group, including treasury and accounting services, investor relations and other support services. The amounts payable under these arrangements are described in more detail in Note 18 on page 134.

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

Revolving credit facility

In April 2018, the Company refinanced its £300 million revolving credit facility ('RCF') with the existing lenders. The RCF has a margin of 1.65% and a non-utilisation fee, and a maturity date of April 2023 following the exercise of both one-year extension options.

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

Share capital

On 15 October 2019 following a non pre-emptive equity placing, 81 million new ordinary shares of the Company were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Main Market. The Company does not hold any ordinary shares in treasury.

The issued share capital of the Company as at 31 March 2020 was 891,434,010 ordinary shares (2019: 810,434,010).

Major interests in ordinary shares

Notifications of the following voting interests in the Company's ordinary share capital as at 31 March 2020 and 30 April 2020, which are notifiable in accordance with Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules, have been received as follows:

Interest in ordinary shares	Number of ordinary shares[1] as at 31 March 2020	% of issued share capital	Number of ordinary shares[1] as at 30 April 2020	% of issued share capital
3i Group plc (and subsidiaries)	269,242,685	30.20%	269,242,685	30.20%
Schroders plc	50,803,130	5.70%	51,059,302	5.73%

1 Each ordinary share carries the right to one vote.

Governance

Directors' statement

Directors' and Persons Closely Associated interests

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

In accordance with FCA Listing Rule 9.8.6(R)(1), Directors' interests in the shares of the Company (in respect of which transactions are notifiable to the Company under MAR as at 31 March 2020) are shown below:

Directors' interests and beneficial interests[1]	Ordinary shares at 31 March 2019	Ordinary shares at 31 March 2020
Richard Laing[2]	30,000	**35,000**
Doug Bannister[2]	9,868	**20,000**
Wendy Dorman[2]	18,947	**21,947**
Samantha Hoe-Richardson[2]	–	**1,339**
Robert Jennings[3]	60,000	**55,000**
Ian Lobley	0	**0**
Paul Masterton[2]	21,194	**29,194**

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

2 Each of Richard Laing, Doug Bannister, Wendy Dorman and Paul Masterton or their Persons Closely Associated purchased shares in the Company's equity placing in October 2019 and so increased their shareholdings in the financial year. Samantha Hoe-Richardson's shareholding was held by her prior to her appointment to the Board. Paul Masterton purchased further shares in March 2020. Please see www.3i-infrastructure.com for further details.

3 The change in shareholding from 2019 arose as the result of shares over which Robert Jennings previously had voting control and which had previously been included in the 2019 total no longer being included in the current total because he no longer has voting control.

Directors' authority to buy back shares

The Company did not purchase any of its own shares during the year. The current authority of the Company to make market purchases of up to 14.99% of the issued ordinary share capital expires at the 2020 AGM. The Company will seek to renew such authority until the end of the AGM in 2021, specifying the maximum and minimum price at which shares can be bought back. Any buy back of ordinary shares will be made in accordance with Jersey law and the making and timing of any buy backs will be at the discretion of the Directors. Such purchases will also only be made in accordance with the Listing Rules of the FCA which provide that the price paid must not be more than the higher of: (i) 5% above the average middle market quotations for the ordinary shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange at such time.

Directors' conflicts of interests

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

Directors' indemnities

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

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

Statement of Directors' responsibilities

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

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

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

In preparing these Financial statements, the Directors should:

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

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

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

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

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

The Directors of the Company and their functions are listed on pages 76 to 77 and pages 81 to 82.

The Directors have acknowledged their responsibilities in relation to the Financial statements for the year to 31 March 2020.

By order of the Board

Authorised signatory

3i plc
Company Secretary
6 May 2020

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

Attero
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Accounts and other information

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

Report on the audit of the financial statements

1 Opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the Consolidated statement of comprehensive income;
- the Consolidated statement of changes in equity;
- the Consolidated balance sheet;
- the Consolidated cash flow statement;
- the reconciliation of net cash flow to movement in net debt;
- the statement of significant accounting policies; and
- the related notes 1 to 19.

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

2 Basis for opinion

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

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

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

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

3 Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • the fair value of investments; and • the calculation of the performance fee. Within this report, key audit matters are identified as follows: N Newly identified ↑ Increased level of risk ⇕ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £22.3 million which was determined on the basis of approximately 1% of the group's net assets. A lower materiality threshold of £2.3 million based upon 2% of investment income was applied to certain balances in the statement of comprehensive income and statement of financial position, excluding fair value of investments and derivatives balances and their associated fair value movements.
Scoping	The Group comprises of 3i Infrastructure plc and its single direct subsidiary, both of which are in full scope for our audit.
Significant changes in our approach	Our approach is largely consistent with the prior year, however, we have considered the impact of Covid-19 within our key audit matter in respect of the fair value of investments and in our gong concern assessment.

4 Conclusions relating to going concern, principal risks and viability statement

4.1 Going concern

We have reviewed the directors' statement on pages 69 and 99 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit and Covid-19, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2 Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 64 and 65 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on pages 62 and 63 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on pages 68 and 69 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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

5 Key audit matters

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

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

5.1 Fair value of Investments

Key audit matter description

At 31 March 2020, the group held investments totalling £1,652 million (2019: £1,697 million) in unquoted companies which are classified as fair value through profit and loss. These investments are classified at Level 3 within the IFRS fair value hierarchy and their valuation requires significant judgement.

The balance has reduced in the year following the disposal of WIG and the UK operational projects portfolio offset by the acquisitions of Ionisos and Joulz. Certain assumptions used in the determination of fair value are a key source of estimation uncertainty, which is why we consider there to be a risk of material misstatement as well as a potential fraud risk. As a liquid market does not exist for a majority of the investments, they are measured using a range of different valuation techniques, with discounted cash flow methodology being the most prevalent technique. The complex nature of this methodology, combined with the number of significant judgements, means there is a risk that the fair value of the investments could be misstated.

The key assumptions and judgements have been summarised as:-

- Discount rates – the determination of the appropriate discount rate for each investment that is reflective of current market conditions and the specific risks of the investment;
- Macroeconomic assumptions primarily in respect of forecast inflation rates;
- Forecasted future cash flows – specific investments use certain assumptions in the cash flow forecasts that are particularly complex and judgemental; and
- Covid-19 – assumptions made in respect of forecasting the impact of Covid-19 on the future profitability and cash flows of investments including the duration of, and rate of recovery from, the economic disruption caused by Covid-19.

In particular, there is a greater level of estimation uncertainty in respect of determining the TCR fair value of £195 million at 31 March 2020 given the unprecedented impact of Covid-19 on the aviation sector. This greater level of estimation uncertainty specifically relates to the extent and duration of disruption to air traffic movements caused by Covid-19 and the pace and extent of the recovery.

This key audit matter is also discussed on page 90 in the Audit and Risk Committee report and disclosed in the significant accounting policies as a key source of estimation uncertainty on page 117 and in the portfolio valuation methodology on pages 29 and 30.

5.1 Fair value of Investments continued

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

We have performed the following procedures:

- Tested the controls around the overall valuation process adopted by the Investment Manager and the Board, including the review and approval processes undertaken by the valuation committee;
- Tested that the valuations are compliant with IFRS 13 and IPEV requirements;
- Met with the Investment Manager's Managing Partner, CFO and individual analysts responsible for preparing the valuations to understand the underlying performance of the businesses being valued and how the year-end valuation has been prepared, including challenging key assumptions;
- Involved our valuation experts to assess the discount rates applied to all investments by performing benchmarking to relevant peers and transactions and considering the inherent risk profile of the underlying cash flows specific to each investment, including changes made in response to Covid-19;
- Tested the macroeconomic assumptions included in the forecasts with reference to observable market data and external forecasts;
- Reviewed the forecasted cash flows for all investments, in particular movements since acquisition or the prior year, including changes made in response to Covid-19, and changes made in underlying forecast models and sought to agree them to third party support;
- Challenged the sensitivity analysis undertaken on the key valuations to understand the susceptibility of the valuations to changes in key assumptions;
- Engaged with our valuation experts to apply an additional level of challenge to the investments identified as containing more judgemental cash flow forecasts;
- Assessed the completeness of the assumptions made in the valuations by reviewing press releases and board minutes of the underlying companies being valued;
- Reviewed the historical accuracy of the cash flow forecasts against actual results in order to assess the reliability of the forecasts;
- Employed audit analytics on the valuation models to assess them for integrity; and
- Assessed the appropriateness of the assumptions applied, and associated disclosures, in respect of estimating the duration of, and rate of recovery from, the economic disruption caused by Covid-19 through comparison to, and consideration of, independent forecasts. In respect of TCR, this included a comparison of independent air traffic forecasts to those utilised by the Investment Manager, as well as consideration of the potential long term effects of Covid-19 on the aviation sector.

