13 May 2021

3i Group plc announces results for the year to 31 March 2021

Strong result built on structural growth trends despite Covid-19 disruption

- **Total return of £1,726 million or 22% on opening shareholders' funds** (March 2020: £253 million, 3%) and **NAV per share of 947 pence** (31 March 2020: 804 pence) after paying 35 pence of dividends in the year. This result is net of a foreign exchange translation loss of 41 pence per share and the 13 pence per share negative accounting impact from a fundamental de-risking of the UK defined benefit pension plan.

- **Our Private Equity business delivered a gross investment return of £1,936 million or 30%** (March 2020: £352 million, 6%). Many of our portfolio companies are supported by structural growth trends and have either excelled during the pandemic or adapted to the changing environment very quickly. In FY2021 we saw strong momentum in earnings growth and cash generation in portfolio companies operating in consumer goods, e-commerce, healthcare and business and technology services, while those operating in the travel and automotive segments continued to face challenges.

- **Action** delivered annual revenue growth of 10% and EBITDA growth of 14% in the year to December 2020, despite prolonged periods of disruption as a result of the pandemic. The strength of this result proves the power of its unique customer proposition, its ability to adapt quickly to changing circumstances and the strength of its financial model and cash generation capabilities. **This strong performance underpinned value growth of £1,202 million in the year**.

- In competitive markets for new investment the **Private Equity** team remained selective and price disciplined, making **three new investments in the year in MPM, WilsonHCG and GartenHaus, for a total of £275 million**. We continued to focus on M&A activity by our portfolio companies and completed eight bolt-on acquisitions in total during the year, including the transformational acquisitions of Technogroup by Evernex and SaniTech West by our Bioprocessing platform, since rebranded as SaniSure. **In total, we contributed £124 million to fund three bolt-on acquisitions in the portfolio**. Only two of our portfolio companies have required liquidity support since the outbreak of the pandemic and in the year we provided a total of £66 million of funding to support Audley Travel and Hans Anders in this challenging environment.

- **Our Infrastructure business delivered a gross investment return of £178 million, or 16%** (March 2020: £(39) million, (4)%). This return was driven by the increase in 3i Infrastructure plc ("3iN")'s share price and strong dividend income. Our US Infrastructure portfolio proved to be resilient in the year. Regional Rail, one of our two US investments, completed a refinancing package in March 2021, returning proceeds of £74 million to 3i.

- **Scandlines delivered a solid gross investment return of £25 million, or 6%** (March 2020: £5 million, 1%) despite significant travel restrictions impacting leisure travel on its ferry crossings. Its freight activity remained stable in 2020, with volumes close to 2019 levels.

- **Total dividend of 38.5 pence per share** for FY2021, with a second FY2021 dividend of 21.0 pence per share to be paid in July 2021 subject to shareholder approval.

Simon Borrows, 3i's Chief Executive, commented:
"3i delivered a strong result in FY2021 during a period of unprecedented uncertainty and disruption caused by the Covid-19 pandemic. This outcome was supported by the resilient performance of our Private Equity and Infrastructure portfolios, our strong balance sheet and the capabilities of our experienced team.

We enter our new financial year in the knowledge that we have a high quality investment portfolio with broad exposure to sectors with strong underlying growth, as well as a net asset value grounded in 'through the cycle' valuation multiples, rather than reflecting some of the very high valuations we are witnessing in markets at present. We are also maintaining strong price discipline and avoiding the exuberance seen in many of today's transactions as we add to our high-quality portfolio."

Financial highlights

	Year to/as at 31 March 2021	Year to/as at 31 March 2020
Group		
Total return	**£1,726m**	£253m
Operating expenses	**£(112)m**	£(116)m
Operating cash profit	**£23m**	£40m
Realised proceeds	**£218m**	£918m
Gross investment return	**£2,139m**	£318m
- As a percentage of opening 3i portfolio value	**26%**	4%
Cash investment	**£510m**	£1,248m
3i portfolio value	**£10,408m**	£8,098m
Gross debt	**£975m**	£575m
Net (debt)/cash	**£(750)m**	£270m
Gearing[1]	**8%**	nil
Liquidity	**£725m**	£1,245m
Net asset value	**£9,164m**	£7,757m
Diluted net asset value per ordinary share	**947p**	804p
Total dividend per share	**38.5p**	35p

1 Gearing is net debt as a percentage of net assets.

ENDS

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For further information regarding the announcement of 3i's annual results to 31 March 2021, including a live webcast of the results presentation at 10.00am, please visit www.3i.com.

Notes to editors

3i is a leading international investment manager focused on mid-market Private Equity and Infrastructure. Our core investment markets are northern Europe and North America. For further information, please visit: www.3i.com.

Notes to the announcement of the results

Note 1

All of the financial data in this announcement is taken from the Investment basis financial statements. The statutory accounts are prepared under IFRS for the year to 31 March 2021 and have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2020 have been delivered to the Registrar of Companies. The auditor's reports on the statutory accounts for these years are unqualified and do not contain any matters to which the auditor drew attention by way of emphasis or any statements under section 498(2) or (3) of the Companies Act 2006. This announcement does not constitute statutory accounts.

Note 2

Copies of the Annual report and accounts 2021 will be distributed to shareholders on or soon after 25 May 2021.

Note 3

This announcement may contain statements about the future including certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i"). These are not guarantees of future performance and will not be updated. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Note 4

Subject to shareholder approval, the proposed second dividend is expected to be paid on 23 July 2021 to holders of ordinary shares on the register on 18 June 2021. The ex-dividend date will be 17 June 2021.

Our purpose

We generate attractive returns for our shareholders and co-investors by investing in private equity and infrastructure assets.

As proprietary capital investors we have a long-term, responsible approach.

We create value through thoughtful origination, disciplined investment and active management of our assets, driving sustainable growth in our investee companies.

Chairman’s statement

“We are disciplined investors, focused on creating value for shareholders by driving sustainable growth in our portfolio companies.”

In challenging circumstances, 3i delivered a strong result in our financial year to 31 March 2021 (“FY2021”). Our Private Equity and Infrastructure portfolios have demonstrated resilience and adaptability and have continued to generate attractive returns for shareholders.

Market environment and performance

We began our financial year at a time of unprecedented uncertainty as Covid-19 spread across the world. Since then, extraordinary public health measures have been put in place to mitigate the impact of the pandemic and record levels of fiscal and monetary stimulus have been deployed by governments and central banks in our major markets to support business and protect the economy. Following the initial sharp fall towards the end of March 2020, global markets have rallied significantly but remain susceptible to volatility as the situation develops. As we move into our financial year to 31 March 2022 (“FY2022”), the successful global deployment of vaccines and other health measures are critical to restoring confidence and stability.

In the midst of the pandemic, the transition period for Britain’s departure from the EU ended on 31 December 2020. Our portfolio was not exposed to significant Brexit risks and the end of the transition period brought no major disruption to our business or portfolio.

The pandemic has accelerated a number of existing economic and social trends. These have been reflected in the good performance of many of our portfolio companies, which have demonstrated resilience and delivered strong performance in the year to 31 March 2021. This includes our investments in the consumer goods, e-commerce, healthcare and business and technology services sectors and our infrastructure assets. There were weaker performances in the smaller proportion of our portfolio operating in more challenged sectors, including travel and automotive. The Group’s total return for the year was £1,726 million (2020: £253 million). Net asset value (“NAV”) increased to 947 pence per share (31 March 2020: 804 pence) and our total return on opening shareholders’ funds was 22% (2020: 3%).

Dividend

Our dividend policy is to maintain or grow the dividend year-on-year, subject to balance sheet strength and the outlook for investment and realisation levels. 3i has not received any government support, furloughed any employees, nor made any employees redundant as a result of the pandemic. Even though we have not been using some of our offices for the past 12 months, we have maintained our third-party outsourced support, including office cleaning, maintenance and reception services. We provided liquidity support for two of our portfolio companies and have capacity to support other portfolio companies, if required.

Recognising the importance of our dividend to institutional and private shareholders, we maintained shareholder dividends during FY2021, paying a first dividend of 17.5 pence per share in January 2021. In line with the Group’s policy and in recognition of the Group’s financial performance, the Board recommends a second FY2021 dividend of 21.0 pence (2020: 17.5 pence), subject to shareholder approval, which will take the total dividend to 38.5 pence (2020: 35.0 pence).

Board

During the year to 31 March 2021, Jonathan Asquith, Deputy Chairman and Senior Independent Director, and Peter Grosch retired from the Board. I would like to thank both for their valuable contribution to 3i. David Hutchison was appointed Senior Independent Director to succeed Jonathan with effect from 25 June 2020. Peter McKellar will join the Board as a non-executive Director with effect from 1 June 2021. As set out in his biography in our Annual report and accounts 2021, Peter McKellar brings highly relevant experience of asset management and private markets.
As part of the long-term succession planning for the Board, I will not seek re-election at the AGM in 2022. The Nominations Committee will conduct a search process to identify my successor as chair and I will step down after an appropriate handover has been completed.

Our people

The health and wellbeing of our employees and contractors has been a key priority since the pandemic broke out. For the vast majority of FY2021, the 3i team has worked remotely and I have been impressed with how well our colleagues have adapted, while maintaining their normal high standards of performance. I would like to thank everyone at 3i and our portfolio companies for their outstanding contribution during a very challenging year.

Outlook

FY2022 is likely to be another year of social and economic uncertainty, as many countries continue to face high levels of Covid-19 infection. Both the Group and our underlying portfolio have demonstrated strength and resilience over the past 12 months and, with a strong balance sheet and our experienced investment teams, we are confident that we are well positioned for FY2022.

Simon Thompson

Chairman
12 May 2021

Chief Executive's statement

"I have been very impressed by how the 3i team has adapted to getting things done remotely and how well our investment portfolio has performed during this highly unusual period."

Simon Borrows, Chief Executive

The Group delivered a strong result in FY2021 during a period of unprecedented uncertainty and disruption caused by the Covid-19 pandemic. This outcome was supported by the resilient performance of our Private Equity and Infrastructure portfolios, our strong balance sheet and the capabilities of our experienced team. Our investment markets remain awash with uninvested capital, but our strong networks and patient approach meant we completed three new Private Equity investments at attractive prices, whilst continuing our focus on enhancing the value of both portfolios through buy-and-build opportunities. We start our new financial year with a well-positioned balance sheet and a portfolio of assets that have good momentum and are strategically positioned to continue to drive attractive returns for our shareholders.

As an investment institution, our business model is to allocate, invest and manage risk capital. We do this from a platform that has good and responsible values, a grounded team culture, a prudent financial approach and a wide international reach and diversity through our well-established office network. Our investment executives are able to use the power of broader portfolio experience and learnings to grow and improve each specific investment. This only works with rigorous processes, robust central control and an uncompromising attitude to the resilience of the investment portfolio, all of which is governed by the Investment Committee.