Key observations

While we note the greater level of estimation uncertainty as a result of Covid-19, particularly in respect of TCR, we consider the judgements and assumptions utilised in determining the fair value of the Group's investments, when considered in aggregate, to be within an acceptable range. We have not identified any material misstatements in respect of the fair value of the Group's investments at 31 March 2020.

5.2 Calculation of Performance Fee

Key audit matter description

For the year ended 31 March 2020 the performance fee was £17 million (2019: £31 million).

The Investment Manager earns a performance fee based on 20% of the outperformance of Total Return against an 8% performance hurdle as determined in the Investment Management Agreement ('IMA'). This is the first year where the performance fee has been calculated based on the new methodology prescribed in the IMA, as discussed further on page 133 within Note 18. The new methodology is less subjective than the old methodology it replaced and as such the level of inherent risk associated with the calculation of the performance fee has reduced, albeit this remains a key audit matter.

As the calculation of the performance fee is dependent on the financial results of the Group, including the net gains on investments, there is an incentive for the Investment Manager to misstate the performance fee. Incorrect calculation of the performance fee could result in a material misstatement being recognised in the financial statements. We have identified a potential fraud risk associated with the calculation of the performance fee due to its susceptibility to bias from the Investment Manager.

The details of the performance fee arrangement are included within Notes 2 and 18. The Audit and Risk Committee have highlighted within their report on page 91 their considerations when reviewing the calculation.

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

5.2 Calculation of Performance Fee continued

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

We have performed the following procedures:

- Read and understood the new methodology included in the IMA in respect of calculating the performance fee, including how the new methodology differs to the old methodology it replaced;
- Re-performed the calculation independent of the Investment Manager's calculation using the IMA between the Investment Manager and the Group;
- Challenged the methodology of the Investment Manager's calculation with reference to the IMA;
- Checked the mechanical accuracy of the Investment Manager's calculation; and
- Agreed the inputs used in the calculation to the valuation model and to the financial statements.

Key observations

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

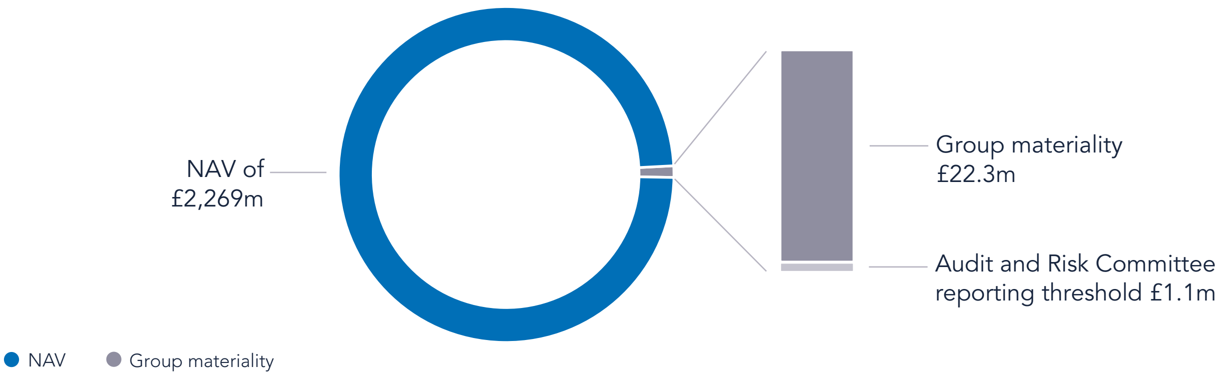
6 Our application of materiality

6.1 Materiality

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

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

Group materiality	£22.3 million (2019: £17.2 million).
Basis for determining materiality	Materiality is determined using approximately 1% of net asset value ('NAV').
Rationale for the benchmark applied	We consider NAV to be the key financial statement benchmark used by shareholders of the group in assessing financial performance.



A lower materiality threshold of £2.3 million (2019: £2.0 million) based upon 2% (2019: 2%) of investment income has also been used. This has been applied to certain balances in the Consolidated statement of comprehensive income and Consolidated balance sheet, excluding fair value of investments and derivatives balances and their associated fair value movements, due to qualitative factors of stakeholder interest.

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered factors including our ability to rely on internal controls across a number of areas of the audit, the stability of the business, the outcome of our risk assessment process, the level of errors identified in prior years, management's willingness to correct errors identified and the stability of the finance team.

Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £1.1 million (2019: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7 An overview of the scope of our audit

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

8 Other information

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

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

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

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

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

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit;
- **Audit and Risk Committee reporting** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- **Directors' statement of compliance with the 2019 Association of Investment Companies Code of Corporate Governance (the 'AIC Code')** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the equivalent provisions to those in the UK Corporate Governance Code specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the AIC Code.

We have nothing to report in respect of these matters.

9 Responsibilities of directors

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

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

10 Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of the Investment Manager, the Investment Manager's internal audit function and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax and valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the valuation of investments and the calculation of the performance fee. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Jersey) Law, Listing Rules, Investment Trust legislation and the Alternative Investment Fund Managers Directive as approved by the Financial Conduct Authority.

In addition, we considered whether there were any provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2 Audit response to risks identified

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

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations, including reviewing compliance with Investment Trust legislation, described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and the Investment Manager's in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing the Investment Manager's internal audit reports pertaining to the Group, reviewing correspondence with HMRC and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12 Matters on which we are required to report by exception

12.1 Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13 Other matters

13.1 Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the shareholders on 6 July 2017 at the Annual General Meeting to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ending 31 March 2018 to 31 March 2020.

13.2 Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

14 Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jacqueline Holden, FCA
For and on behalf of Deloitte LLP
Recognised Auditor
London, United Kingdom
6 May 2020

Consolidated statement of comprehensive income

For the year to 31 March

	Notes	**Year to 31 March 2020 £m**	Year to 31 March 2019 £m
Net gains on investments	7	**128**	213
Investment income	7	**123**	110
Fees payable on investment activities		**(1)**	(1)
Interest receivable		**4**	–
Investment return		**254**	322
Movement in the fair value of derivative financial instruments	5	**21**	4
Management, advisory and performance fees payable	2	**(45)**	(61)
Operating expenses	3	**(3)**	(3)
Finance costs	4	**(3)**	(4)
Other income		**–**	1
Exchange movements		**–**	–
Profit before tax		**224**	259
Income taxes	6	**–**	–
Profit after tax and profit for the year		**224**	259
Total comprehensive income for the year		**224**	259
Earnings per share			
Basic and diluted (pence)	14	**26.4**	31.9

Consolidated statement of changes in equity

For the year to 31 March

For the year to 31 March 2020	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 2019		560	1,282	64	(4)	1,902
Issue of shares[2]		219	–	–	–	219
Total comprehensive income for the year		–	–	132	92	224
Dividends paid to shareholders of the Company during the year	15	–	–	–	(76)	(76)
Closing balance at 31 March 2020		779	1,282	196	12	2,269

For the year to 31 March 2019	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 2018		560	1,150	–	–	1,710
Total comprehensive income for the year		–	164	64	31	259
Dividends paid to shareholders of the Company during the year	15	–	(32)	–	(35)	(67)
Closing balance at 31 March 2019		560	1,282	64	(4)	1,902

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

2 Net of issue costs of £4 million.

Consolidated balance sheet

As at 31 March

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Investments at fair value through profit or loss	7	**1,652**	1,697
Trade and other receivables	8	**99**	–
Derivative financial instruments	10	**7**	5
Total non-current assets		**1,758**	1,702
Current assets			
Derivative financial instruments	10	**26**	3
Trade and other receivables	8	**101**	3
Cash and cash equivalents		**413**	257
Total current assets		**540**	263
Total assets		**2,298**	1,965
Liabilities			
Non-current liabilities			
Derivative financial instruments	10	**(4)**	(6)
Trade and other payables	12	**(11)**	–
Total non-current liabilities		**(15)**	(6)
Current liabilities			
Derivative financial instruments	10	**(8)**	(18)
Trade and other payables	12	**(6)**	(39)
Total current liabilities		**(14)**	(57)
Total liabilities		**(29)**	(63)
Net assets		**2,269**	1,902
Equity			
Stated capital account	13	**779**	560
Retained reserves		**1,282**	1,282
Capital reserve		**196**	64
Revenue reserve		**12**	(4)
Total equity		**2,269**	1,902
Net asset value per share			
Basic and diluted (pence)	14	**254.5**	234.7