The start of FY2021 coincided with lockdowns across many of the geographies in which we and our portfolio companies operate. Our primary focus was to protect the wellbeing of our own employees, those of our portfolio companies and of the communities in which we collectively operate. Our rigorous portfolio management processes allowed us to identify and respond quickly and effectively to the challenges that arose as a result of the spring 2020 lockdowns. As we moved into the summer, our portfolio companies quickly recovered momentum even though their operations continued to be interrupted throughout the year by varying degrees of restrictions.

Our investment strategy over the last 10 years has been focused on assets that are exposed to secular growth trends, including the growth of value-for-money retail and e-commerce. The pandemic has resulted in an acceleration of these trends, as well as an increased focus on health and hygiene, from which our portfolio continues to benefit. As a result, the Group generated a total return on shareholders' funds of £1,726 million, or 22% (2020: £253 million, or 3%), ending the year with a NAV per share of 947 pence (31 March 2020: 804 pence). Our results include the significant negative impact of currency translation; 84% of the Group's assets are denominated in euros or US dollars and we recorded a net foreign exchange loss of £396 million from the strength of sterling in the latter part of the year. Our total return was also reduced by an accounting loss of £122 million as we reflected the commercial outcome of the Trustees' decision to enter into a final buy-in of the UK pension plan's liabilities, meaning we are no longer exposed to longevity, interest or inflation risk on the pension plan, and without making any further cash contribution. Together, the foreign exchange translation loss and revaluation of the pension plan resulted in a 54 pence reduction to our FY2021 NAV per share.

Record levels of dry powder, robust credit markets and pent-up demand following a period of limited global activity in the initial phases of the Covid-19 pandemic have led to aggressive pricing and competition in both the Private Equity and Infrastructure asset classes. We have remained focused and selective in our origination efforts despite this environment, deploying £275 million in three new Private Equity investments, whilst also financing our Private Equity portfolio companies with £124 million to fund M&A activity.

Private Equity performance

In the 12 months to 31 March 2021, the Private Equity portfolio delivered a gross investment return ("GIR") of 30% (2020: 6%). Many of our portfolio companies have either excelled in this challenging environment or adapted to the changing circumstances very quickly and, as a result, 87% of our portfolio by value grew their LTM adjusted earnings to December 2020.

Action is the leading general merchandise discount retailer in Europe and our largest investment. In the year to December 2020, which included a 53rd week, Action delivered revenue growth of 10% and finished the year with operating EBITDA of €616 million, a 14% increase on 2019, despite the Covid-19 pandemic. The strength of this result re-emphasises the power of Action's unique customer proposition, its ability to quickly adapt to changing circumstances and the strength of its financial model and cash generation capabilities.

Action's performance in 2020 alternated between periods of robust performance leading up to and after the initial 2020 lockdowns and subsequent periods of disrupted performance due to restrictions on trading. In the first 11 weeks of 2020, Action recorded very strong performance with like-for-like ("LFL") sales growth of over 7% and strong cash generation. As the pandemic took hold across Europe in March 2020 through to early May 2020, Action faced government-enforced temporary closures or assortment restrictions across all markets except the Netherlands. As a result of the temporary store closures, its supply chain was scaled down, and this led to some availability issues when all stores reopened selling the full range between mid-May and the end of October 2020. However, despite availability challenges, Action delivered double digit LFL sales growth in every month of that period, reflecting a combination of pent-up demand, customer loyalty and increased brand awareness and penetration in markets such as Germany, Austria and Poland. At the end of 2020, as the second wave of the pandemic took hold across Europe, renewed restrictions in November and December 2020 resulted in the business being limited to selling essentials only in Austria, Belgium, France and Germany and shops being closed entirely in the Netherlands. Action finished 2020 with LFL at (1.4)%, or 10.4% on a normalised basis excluding the impact of lockdowns, which was a remarkable result considering the two major periods of disruption.

A key value driver of Action's business model is its international expansion strategy. Despite the disruption caused by the pandemic, the business continued its international store roll-out with 164 new stores opened across eight countries in 2020. Action's most recently established market, Poland, performed well and exceeded expectations. The five pilot stores opened in the Czech Republic also delivered encouraging results, supporting the decision to roll-out further in that market in 2021. There is still plenty of expansion potential in existing and new countries and Action opened two new pilot stores in Italy in April 2021 and plans to open new stores in Spain in 2022. Essential to supporting this store roll-out and store growth is ensuring sufficient supply chain infrastructure is in place and, in the year, Action opened its ninth distribution centre ("DC") in Verrières in France. In 2021, it will open a new DC in Bratislava, Slovakia and a second in Bierun, Poland.

Action has been nimble in its response to government-enforced restrictions, leading to the accelerated implementation of Click & Collect facilities across multiple markets in the first quarter of 2021, after pilots were carried out in France and Belgium in 2020. Additionally, in the Netherlands, Action implemented a shopping by appointment system, operating in line with Dutch restrictions, building on its investment in its digital capabilities. Both measures underpinned a resilient sales performance in the first quarter of 2021 and are helping to mitigate the impact of continued trading restrictions across Europe.

Although Action faced more widespread store closures and store restrictions in the first quarter of 2021 than it did last year, it finished the quarter with very strong trading in March 2021 and run-rate EBITDA for the quarter just ahead of the same period last year. Action's cash and liquidity remains above €500 million. Lockdown restrictions are now easing across most countries in Europe and the company saw strong year-on-year trading in April 2021. Action has set a target of opening 300 new stores this year and is on track to do that after the first four months.

In FY2021, we saw strong momentum in earnings growth and cash generation for our portfolio companies operating in the consumer goods, e-commerce, healthcare and business and technology services sectors. Since our investment in April 2018, **Royal Sanders** has doubled both its revenue and EBITDA, driven by continued organic growth, value-accretive add-on acquisitions and a continuous focus on operational improvements. Operating in the private label and contract manufacturing personal care space and with customers numbering among the largest and most successful retailers and brand owners across Europe, Royal Sanders has benefited from the non-cyclical, defensive nature of the industry and has captured a substantial share of the increase in demand for handwash and hand gels during the

Covid-19 pandemic. Growth of its key customer base and a number of new customer wins have generated significant earnings growth in the year, whilst the recent buy-and-build acquisitions of Royal Herkel and Tunap Cosmetics, both funded from its balance sheet, have added additional diversification to its offering. As a result of such strong performance and cash flow generation, the company made a dividend distribution to 3i of £38 million in July 2020.

Luqom, our speciality online lighting retail platform, has seen favourable tailwinds from the accelerated shift towards e-commerce and increased consumer discretionary spend on home and living products. The business has also focused on further internationalisation, launching web shops in 10 new countries, taking the number of country websites it operates to 27. Its acquisition of QLF in 2019 provided the business with a platform for additional rapid expansion across Europe. As a result, Luqom doubled its EBITDA in the year and is well positioned to continue to capitalise on the structural market shift towards e-commerce. At the end of March 2021, Luqom signed the acquisition of Lampemesteren, the online market leader for premium lighting products in the Nordics. The acquisition completed in April 2021 and was funded by Luqom.

Cirtec Medical delivered significant year-on-year growth supporting key customers during a challenging macro environment and it continued to demonstrate itself as an “acquirer of choice” in the fragmented medical device outsourcing (“MDO”) market, with its bolt-on acquisition of NovelCath, a fast-growing catheter-based delivery systems manufacturer based in Minnesota. NovelCath, a highly strategic acquisition that will enable both deeper vertical integration and broader exposure to fast-growing market, is Cirtec Medical’s seventh acquisition since 3i’s original investment. Cirtec Medical continues to be positioned as among the most differentiated assets in the MDO market, with an attractive mix of end-market exposure, capabilities and financial profile.

Havea has remained resilient throughout the pandemic, benefiting from the focus on health and wellness. Its omni-channel strategy has enabled e-commerce and mail-order sales to mitigate a drop in footfall in pharmacies and other outlets for its products. The business also continued to build on its existing platform with the acquisition of Laudavie, the French specialist in children’s food supplements.

The medical side of **Q Holding’s** business saw resilient demand for non-discretionary medical products in 2020, offsetting the effects of reduced elective surgeries that were impacted by reduced capacity and fewer patient visits due to the pandemic.

Our minority stakes in **Tato** and **AES** have performed well and we recognised dividend income in the year from both assets. Tato, the manufacturer of speciality chemicals, has benefited from increased demand for biocidal, disinfectant and hygiene products which is driving strong earnings growth and cash generation. The business returned £14 million of dividends to 3i in the year. AES responded well during the pandemic and outperformed our expectations for sales and profitability, reaffirming its strategic position in the valuable mechanical seal market.

Our retail businesses have demonstrated their resilience to restrictions imposed across Europe during the course of 2020 and into 2021. Following our £20 million equity investment into **Hans Anders** in April 2020, the performance of the business recovered since stores reopened in June 2020 through a combination of strong trading and cost savings. The business enjoys a strong market position as a value-for-money optical retailer and benefits from previous investments in digitisation. Increasing online sales and high conversion rates through shopping by appointment mitigated trading restrictions imposed across its markets. **BoConcept** also experienced a very good recovery in trading after the easing of the first wave of lockdown measures in H1 2020. The business is benefiting from a number of operational initiatives taken to optimise its international franchise model and from the accelerated omni-channel development with more online interaction with customers and an improved omni-customer journey.

Our portfolio companies exposed to the travel and automotive sectors continue to operate in more challenging conditions. **arrivia’s** core markets have been significantly impacted, with no cruise sailings since February 2020 and limited resort vacations. Despite these headwinds, arrivia’s business model has proven resilient relative to other travel businesses, benefiting from stable cash revenues from membership subscriptions and from management initiatives taken to streamline the business. As expected, the current trading conditions remain challenging for arrivia, with low booking levels anticipated in the first half of 2021 across cruise and vacation ownership until there is greater vaccine deployment across the US and Europe. However, hotel and air bookings have shown improvements in recent months with greater vaccine roll-out in the US, suggesting pent-up travel demand for when cruise and resort travel can safely resume.

Similarly, and as expected, **Audley Travel’s** revenues have been under significant pressure, with departures severely restricted since April 2020. In November 2020, we invested a further £46 million of capital to support the business. The bookings trajectory since our further investment has been positive, driven by improving sentiment following the progress with vaccines, confirming that there is clear intent and pent-up demand for travel later in 2021 and beyond amongst the Audley Travel client base. However, despite these positive developments, we continue to remain cautious about the recovery in the travel sector.

Formel D's performance in the 12 months to 31 March 2021 was severely impacted by a combination of prolonged Covid-19 restrictions, a semi-conductor shortage affecting automotive production and operational challenges in France and US. Whilst we expect the business to improve in the medium term, the 12-month outlook remains challenging. Market conditions also impacted the connector seals and insulators business of **Q Holding** in the first half of 2020 due to soft light vehicle and other industrial production and corresponding supply chain management and plant shutdowns. Encouragingly, the business began to rebound towards the end of 2020 and has continued strong year over year growth into 2021 due to end customer volume recovery and supply chain restocking. **Basic-Fit** is well positioned to benefit from an increased focus on health and wellbeing post Covid-19 and, despite the significant disruption caused by enforced club closures and having declined to a share price low point for the year of €13.4 on 3 April 2020, its share price increased by 116% in the 12 months to 31 March 2021, closing at €32.85 (31 March 2020: €15.20).