The Financial statements and related Notes were approved and authorised for issue by the Board of Directors on 6 May 2020 and signed on its behalf by:

Richard Laing
Chair

Consolidated cash flow statement

For the year to 31 March

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Cash flow from operating activities		
Purchase of investments	**(389)**	(403)
Proceeds from partial realisations of investments	**24**	184
Proceeds from full realisations of investments	**376**	333
Investment income[1]	**83**	78
Fees paid on investment activities	**(1)**	(1)
Operating expenses paid	**(3)**	(3)
Interest received	**1**	–
Management, advisory and performance fees paid	**(60)**	(124)
Amounts paid on the settlement of derivative contracts	**(16)**	(16)
Payments for transfer of investments from unconsolidated subsidiaries[2]	**(18)**	(61)
Distributions from transfer of investments from unconsolidated subsidiaries[2]	**17**	60
Temporary loan to unconsolidated subsidiaries	**2**	(2)
Other income received	**–**	1
Net cash flow from operating activities	**16**	46
Cash flow from financing activities		
Proceeds from issue of share capital	**223**	–
Transaction costs for issue of share capital	**(4)**	–
Fees and interest paid on financing activities	**(3)**	(4)
Dividends paid	**(76)**	(67)
Drawdown of revolving credit facility	**192**	177
Repayment of revolving credit facility	**(192)**	(177)
Net cash flow from financing activities	**140**	(71)
Change in cash and cash equivalents	**156**	(25)
Cash and cash equivalents at the beginning of the year	**257**	282
Effect of exchange rate movement	**–**	–
Cash and cash equivalents at the end of the year	**413**	257

1 Investment income includes dividends of £32 million (2019: £14 million), interest of £44 million (2019: £41 million) and distributions of £7 million (2019: £23 million) received from unconsolidated subsidiaries.

2 Following the change of tax domicile 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 2020 £m**	Year to 31 March 2019 £m
Change in cash and cash equivalents		**156**	(25)
Drawdown of revolving credit facility	11	**192**	177
Repayment of revolving credit facility	11	**(192)**	(177)
Change in net cash/(debt) resulting from cash flows		**156**	(25)
Movement in net cash/(debt)		**156**	(25)
Net cash/(debt) at the beginning of the year		**257**	282
Effect of exchange rate movement		**–**	–
Net cash at the end of the year		**413**	257

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

Significant accounting policies

Corporate information

3i Infrastructure plc (the 'Company') is a company incorporated in Jersey, Channel Islands. The Consolidated financial statements for the year to 31 March 2020 comprise the Financial statements of the Company and its consolidated subsidiary as defined in IFRS 10 Consolidated Financial Statements (together referred to as the 'Group'). The Companies (Jersey) Law 1991 does not require the directors of a company to present separate financial statements where consolidated financial statements are presented and therefore the financial results and position of the Company are not presented alongside the Consolidated financial statements of the Group.

The Financial statements were authorised for issue by the Board of Directors on 6 May 2020.

Statement of compliance

These Financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued as adopted for use in the European Union ('IFRS').

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

Basis of preparation

The Financial statements are prepared on a going concern basis as disclosed in the Risk report on page 69, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability and cash flows, the liquidity available to the Company and current and expected financial commitments.

The Financial statements of the Group 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.

On 30 January 2020, the World Health Organization declared the outbreak of Covid-19 to be a public health emergency of international concern, and on 11 March 2020 declared it a pandemic. Covid-19 presents the biggest risk to the global economy and to many companies since the Global Financial Crisis and has had a severe impact on economic growth forecasts worldwide. The full impact of Covid-19 is not yet apparent, and significant uncertainty will remain until the duration and extent of the crisis become clearer, including the impact of stay at home and social distancing policies on economic activity. Not all companies or sectors will be impacted to the same degree.

However, the effects will be felt in a number of areas across the Company and its portfolio companies. The Directors continue to monitor and follow closely the information released from governments, regulatory bodies and health organisations in the countries in which the Company and its portfolio companies operate, as well as receiving regular reports from the Investment Manager on the operational and financial performance of our portfolio companies.

The Directors have made an assessment of going concern, taking into account the Company's cash and liquidity position, current performance and outlook, which considered the impact of the Covid-19 pandemic, using 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 analysis has modelled a number of adverse scenarios to assess the potential impact that Covid-19 may have on the Company's operations and portfolio companies, in addition to the scenarios mentioned in the Viability statement on page 68. The Company manages and monitors liquidity regularly ensuring it is adequate and sufficient. At 31 March 2020, liquidity remained strong at £718 million (31 March 2019: £550 million). Liquidity comprised cash and deposits of £418 million (31 March 2019: £266 million) and undrawn facilities of £300 million (31 March 2019: £284 million). In addition, the Company is due to receive deferred consideration from the realisation of WIG in two tranches, £98 million in December 2020 and £98 million in December 2021;
- uncertainty around the valuation of the Company's assets are as set out under Key estimation uncertainties. The valuation policy and process was consistent with prior years. A key focus of the portfolio valuations at 31 March 2020 was an assessment of the impact of the Covid-19 pandemic on each portfolio company, considering the performance before the outbreak of Covid-19, the projected short-term impact on the portfolio company's cash flows, and also the longer-term view of the possible impact on the portfolio company including the pace of recovery from stay at home and social distancing policies;
- the operational resilience of the Company's critical functions includes the employees and resilience of IT systems for the Company's Investment Manager, portfolio companies and other key service providers. Covid-19 has emphasised the importance for the Company and its portfolio companies to focus on keeping employees safe, motivated and able to fulfil their roles effectively without disruption;
- an assessment of the Company's supplier base, considering any single points of failure and the possibility of suppliers experiencing financial stress. The assessment includes the consideration of contingency plans for the key suppliers including 3i Investments plc (the 'Investment Manager'), the Company's registrar, Jersey administrator and the Company's brokers; and

Significant accounting policies

Basis of preparation continued

- the Company's financial commitments. The Company had no investment commitments at 31 March 2020 to new investments. As in previous periods, we do not expect the $37.5 million commitment to the India Fund to be drawn. The Company had ongoing charges of £29 million in the year to 31 March 2020, detailed in Table 4 in the Financial review on page 56, which are indicative of the ongoing run rate in the short term, a performance fee of £17 million due in three equal instalments with only the first instalment payable in the next 12 months and a proposed final dividend for FY20 of £41 million. In addition, while not a commitment, the Company has a dividend target for FY21 of 9.8 pence per share. Whilst a significant amount of income is expected to be received from the investment portfolio during the coming year, the Company has sufficient liquidity to meet its financial commitments even if no income were received and has sufficient resources to make equity investments in existing portfolio companies where required.

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

Basis of consolidation

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

Intragroup balances between the Company and its consolidated subsidiary, 3i Infrastructure Seed Assets GP Limited, a UK incorporated and 100% owned company, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Consolidated financial statements. There are no eliminations in relation to transactions between the Company and subsidiaries held at fair value. 3i Infrastructure Seed Assets GP Limited was dissolved on 17 March 2020 and was consolidated up until that date. The Company no longer has any consolidated subsidiaries.

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 Group invests should be classified as structured entities and have concluded that none of the entities should be classified as structured entities as voting rights are the dominant factor in deciding who controls these entities.

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

The Group must also exercise judgement in whether a subsidiary provides investment-related services or activities and therefore should be consolidated or held at fair value through profit or loss. Further details are shown in significant accounting policy 'A Classification' on page 118.

During the year, the Company set up two wholly owned subsidiary entities for the new investment in Ionisos and one wholly owned subsidiary entity for each of the existing investments in Attero and Tampnet. 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.

Key judgements continued

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

Key estimation uncertainties

Valuation of the investment portfolio

The key area where estimates are significant to the Consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is in the valuation of the investment portfolio.