Private Equity investment

We invested £275 million in three new companies, maintaining our disciplined approach to pricing and originating away from aggressively competitive processes. In September 2020, we completed the £61 million investment in **GartenHaus,** an online retailer of garden buildings, sheds, saunas, and related products in Germany, Austria, Switzerland and the Netherlands. Shortly thereafter, we supported GartenHaus in the bolt-on acquisition of Polhus, an online retailer of garden houses and related products based in Sweden. Since acquisition, both businesses have been outperforming our trading expectations.

In December 2020, we completed the £124 million investment in **MPM**, an international branded, premium and natural pet food company. MPM has an established presence in the UK, EMEA and APAC with a fast-growing operation in North America, where expansion is a focus of our investment thesis. In March 2021, we completed the £90 million investment in **WilsonHCG**, a global provider of total talent solutions, with a focus on recruitment process outsourcing. In addition to these new investments, we invested £115 million in two transformational buy-and-build opportunities for two of our portfolio companies. In July 2020, we supported **Evernex's** acquisition of Technogroup, a third-party data centre maintenance provider in Germany, Austria and Switzerland. Having established a Bioprocessing platform last year, we achieved a significant milestone in the growth and internationalisation of this platform through the acquisition of Sani-Tech West Inc in July 2020. The combined business was renamed **SaniSure** and the total 3i investment in this platform over the last two years is £135 million. In August 2020, SaniSure completed the acquisition of Biofluidfocus, which was self-funded. Both Evernex and SaniSure have performed in line with our expectations.

Private Equity realisations

As a proprietary capital investor, and with the benefit of a strong balance sheet, we are not under pressure to exit investments when we believe a longer-term hold may yield greater returns for shareholders. Given the significant market uncertainty as a result of Covid-19, we had always expected a lower level of realisation proceeds in FY2021 compared to prior years. In the year, we completed one material realisation, the disposal of **Kinolt**, receiving total proceeds of £91 million, including £5 million of income. As we look ahead to FY2022, the resilience of the majority of our portfolio companies and their ability to remain cash generative means we have a much more active pipeline of refinancings and realisations.

Infrastructure performance

3iN's well diversified portfolio proved resilient to the challenges of the Covid-19 pandemic. In the 12 months to 31 March 2021, 3iN generated a total return on opening NAV of 9.2% and delivered its dividend target of 9.8p, a 6.5% increase on last year. The Infrastructure asset class remains very competitive and, in our role as 3iN's Investment Manager, we focused on building value through the existing platform investments, with **Infinis** completing the acquisition of the development rights for a 6MW PV project and **Tampnet** purchasing a 1,200km offshore fibre cable system in the Gulf of Mexico. 3iN committed additional capital to **ESVAGT** to fund further growth in its offshore wind servicing segment and completed the acquisition of further stakes in its existing Dutch PPP projects. In April 2021, 3iN announced a new c.€182m investment to acquire a 60% stake in **DNS:NET**, a leading independent telecommunications provider in Germany.

The Group's 30% stake in 3iN was valued at £797 million at 31 March 2021, reflecting a strong rebound in the share price, which closed at 296 pence (31 March 2020: 247 pence). In addition, we recognised £26 million of dividend income from 3iN.

Regional Rail demonstrated its strategic importance to the transportation of products by rail across the eastern United States, as it was deemed an essential service throughout the Covid-19 pandemic. The business benefited from better than expected operational efficiency at its Carolina Coastal Railway line, offsetting some freight softness in the winter months across Northeast America. In March 2021, following strong cash generation, Regional Rail completed a long-term financing package, returning £74 million of cash to 3i. **Smarte Carte** has remained cash generative despite the reduction in air travel across the US. The business has benefited from its diverse offering and from a better than expected rebound in US domestic travel over the last six months, offsetting softness from international travel. The long-term outlook for the business remains positive.

Over the last year, we established a new 3i-managed vehicle that will co-invest alongside 3iN in certain transactions, with a commitment of €400 million from Industriens Pension of Denmark. This fund platform broadens our capabilities and complements our mandate as Investment Manager to 3iN. Our 3i European Operational Projects Fund completed the acquisition of a portfolio of eight operational projects in France from DIF Infrastructure III and has now deployed c.60% of its total commitments at 31 March 2021. We expect this to increase to c.62% of its total commitments upon completion of new acquisitions agreed at the end of March 2021.

Scandlines performance

Scandlines delivered a solid performance and remained profitable in 2020 despite significant travel restrictions impacting its ferry crossings between Germany and Denmark. Revenue generated from freight remained stable in 2020 and throughout the pandemic, delivering volumes close to 2019 levels. This performance helped offset lower leisure and retail activity which were significantly impacted during the spring and winter periods of disruption in 2020. At the time of writing, travel restrictions remain in place between Sweden, Denmark and Germany which are having a significant impact on leisure volumes. Freight volumes continue to show resilience and are currently in line with 2019 levels. The business has good levels of liquidity and is well positioned to rebound as restrictions are lifted.

A responsible investor and employer

As proprietary capital investors, we have a long-term, responsible approach, informed by our long-standing Responsible Investment policy. When appraising new investments, we make sure they adhere to our strict environmental, social and corporate governance ("ESG") standards, avoiding many sectors that we have concluded are unsuitable from reputation, sustainability or governance perspectives. For our existing portfolio, we have robust processes to assess, monitor and manage existing and emerging ESG risks and opportunities in the portfolio. Our approach is not confined to risk management and mitigation, but is strategic in nature. We also assess and support, on an ongoing basis, investments in our portfolio companies to underpin their long-term sustainability. We refine our approach to reflect emerging themes and developments and to ensure that we remain abreast of best practice.