The majority of assets in the investment portfolio are valued on a discounted cash flow basis which requires assumptions to be made regarding future cash flows and the discount rate to be applied to these cash flows. The uncertainty surrounding the ultimate impact of the Covid-19 pandemic has resulted in significant estimation in respect to the future cash flows for some of the individual portfolio companies. This includes estimation in relation to liquidity and delays to debtor payments; forecast revenue, supply chain, employee and slower growth effects; and the offsetting impact of government and central bank mitigation measures. The discount rates applied to almost all investments have been increased, reflecting increased uncertainty around the duration of stay at home and social distancing policies, the speed of recovery from those policies, future inflation, power prices and oil prices, as well as company-specific factors. These uncertainties have also been reflected in the volatility seen in public markets during March and April 2020. The portfolio is diversified by sector, geography and underlying risk exposures. The valuation of each asset has significant estimation in relation to asset specific items. The key risks to the portfolio are discussed in further detail in the Risk report.

The methodology for deriving the fair value of the investment portfolio, including the key estimates and the base case scenario adopted in relation to the Covid-19 pandemic, is set out in the Portfolio valuation methodology section. The base case scenario assumes delays to non-committed capital expenditure, cost-cutting initiatives and delays to construction activity, new business wins or new orders for a period of between four and nine months from 1 April 2020 followed by a gradual return of activity. Consideration was also given to the impact of stay at home and social distancing policies on the customers of our portfolio companies, including on their viability and access to liquidity. All of our portfolio companies have continued to operate since the start of the pandemic. Some investments are subject to macroeconomic factors such as the fall in oil prices and power prices. This has impacted the portfolio in different ways, for example it has created a strong incentive to store oil and oil products, but is expected to reduce or delay capital expenditure on oil and gas projects. In almost all cases we have increased the discount rate to reflect the greater uncertainty around the cash flows at present.

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.

As described above, the macroeconomic uncertainty has created uncertainty in the fair value of the investment portfolio. The Directors believe that they have reflected this uncertainty in a balanced way through the assumptions used in the valuations of each portfolio company. In respect of TCR, which operates in the aviation industry, there is a greater level of estimation uncertainty compared to the other portfolio investments. The valuation of TCR, which represents 9% of the total net asset value of the Company, is subject to the estimation uncertainty in respect of the extent and duration of the disruption to air traffic movements caused by Covid-19 and the pace and extent of the eventual recovery. The valuation of TCR is considered to reflect a balanced base case of cash flows and appropriate discount rate. The base case assumes lower revenue for a four-month period as a result of lower ground support equipment utilisation, a reduction in the ability of some customers to service their debts, the cancellation of non-committed capital expenditure and a reduction of operating costs and a modest rate of new contract wins based only on those at an advanced stage. A gradual return of activity is assumed, with no return to pre-Covid levels until FY22. The discount rate has been increased as a result of the increased risk to the aviation industry over the short term. TCR has largely fixed rental contracts, rather than direct exposure to passenger numbers, and is diversified across geographies so it has been less severely impacted by the reduction in air traffic movements and passenger numbers in Europe and the US than airlines. TCR is actively managing its balance sheet and liquidity, and engaging with its customers where appropriate to manage the TCR debtor book and potentially support customers with sale and lease back arrangements.

New standards adopted for the current year

Standards and amendment to standards applicable to the Group that became effective during the year and were adopted by the Group on 1 April 2019 are listed below.

IFRS 16 Leases (1 January 2019)

This standard establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard replaces IAS 17: Leases and IFRIC 4: Determining whether an Arrangement contains a lease. The Company adopted IFRS 16 Leases on 1 April 2019. The adoption of IFRS 16 does not have an impact on the Group as it does not hold any operating leases.

IFRIC 23 Uncertainty over Income Tax Treatments (1 January 2019)

The Group's existing accounting policy for uncertain income tax treatments is consistent with the requirements of IFRIC 23 and does not result in any additional disclosure on the Group's consolidated financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation (1 January 2019)

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (1 January 2019)

Amendments resulting from Annual Improvements to IFRS 2015-2017 Cycle (1 January 2019)

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

Significant accounting policies

Key estimation uncertainties continued

Standards and interpretations issued but not yet effective

As at 31 March 2020, the following new or amended standards and interpretations, which have not been applied in these Financial statements, had been issued by the International Accounting Standards Board ('IASB') but are yet to become effective.

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (1 January 2020)

Amendments to IFRS 3 Definition of a business (1 January 2020)

Amendments to IAS 1 and IAS 8 Definition of material (1 January 2020)

IFRS 17 Insurance Contracts (1 January 2021)

The Group intends to adopt these standards when they become effective, however does not currently anticipate the standards will have a significant impact on the Group'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 Consolidated statement of comprehensive income in the year. The Directors have assessed all entities within the Group structure and concluded that 3i Infrastructure Seed Assets GP Limited is the only subsidiary of the Company that provides investment-related services or activities. This subsidiary has been consolidated with the Company to form 'the Group'. 3i Infrastructure Seed Assets GP Limited was dissolved during the financial year to 31 March 2020.

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

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

B Exchange differences

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

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

C Investment portfolio

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

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

Income

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

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

- dividends from equity investments are recognised in the Consolidated statement of comprehensive income when the Company's rights to receive payment have been established. Special dividends are credited to capital or revenue according to their circumstances;

C **Investment portfolio** continued

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

D **Fees**

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

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

(iii) **Performance fee** – 3i plc is entitled to a performance fee based on the total return generated in the period in excess of a performance hurdle of 8%. The fee is payable in three equal 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 Consolidated balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument.

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

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

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

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

F **Other assets**

Assets, other than those specifically accounted for under a separate policy, are stated at their consideration receivable less impairment losses. Such assets are short term in nature and the carrying value of these assets is considered to be approximate to their fair value. 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 Consolidated statement of comprehensive income. An impairment loss is reversed at subsequent financial reporting dates to the extent that the asset's carrying amount does not exceed its carrying value, had no impairment been recognised.

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.

Significant accounting policies

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 Consolidated statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

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

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

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

Notes to the accounts

1 Operating segments

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

The following is an analysis of the Group's investment return, profit before tax, assets, liabilities and net assets by portfolio segment for the year to 31 March 2020:

For the year to 31 March 2020	Economic infrastructure businesses £m	Projects portfolio £m	India Fund £m	Unallocated[1] £m	Total £m
Investment return/(loss)	**192**	**60**	**(2)**	**4**	**254**
Profit/(loss) before tax	**213**	**60**	**(2)**	**(47)**	**224**
For the year to 31 March 2019					
Investment return/(loss)	308	14	(6)	6	322
Profit/(loss) before tax	312	14	(6)	(61)	259
As at 31 March 2020					
Assets	**1,582**	**76**	**27**	**613**	**2,298**
Liabilities	**(11)**	**(1)**	**–**	**(17)**	**(29)**
Net assets	**1,571**	**75**	**27**	**596**	**2,269**
As at 31 March 2019					
Assets	1,478	196	30	261	1,965
Liabilities	(29)	(2)	–	(32)	(63)
Net assets	1,449	194	30	229	1,902

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

The following is an analysis of the Group's investment return, profit before tax, assets, liabilities and net assets by geography for the year to 31 March 2020:

For the year to 31 March 2020	UK and Ireland[1] £m	Continental Europe[2] £m	Asia £m	Total £m
Investment return/(loss)	**190**	**66**	**(2)**	**254**
Profit/(loss) before tax	**139**	**87**	**(2)**	**224**
For the year to 31 March 2019				
Investment return/(loss)	261	67	(6)	322
Profit/(loss) before tax	193	72	(6)	259
As at 31 March 2020				
Assets	**898**	**1,373**	**27**	**2,298**
Liabilities	**(17)**	**(12)**	**–**	**(29)**
Net assets	**881**	**1,361**	**27**	**2,269**
As at 31 March 2019				
Assets	991	944	30	1,965
Liabilities	(32)	(31)	–	(63)
Net assets	959	913	30	1,902

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

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

Notes to the accounts

1 Operating segments continued

The Group generated 75% (2019: 81%) of its investment return in the year from investments held in the UK and Ireland and 26% (2019: 21%) of its investment return from investments held in continental Europe. During the year, the Group generated 77% (2019: 98%) of its investment return from investments in Economic infrastructure businesses, 24% (2019: 4%) from investments in Projects and (1)% (2019: (2)%) from its investment in the India Fund. Given the nature of the Group's operations, the Group is not considered to be exposed to any operational seasonality or cyclicality that would impact the financial results of the Group during the year or the financial position of the Group at 31 March 2020.

2 Management, advisory and performance fees payable

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Management and advisory fee payable	**28**	30
Performance fee	**17**	31
	45	61

Total management, advisory and performance fees payable by the Company for the year to 31 March 2020 were £45 million (2019: £61 million). Note 18 provides further details on the calculation of the management fee, advisory fee and performance fee.

3 Operating expenses

Operating expenses include the following amounts:

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Audit fees	**0.3**	0.2
Directors' fees and expenses	**0.5**	0.5

In addition to the fees described above, fees of £0.09 million (2019: £0.08 million) were paid by unconsolidated subsidiary entities for the year to 31 March 2020 to the Group's auditor.

Services provided by the Group's auditor

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

Audit services		**Year to 31 March 2020 £m**	Year to 31 March 2019 £m
Statutory audit	Group	**0.26**	0.22
	UK unconsolidated subsidiaries[1]	**0.04**	0.04
	Overseas unconsolidated subsidiaries[1]	**0.05**	0.04
		0.35	0.30

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

Non-audit services

Deloitte LLP and their associates provided non-audit services for fees totalling £65,173 for the year to 31 March 2020 (2019: £65,929). This related to agreed-upon procedures work in respect of the management and performance fees (£9,000), an interim dividend report for three of the Luxembourg subsidiaries (£16,173) and the review of the Group interim Financial statements (£40,000). In line with the Company's policy, Deloitte LLP provided non-audit services to certain investee companies. The fees for these services are ordinarily borne by the underlying investee companies or unconsolidated subsidiaries, and therefore are not included in the expenses of the Group. Details on how such non-audit services are monitored and approved can be found on page 92.

4 Finance costs

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Finance costs associated with the debt facilities	**2**	2
Professional fees payable associated with the arrangement of debt financing	**1**	2
	3	4

5 Movements in the fair value of derivative financial instruments

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Movement on the fair value of forward foreign exchange contracts	**21**	4

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

6 Income taxes

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Current taxes		
Current year	**–**	–
Total income tax charge in the Consolidated statement of comprehensive income	**–**	–

Reconciliation of income taxes in the Consolidated statement of comprehensive income

The Company became a UK tax resident approved investment trust with effect from 15 October 2018, prior to which date it was tax resident in Jersey and subject to tax at the standard corporate income tax rate in Jersey of 0%. The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 19% (2019: 19%), and the differences are explained below:

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Profit before tax	**224**	259
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2019: 19%)	**43**	49
Effects of:		
Profits subject to tax in Jersey at 0%	**–**	(31)
Non-taxable capital profits due to UK approved investment trust company status	**(28)**	(16)
Non-taxable dividend income	**(6)**	(2)
Interest distributions	**(9)**	–
Total income tax charge in the Consolidated statement of comprehensive income	**–**	–

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

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the main rate of UK corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Should the Company recognise deferred tax assets and liabilities, a rate of 19% would therefore be used.

Notes to the accounts

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by 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 2020. For all other assets and liabilities, their carrying value approximates to fair value. During the year ended 31 March 2020, there were no transfers of financial instruments between levels of the fair value hierarchy (2019: none).

Trade and other receivables in the Consolidated balance sheet includes £1 million of deferred finance costs relating to the arrangement fee for the revolving credit facility (2019: £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 2020			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Investments at fair value through profit or loss	**–**	**–**	**1,652**	**1,652**
Trade and other receivables	**–**	**199**	**–**	**199**
Derivative financial instruments	**–**	**33**	**–**	**33**
	–	**232**	**1,652**	**1,884**
Financial liabilities				
Derivative financial instruments	**–**	**(12)**	**–**	**(12)**
	–	**(12)**	**–**	**(12)**

	As at 31 March 2019			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	1,697	1,697
Trade and other receivables	–	3	–	3
Derivative financial instruments	–	8	–	8
	–	11	1,697	1,708
Financial liabilities				
Derivative financial instruments	–	(24)	–	(24)
	–	(24)	–	(24)

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 2020 £m
Opening fair value	**1,697**
Additions	**423**
Disposal proceeds and repayment	**(597)**
Movement in accrued income	**1**
Fair value movement (including exchange movements)	**128**
Closing fair value	**1,652**

Level 3 fair value reconciliation	As at 31 March 2019 £m
Opening fair value	1,552
Additions	342
Disposal proceeds and repayment	(433)
Movement in accrued income	18
Fair value movement (including exchange movements)	218
Closing fair value	1,697

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

	As at 31 March 2020 £m	As at 31 March 2019 £m
Fair value movement (including exchange movements)	**128**	218
Divestment costs	**–**	(5)
Net gains on investments	**128**	213

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

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

Investment income of £123 million (2019: £110 million) comprises dividend income of £32 million (2019: £14 million), interest of £85 million (2019: £72 million) and distributions of £6 million (2019: £24 million) from unconsolidated subsidiaries.

Unquoted investments

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

The Group's policy is to fair value both the equity and shareholder debt investments in infrastructure assets together where they will be managed and valued as a single investment, were invested at the same time and cannot be realised separately. The Directors consider that equity and debt share the same characteristics and risks and they are therefore treated as a single unit of account for valuation purposes and a single class for disclosure purposes. As at 31 March 2020, the fair value of unquoted investments was £1,647 million (2019: £1,664 million). Individual portfolio asset valuations are shown within the Portfolio summary on page 26.

Notes to the accounts

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

Unquoted investments continued

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

As the global response to Covid-19 is ongoing, and the recovery from the stay at home and social distancing policies in the markets in which we invest is either yet to start or is in the earliest stage, there are greater uncertainties than usual in preparing an estimate of fair value of the investments as at 31 March 2020. The general assumptions that have been taken in relation to the Covid-19 pandemic are described in the Summary of portfolio valuation methodology on page 29. One of these assumptions is that the general stay at home policies/closed borders/major restrictions on travel continue for four months from 1 April 2020, followed by a gradual recovery over the remainder of 2020. The Directors have assessed the operational performance of all of the Company's investments including stress testing for plausible adverse impacts. This included modelling extended restrictions for nine months from 1 April 2020 followed by a gradual recovery throughout 2021, at the same pace as the base case. This additional sensitivity has been disclosed below.

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 Group 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 Board believes that the sensitivities, as disclosed in Note 9 of the consolidated financial statements, continue to be reasonable after taking into account potential macroeconomic changes which may occur as a result of Covid-19. However, there continues to be significant uncertainty around how the pandemic will evolve and therefore it is difficult to foresee all of the consequences or disruptions that may arise as a result. It remains therefore a priority for the Board to monitor and assess for potential consequences and disruption and seek to mitigate risks accordingly.

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 £136 million (2019: £132 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £157 million (2019: £153 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) (2019: 5.0%) to 2.0% (the Netherlands) (2019: 2.0%). The long-term RPI assumption for UK assets is 2.5% (2019: 2.5%). Changing the inflation rate assumption may result in consequential changes to other assumptions used in the valuation of each asset. The impact of increasing the inflation rate assumption by 1% for the next two years would increase the value of the portfolio by £16 million (2019: £34 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 £15 million (2019: £34 million).

The valuations are sensitive to changes in interest rates, which may result from: (i) unhedged existing borrowings within portfolio companies; (ii) interest rates on uncommitted future borrowings assumed within the asset valuations; and (iii) cash deposits held by portfolio companies. These comprise a wide range of interest rates from short-term deposit rates to longer-term borrowing rates across a broad range of debt products. Increasing the cost of borrowing assumption for unhedged borrowings and any future uncommitted borrowing and the cash deposit rates used in the valuation of each asset by 1% would reduce the value of the portfolio by £76 million (2019: £49 million). Decreasing the interest rate assumption used in the valuation of each asset by 1% would increase the value of the portfolio by £71 million (2019: £48 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.

Extending the assumption taken across the portfolio that the stay at home policies/closed borders/major restrictions on travel will last for four months from 1 April 2020 to nine months from 1 April 2020 would reduce the value of the portfolio by £46 million. This calculation has been derived by adjusting the underlying forecast cash flow projections for each investment without any adjustment to the discount rate or macroeconomic assumptions.

Unlisted funds

The Company divested of its only externally managed fund, the Dalmore Capital Fund, during the year. The Company previously classified the fair value of this investment as Level 3. As at 31 March 2020, the fair value of unlisted funds was nil (2019: £17 million).