The 3i team is central to delivering our strategy and objectives and we expect everyone at 3i to act with integrity, to be accountable for their behaviour, and to approach their roles with ambition, rigour and energy. The recruitment, development and retention of a capable and diverse pool of talent is a clear priority. We are a meritocracy and provide training and opportunities for career advancement, reward our employees fairly and recognise the importance of supporting the wellbeing and satisfaction of our employees by providing a healthy working environment and work/life balance. The vast majority of our employees worked remotely for almost the entire year, facilitated by additional IT investment.

Well positioned balance sheet to deliver good returns to shareholders

We ended FY2021 with net debt of £750 million after returning £338 million of cash dividends to shareholders and completing £510 million of new and further investments in the year. Our proprietary capital is the cornerstone of our business model and, in anticipation of a prolonged Covid-19 scenario and limited material realisations in the year, we took advantage of favourable corporate debt market conditions to strengthen our liquidity further by issuing a 20-year £400 million bond at a coupon of 3.75% and increasing our Revolving Credit Facility ("RCF"), from £400 million to £500 million, extending its maturity to 2026. These actions ensure 3i can continue to invest its own proprietary capital in suitable opportunities, without having to accelerate realisations of investments before they reach their full potential. To ensure that our proprietary capital model is as efficient as possible, we remain disciplined on costs and generated an operating cash profit of £23 million in the year.

Our Covid-19 charitable fund

In May 2020, we announced a £5 million charitable fund to support charities particularly affected by the pandemic, focusing on the most vulnerable communities in countries where 3i and our portfolio companies operate. The £5 million was funded from Private Equity and Infrastructure carry and performance fee arrangements earned and provided for through the income statement in prior periods. To date, we have donated or committed c.£4 million of the fund across c.90 charities. Within this, our donations targeted a number of areas, including food provision, education, domestic violence, advancement of minorities and disadvantaged groups, community development and mental health.

Covid-19 charitable fund

Examples of charities supported through the Fund are:

- **Trussell Trust** – helped The Trussell Trust, which gave out 2.5 million food parcels in 2020 to provide immediate relief, including funding warehousing and storage grants and supporting initiatives to maximise the income of food bank users by providing welfare advice
- **Frankfurter Tafel, Germany** – funded a year's worth of fuel costs to keep the charity's 12 vehicles running daily, which enables the volunteers to serve meals to c.24,000 people in need every month across Frankfurt
- **Rêv'Elles, France** – supporting the 'Ton Potentiel' programme which provides group workshops during the school holidays and individual follow-up for 200 girls a year from underprivileged backgrounds
- **Stichting Armoedefonds, Netherlands** – helped c.1,100 disadvantaged children get off to a good start in secondary school by providing them with school supplies
- **New York Common Pantry, US** – funded c.60,000 meals for individuals and families in New York who were negatively affected by the pandemic
- **Goonj, India** – provided aid kits, containing dry rations, personal care items and household necessities to over 1,900 migrant families in Madhya Pradesh displaced due to the pandemic

Outlook

This year end feels very different to a year ago. In March last year we were all attempting to work out how we could sustain progress at 3i on a remote basis and what the likely repercussions of the pandemic would be across our portfolio, having witnessed a sharp collapse in confidence and the markets in the latter part of March. Those pull-backs had a significant negative effect on 3i's 2020 results even though the Group had produced a very respectable performance in the eleven and a half months prior to that.

This has been a very challenging 12 months for everyone and I would like to thank the 3i team and the teams in our portfolio companies for their commitment and focus. I have been very impressed by how the 3i team has adapted to getting things done remotely and how well our investment portfolio has performed during this highly unusual period. Action had another strong year of performance, but for once its growth rate was eclipsed by a good number of companies in the portfolio which have really accelerated their already strong development as a result of the changes brought on by the pandemic.

We enter our new financial year in the knowledge that we have a high-quality investment portfolio with broad exposure to sectors with strong underlying growth, as well as a net asset value grounded in 'through the cycle' valuation multiples, rather than reflecting some of the very high valuations we are witnessing in markets at present. We are also maintaining strong price discipline and avoiding the exuberance seen in many of today's transactions as we add to our high-quality portfolio.

Since our restructuring in June 2012, we have delivered an average annual return on equity of over 20% from an ungeared balance sheet and we have accomplished this against our objective of achieving mid to high teens returns across the cycle. As we manage through the remaining phase of the pandemic, we are keeping to this objective and to our ambition to outperform it.

Simon Borrows
Chief Executive
12 May 2021

Our thematic approach

We adopt a thematic approach to origination and portfolio construction, backing businesses benefiting from structural trends which can support long-term sustainable growth in our portfolio.

Demographic change

The population in our core investment markets is ageing and, in most cases, shrinking

Increasing life expectancy and reduced fertility rates in most of our core markets are resulting in an ageing and often declining population, which is increasingly urban. These structural, long-term trends are resulting in profound changes in consumer behaviour and preferences, and the development of policy responses to meet the challenges of greater longevity and the increasing prevalence of age-related chronic illness.

The healthcare investments in our Private Equity portfolio, including Cirtec Medical, an outsourced medical device manufacturer, the medical device and product side of Q Holding and SaniSure, which designs and manufactures single-use bioprocessing technology, have all been clear beneficiaries from this trend. Havea, which is among the leading players in the natural consumer healthcare industry, is supported by a growing consumer focus on health and wellness. We also have exposure to this trend in our Infrastructure portfolio, through Ionisos, which provides cold sterilisation services to the medical and pharmaceutical industries, among others.