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

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 2020, the fair value of the other assets and liabilities within these intermediate holding companies was £5 million (2019: £16 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 Consolidated balance sheet are the responsibility of the Board of Directors of the Company. The Investment Manager provides a valuation of unquoted investments, debt and unlisted funds held by the Group on a half-yearly basis. This is performed by the valuation team of the Investment Manager and reviewed by the valuation committee of the Investment Manager. The valuations are also subject to quality assurance procedures performed within the valuation team. The valuation team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. The valuation committee of the Investment Manager considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen. On a half-yearly basis, the Investment Manager presents the valuations to the Board. This includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with significant fair value changes. Any changes in valuation methods are discussed and agreed with the Audit and Risk Committee before the valuations on the Consolidated balance sheet are approved by the Board.

8 Trade and other receivables

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Non-current assets		
Vendor loan notes	**99**	–
Current assets		
Vendor loan notes	**99**	–
Other receivables including prepayments and accrued income	**1**	2
Capitalised finance costs	**1**	1
	200	3

Vendor loan notes of £196 million were received from the purchaser following the sale of WIG. These are repayable unconditionally in two equal instalments in December 2020 and December 2021 and carry an interest rate of 6%. These are measured at amortised cost using the effective interest method. Accrued interest on the vendor loan notes is included in the table above.

9 Financial risk management

A full review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Risk report on pages 60 to 69. This Note provides further detail on financial risk management, cross-referring to the Risk report where applicable and providing further quantitative data on specific financial risks.

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

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

Notes to the accounts

9 Financial risk management continued

Capital structure

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

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

Capital is allocated for investment in utilities, communications, healthcare, transportation, energy and natural resources and social infrastructure across the UK, continental Europe and Asia. As set out in the Group's investment policy, the maximum exposure to any one investment is 25% of gross assets (including cash holdings) at the time of investment.

Credit risk

The Group is subject to credit risk on the debt component of its unquoted investments, cash, deposits, derivative contracts and receivables. The maximum exposure to credit risk as a result of counterparty default equates to the current carrying value of these financial assets. Throughout the year and the prior year, the Group's cash and deposits were held with a variety of counterparties, principally in AAA rated money market funds, as well as in short-term bank deposits with a minimum of a BBB+ credit rating. The counterparties selected for the derivative financial instruments were all banks with a minimum of a BBB+ credit rating with at least one major rating agency. Following the sale of WIG, the Company received vendor loan notes ('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 Covid-19 pandemic, the fall in the oil prices and power prices and other macroeconomic factors. The performance of underlying investments is monitored by the Board to assess future recoverability.

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

The Company had no loans or receivables or debt investments considered past due (2019: 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 2020, the Group did not consider itself to have a significant exposure to any one counterparty and held deposits and derivative contracts with a number of different counterparties to reduce counterparty risk (2019: 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.

9 **Financial risk management** continued

Liquidity risk

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

2020	**Payable on demand £m**	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Total £m**
Liabilities					
Loans and borrowings[1]	**–**	**(2)**	**(2)**	**–**	**(4)**
Trade and other payables	**(6)**	**–**	**(6)**	**(5)**	**(17)**
Derivative contracts	**–**	**(8)**	**(2)**	**(2)**	**(12)**
Financial commitments[2]	**(30)**	**–**	**–**	**–**	**(30)**
Total undiscounted financial liabilities	**(36)**	**(10)**	**(10)**	**(7)**	**(63)**

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

2019	Payable on demand £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total £m
Liabilities					
Loans and borrowings[1]	–	(1)	–	–	(1)
Trade and other payables	(39)	–	–	–	(39)
Derivative contracts	–	(18)	(5)	(1)	(24)
Financial commitments[2]	(218)	(16)	–	–	(234)
Total undiscounted financial liabilities	(257)	(35)	(5)	(1)	(298)

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

The derivative contracts liability shown is the net cash flow expected to be paid on settlement. During the year, the Group invested in Joulz, in the Condorcet and A27/A1 projects and sold its investment in the Hart van Zuid project and, as a result, a prior year financial commitment of £205 million was extinguished.

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

Market risk

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

Towards the end of the financial year, market price risk impacted the valuations of the Company's investments due to increased volatility within equity markets caused by the global economic impact of Covid-19. This is discussed further in Note 7 and in the Risk report.

(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 (2019: 100 basis points) would lead to an approximate increase in net assets and to the net profit of the Group of £4 million (2019: £3 million). This exposure relates principally to changes in interest receivable on cash on deposit held at the year end. The average cash balance of the Group, which is more representative of the cash balance during the year, was £157 million (2019: £148 million) and the weighted-average interest earned was 0.62% (2019: (0.03)%). The risk exposure at this year end is considered to be representative of this year as a whole.

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

Notes to the accounts

9 Financial risk management continued

(ii) Currency risk

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

	As at 31 March 2020					
	Sterling[1] £m	**Euro £m**	**NOK £m**	**DKK £m**	**US dollar £m**	**Total £m**
Net assets	**883**	**1,012**	**208**	**139**	**27**	**2,269**
Sensitivity analysis						
Assuming a 10% appreciation in sterling against the euro, NOK, DKK and US dollar exchange rates:						
Impact of exchange movements on net profit and net assets	**101**	**(92)**	**(19)**	**(13)**	**(2)**	**(25)**

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

	As at 31 March 2019					
	Sterling[1] £m	Euro £m	NOK £m	DKK £m	US dollar £m	Total £m
Net assets	943	573	198	157	31	1,902
Sensitivity analysis						
Assuming a 10% appreciation in sterling against the euro, NOK, DKK and US dollar exchange rates:						
Impact of exchange movements on net profit and net assets	60	(52)	(18)	(14)	(3)	(27)

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 2020 Investments at fair value £m	As at 31 March 2019 Investments at fair value £m
Increase in net profit and net assets	**165**	170

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

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

(iv) Fair values

The fair value of the investment portfolio is described in detail in the Portfolio valuation methodology section and in Note 7. The fair values of the remaining financial assets and liabilities approximate to their carrying values (2019: same).

The sensitivity analysis in respect of the interest rate, currency and market price risks is considered to be representative of the Group's exposure to financial risks throughout the period to which they relate (2019: same).

10 Derivative financial instruments

	As at 31 March 2020 £m	As at 31 March 2019 £m
Non-current assets		
Forward foreign exchange contracts	**7**	5
Current assets		
Forward foreign exchange contracts	**26**	3
Non-current liabilities		
Forward foreign exchange contracts	**(4)**	(6)
Current liabilities		
Forward foreign exchange contracts	**(8)**	(18)

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 2020, the notional amount of the forward foreign exchange contracts held by the Company was £1,160 million (2019: £918 million).

11 Loans and borrowings

On 30 April 2018, the Company entered into a new three-year, secured £300 million RCF with a syndicate of banks. The RCF is secured by a fixed and floating charge over directly held assets of the Company. Interest is payable at LIBOR plus a fixed margin on the drawn down amount. As at 31 March 2020, the Company had drawn down cash of nil (2019: nil).

The RCF has certain loan covenants, including a debt service coverage ratio and loan to value ratio. The Company has the right to increase the size of the RCF by up to a further £200 million, provided that existing lenders have a right of first refusal. In May 2020, the Company agreed the second one-year extension to the maturity date, to 27 April 2023.

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

12 Trade and other payables

	As at 31 March 2020 £m	As at 31 March 2019 £m
Non-current liabilities		
Performance fee	**11**	–
Current liabilities		
Management and performance fees	**6**	31
Accruals and other creditors	**–**	8
	17	39

The carrying value of all liabilities is representative of fair value (2019: same). In the prior year other creditors included £7 million owed to Oystercatcher Luxco 1 S.à r.l., an unconsolidated subsidiary and related party, which has subsequently been repaid.

Notes to the accounts

13 Issued capital

	As at 31 March 2020		As at 31 March 2019	
	Number	£m	Number	£m
Authorised, issued and fully paid				
Opening balance	**810,434,010**	**1,273**	810,434,010	1,273
Issued as part of Placing	**81,000,000**	**223**	–	–
Closing balance	**891,434,010**	**1,496**	810,434,010	1,273

Aggregate issue costs of £20 million arising from IPO and subsequent share issues were offset against the stated capital account in previous years. In addition, the stated capital account was reduced by Court order on 20 December 2007 with an amount of £693 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts. Therefore, as at 31 March 2019, the residual value on the stated capital account was £560 million.