Globalisation

The increased mobility of goods, capital and labour affect businesses and consumers

Globalisation and increased economic interdependence have supported rapid economic growth across the world, but also present significant challenges which require the development of creative solutions.

We have helped many of our portfolio companies to gain an edge in an increasingly globalised business environment by internationalising their business footprints, customer bases or supply chains, either through organic expansion (eg Action, Luqom) or through acquisition (eg Royal Sanders, Evernex).

Global supply chains can be disrupted by events such as the Covid-19 pandemic or Brexit. Our portfolio construction has provided resilience to these disruptions, underpinning robust performance and strong returns.

Digitisation, technological disruption and big data

Business is increasingly mobile and data driven, facilitated by increasing connectivity and focused on simplifying the customer experience

Technology is developing rapidly. It is changing operating models and digitisation is part of daily life, permeating all spheres of human activity and interactions. We have been careful in selecting investments that benefit from this megatrend, while avoiding areas likely to be impacted by disruption.

Many companies in our Private Equity portfolio benefit from this trend, including Luqom and GartenHaus, which operate in growing, online retail niches and Evernex, which maintains IT equipment that is critical for customers' business continuity, including servers, storage and network equipment. We also have exposure to this trend in our Infrastructure portfolio through Tampnet, which provides high speed, low latency and resilient data connectivity offshore.

Low carbon and circular economy

The response to the climate and environmental emergencies will be among the defining themes of our time

The transition to a more sustainable consumption model and the development of solutions to tackle global warming and climate change, either through regulatory "push" or changes in consumer preferences, are going to provide attractive investment opportunities for many decades.

We have significant exposure to the renewable energy and waste management sectors through our Infrastructure division, with investments in companies such as Infinis and Valorem, which generate renewable energy, and Attero and HERAmbiente, which sort and recycle waste and generate power from waste that cannot be recycled. Our Infrastructure business is also invested in ESVAGT, the market leader in the fast growing segment of service operation vessels for the offshore wind industry.

Our Private Equity portfolio also has exposure to this trend. For example, WP, a manufacturer of innovative packaging systems for the FMCG industry, is investing in the development of packaging that is easily recyclable and made with greater use of recycled materials. A core pillar of Evernex's customer proposition is to repair, reuse and recycle IT equipment, reducing waste and emissions.

Value-for-money

Consumers want convenience, excitement, relevance and authenticity at good value

We expect consumers' focus on value to increase as a result of the economic uncertainty created by the Covid-19 pandemic, even as the public health emergency recedes.

Value-for-money has been one of the winning themes in our Private Equity portfolio for many years and we expect it will remain an enduring trend. Action, our largest investment, has grown revenues and EBITDA by 817% and 758% respectively since we first invested in 2011, by providing a good quality, surprising and sustainably sourced assortment at very low prices. Hans Anders, a value-for-money optical retailer, is winning market share across its markets by offering private label and branded products at average price points significantly below its major competitors. Basic-Fit, the European market leader in the value-for-money fitness market is growing its market share. Royal Sanders, a leading European private label and contract manufacturing producer of personal care products, is growing strongly thanks to its strong product offering in the value-for-money segment as well as relationships with the largest value-for-money retailers.

Private Equity

At a glance

Gross investment return

£1,936m or 30%

(2020: £352m or 6%)

Investment

£508m

(2020: £1,062m[1])

Realised proceeds

£114m

(2020: £848m[2])

Portfolio growing earnings

87%[3]

(2020: 93%)

Portfolio value

£8,814m

(2020: £6,552m)

Number of companies

33

(2020: 32)

1 FY2020 investment includes £591 million of reinvestment in Action as part of the Action transaction described on page 19 of the FY2020 Annual report and accounts.

2 FY2020 realised proceeds includes £402 million of realised proceeds from Action as part of the Action transaction described on page 19 of the FY2020 Annual report and accounts.

3 LTM adjusted earnings to 31 December 2020. Includes 25 portfolio companies.

We invest in mid-market businesses headquartered in northern Europe and North America with potential for international growth. Once invested, we work closely with our portfolio companies to achieve their full potential, realising our investments at the appropriate time to deliver strong cash-to-cash returns for 3i shareholders and other investors.

Our Private Equity portfolio delivered a GIR of £1,936 million or 30% on the opening portfolio value (2020: £352 million or 6%) in FY2021, after a £371 million foreign exchange translation loss. This result is underpinned by continued good earnings growth and cash flow despite the disruptions caused by the Covid-19 pandemic. In the 12 months to 31 March 2021, the Private Equity portfolio value increased to £8,814 million (31 March 2020: £6,552 million) driven by organic growth and value accretive acquisitions in our existing portfolio and new investments. As we enter the next financial year, the portfolio has good momentum and is strategically well positioned to continue to benefit from an acceleration in consumer trends towards value-for-money retail, e-commerce and health, wellbeing and hygiene.

The contribution of Action to the Private Equity performance is detailed in Note 1 of the financial statements.

Table 1: **Gross investment return** for the year to 31 March

Investment basis	**2021 £m**	2020 £m
Realised profits over value on the disposal of investments	**29**	90
Unrealised profits/(losses) on the revaluation of investments	**2,161**	(34)
Dividends	**53**	5
Interest income from investment portfolio	**55**	106
Fees receivable	**9**	9
Foreign exchange on investments	**(371)**	176
Gross investment return	**1,936**	352
Gross investment return as a % of opening portfolio value	**30%**	6%

New investment

Portfolio company	Business description	Date	Proprietary Capital investment
MPM	International branded, premium and natural pet food company	December 2020	£124m
WilsonHCG	Global provider in recruitment process outsourcing (“RPO”) and other talent solutions	March 2021	£90m
GartenHaus	Online retailer of garden buildings, sheds, saunas and related products in Germany, Austria, Switzerland and the Netherlands	September 2020	£61m
Total new investment			**£275m**

Case studies for new investments can be found in our Annual report and accounts 2021.