On 11 October 2019, the Company issued a further 81 million new shares at a price of 275 pence per share. On 15 October 2019 the shares were admitted to trading on the London Stock Exchange main market for listed securities. The shares were credited as fully paid and rank pari passu in all respects with the existing ordinary shares, including the right to receive all dividends and other distributions declared, made or paid in respect of the ordinary shares after the date of issue. The total number of shares in the Company following this issue is 891,434,010. Issue costs of £4 million were offset against the stated capital account as a result of the Placing, bringing the aggregate issue costs offset against the stated capital account at 31 March 2020 to £24 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 2020	Year to 31 March 2019
Earnings per share (pence)		
Basic and diluted	**26.4**	31.9
Earnings (£m)		
Profit after tax for the year	**224**	259
Number of shares (million)		
Weighted average number of shares in issue	**847.6**	810.4
Number of shares at the end of the year	**891.4**	810.4

	As at 31 March 2020	As at 31 March 2019
Net assets per share (pence)		
Basic and diluted	**254.5**	234.7
Net assets (£m)		
Net assets	**2,269**	1,902

15 Dividends

	Year to 31 March 2020		Year to 31 March 2019	
Declared and paid during the year	Pence per share	£m	Pence per share	£m
Interim dividend paid on ordinary shares	**4.600**	**41**	4.325	35
Prior year final dividend paid on ordinary shares	**4.325**	**35**	3.925	32
	8.925	**76**	8.250	67

The Company proposes paying a final dividend of 4.6 pence per share (2019: 4.325 pence) which will be payable to those shareholders that are on the register on 19 June 2020. On the basis of the shares in issue at year end, this would equate to a total final dividend of £41 million (2019: £35 million).

The final dividend is subject to approval by shareholders at the AGM in July 2020 and has therefore not been accrued in these Financial statements.

16 Commitments

	As at 31 March 2020 £m	As at 31 March 2019 £m
Unquoted investments	**30**	234

As at 31 March 2020, the Group was committed to investing a further US$38 million (£30 million) (2019: US$38 million, £29 million) of loan commitment in the India Fund. During the year, the Group invested in Joulz and the Condorcet and A27/A1 projects and sold its investment in the Hart van Zuid project. As a result, opening commitments of £205 million were extinguished.

17 Contingent liabilities

As at 31 March 2020, the Company had issued nil (2019: €19 million, £16 million) in the form of Letters of Credit, drawn against the RCF. During the year, the Company invested in the Condorcet and A27/A1 projects and sold its investment in the Hart van Zuid project and, as a result, the Letters of Credit were cancelled.

18 Related parties

Transactions between 3i Infrastructure and 3i Group

3i Group plc ('3i Group') holds 30.2% (2019: 33.3%) 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 £24 million (2019: £22 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 (2019: nil) were drawn down by the India Fund from the Company during the year. In total, commitments of US$184 million or £148 million re-translated (2019: US$184 million or £141 million) had been drawn down at 31 March 2020 by the India Fund from the Company. As the India Fund has reached the end of its investment period, the Company's outstanding commitment to the India Fund is limited to 15% of the original US$250 million commitment. At 31 March 2020, the outstanding commitment was US$38 million, or £30 million re-translated (2019: US$38 million or £29 million).

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

Under the IAA, an annual advisory fee was payable to 3i plc based on the gross investment value of the Group at the end of each financial period. While the IAA was replaced by the IMA with effect from 15 October 2018, the basis of calculating the fees, for both the ongoing fee and the performance fee, continued to apply as under the IAA in respect of the financial year to 31 March 2019.

With effect from 1 April 2019, 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.

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

The management fee is payable quarterly in advance. For the year to 31 March 2020, £28 million (2019: £30 million) was payable and advance payments of £29 million were made resulting in an amount due from 3i plc of less than £1 million at 31 March 2020 (2019: nil).

Under the IMA, with effect from 1 April 2019, a performance fee is payable to the Investment Manager equal to 20% of the Group'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 Group's performance in the year in which that instalment is paid also triggers payment of a performance fee in respect of that year, or (b) if the Group's performance over the three years starting with the year in which the performance fee is earned exceeds the 8% hurdle on an annual basis. There is no high water mark requirement.

The performance hurdle requirement was exceeded for the year to 31 March 2020 and therefore a performance fee of £17 million was recognised (2019: £31 million). The outstanding balance payable as at 31 March 2020 was £17 million (2019: £31 million).

Notes to the accounts

18 **Related parties** continued

Transactions between 3i Infrastructure and 3i Group continued

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

Prior to the replacement of the IAA by the IMA, the Company also paid 3i plc an annual fee for the provision of support services, under a UK Support Services Agreement. This agreement was terminated on 15 October 2018 and these support services (which are ancillary and related to the investment management service) are now also provided under the IMA. In consideration of the provision of support services under the IMA, the Company will pay the Investment Manager an annual fee of £1 million. The cost for the support services incurred for the year to 31 March 2020 was £1 million (2019: £1 million). The outstanding balance payable as at 31 March 2020 was nil (2019: nil).

Regulatory information relating to fees

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

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

19 Unconsolidated subsidiaries and related undertakings

Name	Place of incorporation and operation	Ownership interest
3i Infrastructure (Luxembourg) S.à r.l.	Luxembourg	100%
3i Infrastructure (Luxembourg) Holdings S.à r.l.	Luxembourg	100%
Oystercatcher Luxco 1 S.à r.l.	Luxembourg	100%
Oystercatcher Luxco 2 S.à r.l.	Luxembourg	100%
Oystercatcher Holdco Limited	UK	100%
3i Osprey LP	UK	69%
3i India Infrastructure Fund A LP	UK	100%
BIF WIP LP	UK	100%
BIFWIP Dutch Holdco B.V.	The Netherlands	100%
Heijmans Capital B.V.	The Netherlands	80%
NMM Company B.V.	The Netherlands	80%
Quartier Santé SAS	France	80%
Heijmans A12 B.V.	The Netherlands	80%
Serendicité SAS	France	80%
3i ERRV Denmark Limited	Jersey	100%
3i WIG Limited	Jersey	100%
3i Envol Limited	Jersey	100%
3Angle B.V.	The Netherlands	59%
3i Tampnet Holdings Limited	UK	100%
3iN Attero Holdco Limited	UK	100%
Joulz Group:		
Joulz Holdco B.V.	The Netherlands	100%
Joulz Bidco B.V.	The Netherlands	100%
Joulz Diensten B.V.	The Netherlands	100%
Joulz Meetbedrijf B.V.	The Netherlands	100%
Joulz Infradiensten B.V.	The Netherlands	100%
Joulz Laadoplossingen B.V.	The Netherlands	100%
Ionisos Group:		
Epione Holdco SAS	France	96%
Epione Bidco SAS	France	96%
Financiere 3TB SAS	France	96%
Ionisos Bidco SAS	France	96%
Ionisos SAS	France	96%
Ionisos GmbH	France	96%
Ionmed Esterilizacion SA	Spain	96%
Scandinavian Clinics Estonia OÜ	Estonia	96%
Sterylène SAS	France	96%
Steril Milano Srl	Italy	96%
Infinis Group:		
3i LFG Topco Limited	Jersey	100%
Infinis Energy Group Holdings Limited	UK	100%
Infinis Energy Management Limited	UK	100%
Infinis Limited	UK	100%
Infinis (Re-Gen) Limited	UK	100%
Novera Energy (Holdings 2) Limited	UK	100%
Novera Energy Generation No. 1 Limited	UK	100%
Novera Energy Operating Services Limited	UK	100%
Gengas Limited	UK	100%
Novera Energy Generation No. 2 Limited	UK	100%

Notes to the accounts

19 Unconsolidated subsidiaries and related undertakings continued

Name	Place of incorporation and operation	Ownership interest
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 Acquisitions Limited (formerly Novera Acquisitions Limited)	UK	100%
Barbican Holdco Limited	UK	100%
Barbican Bidco Limited	UK	100%
Alkane Energy Limited	UK	100%
Alkane Biogas Limited	UK	100%
Alkane Energy UK Limited	UK	100%
Alkane Services Limited	UK	100%
Seven Star Natural Gas Limited	UK	100%
MW Renewables Limited	UK	100%
Regent Park Energy Limited	UK	100%
Leven Power Limited	UK	100%
Rhymney Power Limited	UK	100%
Alkane Energy CM Holdings Limited	UK	100%
Alkane Energy CM Limited	UK	100%
Infinis Solar Holdings Limited	UK	100%
Infinis Solar Developments Limited	UK	100%

The list above comprises the unconsolidated subsidiary undertakings of the Group as at 31 March 2020.

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 (2019: none). No such financial or other support was provided during the year (2019: none).

There are no significant restrictions on the ability of any of the unconsolidated subsidiaries to transfer funds to the Company in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiaries.

Oystercatcher Luxco 2 S.à r.l. has total borrowings of €227 million or £201 million (2019: €227 million, £198 million). These consist of three euro denominated term loans (EUR Private Placement ('PP') tranches) totalling €183 million or £162 million and a Singapore dollar denominated term loan (SGD PP tranche) of SGD 71 million or £40 million. The EUR and SGD PP tranches are with financial institutions.

The three EUR PP tranches are repayable between March 2026 and December 2027 and the SGD PP tranche in March 2029. The facilities have certain loan covenants including interest cover ratios and a leverage ratio which may restrict the future payment of cash dividends from the subsidiary. RBC Europe Ltd as security agent, has security over the equity investments held by Oystercatcher Luxco 2 S.à r.l. The value of this security at 31 March 2020 was £347 million (2019: £348 million).

Investment policy (unaudited)

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

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

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

The Company may also consider investing in other fund structures (in the event that it considers, on receipt of advice from the Investment Manager, that that is the most appropriate and effective means of investing), which may be advised or managed either by the Investment Manager or a third party. If the Company invests in another fund advised or managed by 3i Group, the relevant proportion of any advisory or management fees payable by the investee fund to 3i plc will be deducted from the annual management fee payable under the Investment Management Agreement and the relevant proportion of any performance fee will be deducted from the annual performance fee, if payable, under the Investment Management Agreement. For the avoidance of doubt, there will be no similar set-off arrangement where any such fund is advised or managed by a third party.

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

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

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

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

Portfolio valuation methodology (unaudited)

A description of the methodology used to value the investment portfolio of 3i Infrastructure and its consolidated subsidiary ('the Group') is set out below in order to provide more detailed information than is included within the accounting policies and the Investment Manager's review for the valuation of the portfolio. The methodology complies in all material aspects with the International Private Equity and Venture Capital valuation guidelines which are endorsed by the British Private Equity and Venture Capital Association and Invest Europe.

Basis of valuation

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

General

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

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

Quoted investments

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

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

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

DCF

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

Proportionate share of net assets

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

Sales basis

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

Cost less fair value adjustment

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

Information for shareholders

Financial calendar

Ex-dividend date for final dividend	18 June 2020
Record date for final dividend	19 June 2020
Annual General Meeting	9 July 2020
Final dividend expected to be paid	13 July 2020
Half-yearly results	November 2020

Designation of dividends as interest distributions

As an approved investment trust, the Company is permitted to designate dividends wholly or partly as interest distributions for UK tax purposes. Dividends designated as interest in this way are taxed as interest income in the hands of shareholders and are treated as tax deductible interest payments made by the Company. The Company expects to make such dividend designations in periods in which it is able to use the resultant tax deduction to reduce the UK corporation tax it would otherwise pay on the interest income it earns from its investments. The Board is designating 1.9 pence of the 4.6 pence final dividend payable in respect of the year as an interest distribution.

Registrars

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

Link Market Services (Jersey) Limited
PO Box 532
St. Helier
Jersey JE4 5UW
Channel Islands

Shareholder helpline: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Please note that calls may be monitored or recorded for training and quality purposes.

Email: registrars@linkgroup.je

Investor relations and general enquiries

For all investor relations and general enquiries about 3i Infrastructure plc, please contact:

Thomas Fodor
Investor Relations
3i Infrastructure plc
16 Palace Street
London, SW1E 5JD

email: thomas.fodor@3i.com
Telephone +44 (0)20 7975 3469

or for full up-to-date investor relations information including the latest share price, recent reports, results presentations and financial news, please visit our investor relations website **www.3i-infrastructure.com**.

If you would prefer to receive shareholder communications electronically, including your annual reports and notices of meetings, please go to **www.3i-infrastructure.com/investors/shareholder-centre** for details of how to register.

Frequently used Registrars' forms can be found on our website at **www.3i-infrastructure.com/investors/shareholder-centre**.

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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.

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.

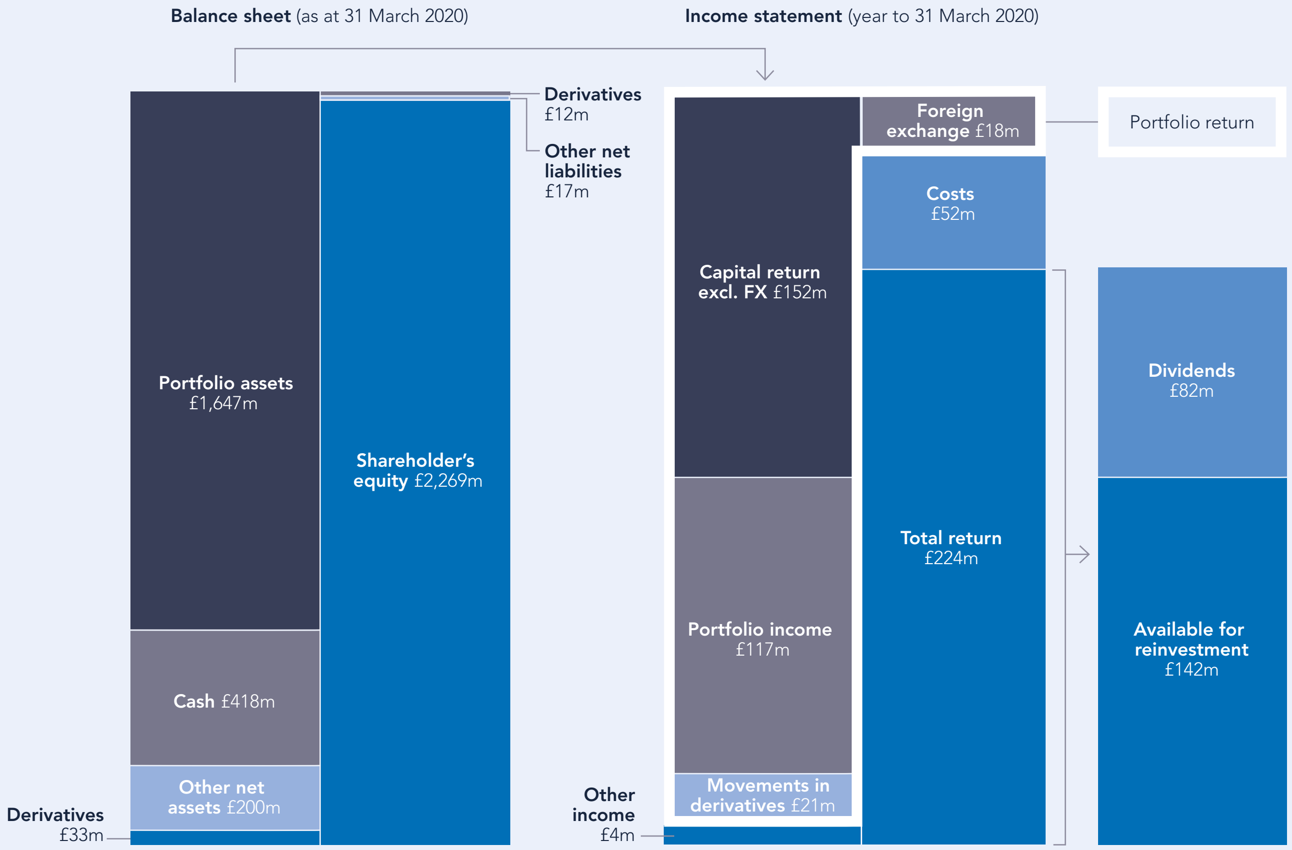
FY19, FY20, FY21 refers to the financial years to 31 March 2019, 31 March 2020 and 31 March 2021 respectively.

Global Financial Crisis refers to the financial crisis of 2007 to 2009.

IMO refers to the International Maritime Organization.

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.

Composition of balance sheet and income statement



International Financial Reporting Interpretations Committee ('IFRIC') is a committee set up to interpret the application of IFRS to ensure consistent accounting practices throughout the world and to provide timely guidance on financial reporting issues that are not specifically addressed in IFRS.

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

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

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

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

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

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

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

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

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

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

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

Revolving credit facility ('RCF') A £300 million facility provided by the Company's lenders with a maturity date in April 2023.

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

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

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

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

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

Notes

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

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Annual report and accounts online

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