Further investment to support portfolio companies

Portfolio company	Business description	Date	Proprietary Capital investment
Audley Travel	Provider of experiential tailor-made travel	November 2020	£46m
Hans Anders	Value-for-money optical retailer	April 2020	£20m
Total further investment to support portfolio companies			**£66m**

Further investment to finance portfolio bolt-on acquisitions

Portfolio company	Name of acquisition	Business description of bolt-on investments	Date	**Proprietary Capital investment**
SaniSure[1]	+ Sani-Tech West	US-based manufacturer, distributor and integrator of single-use bioprocessing systems and components	July 2020	
Evernex	+ TechnoGroup	Third-party IT equipment maintenance business in Austria, Germany and Switzerland	July 2020	
GartenHaus	+ Polhus	Online retailer of garden houses and related products based in Sweden	December 2020	
Total further investment to finance portfolio bolt-on acquisitions				**£124m**

1 Bioprocessing platform renamed SaniSure in the year.

Private Equity portfolio bolt-ons – funded by the portfolio company balance sheets

Portfolio company		Name of acquisition	Business description of bolt-on investments	Date
Royal Sanders	+	Royal Herkel	Private label and contract manufacturing producer of nutritional supplements, medical devices, pharmaceutical and cosmetic products based in the Netherlands	January 2021
Royal Sanders	+	Tunap Cosmetics	European manufacturer active in the aerosols segment of the personal care market with a focus on contract manufacturing	March 2021
Cirtec	+	NovelCath	Fast-growing catheter-based delivery systems manufacturer based in Minnesota	December 2020
Havea	+	Laudavie	Manufacturer of food supplements which owns Calmosine, the French specialist in children's food supplements	November 2020
SaniSure[1]	+	BioFluid Focus	Supplier of single-use products for the pharmaceutical and biotech industries	August 2020

1 Bioprocessing platform renamed SaniSure in the year.

Other investment

Assets	Type	Business description	Date	Proprietary Capital investment
Havea	Further	Manufacturer of natural healthcare and cosmetics products	September 2020	£23m
Basic-Fit	Further	Discount gyms operator	June 2020	£17m
Action	Further	General merchandise discount retailer	December 2020	£9m
Luqom	Return of funding	Online lighting specialist retailer	July 2020	£(8)m
Various	Further	n/a	n/a	£2m
Total other investment				**£43m**

Investment activity

Following a period of limited activity in the initial phases of the Covid-19 pandemic, global investment volumes rebounded through the second half of 2020. Pent-up demand coupled with record levels of dry powder and robust credit markets have fuelled very high investment multiples in the US and Europe. We have remained selective and price disciplined, investing £275 million in three new assets at attractive prices.

We have continued to enhance the value of our portfolio through buy-and-build investments for our platform assets. We completed two transformational bolt-on acquisitions, Evernex's acquisition of TechnoGroup and, having a Bioprocessing platform last year, we achieved a significant milestone in the growth and internationalisation of this platform, through the acquisition of Sani-Tech West. The combined platform has now been renamed SaniSure. In addition to these two transformational acquisitions, we completed a further six bolt-on acquisitions, with only the GartenHaus acquisition of Polhus requiring funding from 3i.

We also used our capital to support the existing portfolio through the Covid-19 pandemic, completing a £20 million equity investment in Hans Anders in April 2020 and investing a further £46 million in Audley Travel in November 2020. Other noteworthy investment includes £17 million in Basic-Fit to provide expansion capital in June 2020, and the repurchase of equity stakes in Havea and Action. Luqom returned £8 million of over funding that we had provided for the bolt-on acquisition of QLF in FY2020 and this has been treated as return of investment.

In total, in the 12 months to 31 March 2021, our Private Equity team invested a total of £508 million across new and further investments.

Realisations activity

As proprietary capital investors, we are not under pressure to exit investments when we believe a longer-term hold would yield greater returns for shareholders. As expected, we generated a lower level of realisations in the year compared to recent years. Our focus was on managing our portfolio companies and supporting them through the challenges posed by the pandemic. In total, Private Equity delivered realised proceeds of £114 million (2020: £848 million) and realised profits of £29 million in the year (2020: £90 million).

In the year, we completed the disposal of Kinolt for total proceeds of £91 million, including £5 million of income, and realised a profit of £7 million and we made further progress with some of our legacy assets in Asia. In October 2020, we received proceeds of £17 million and generated a realised profit of £11 million from the disposal of Navayuga and, in the year, we recognised a further £8 million of deferred consideration from ACR which we had realised in the prior year.

Table 2: **Private Equity realisations** in the year to 31 March 2021

Investment	Country	Calendar year invested	31 March 2020 value[1] £m	3i realised proceeds £m	Profit in the year[2] £m	Uplift on opening value[2] %	Residual value £m	Money multiple[3]	IRR
Full realisations									
Kinolt	Belgium	2015	80	86	7	9%	–	1.8x	12%
Navayuga	India	2006	5	17	11	>100%	–	0.7x	–
Total realisations			**85**	**103**	**18**	**21%**	**–**	**1.4x**	**n/a**
Deferred consideration									
ACR	Singapore	2006	–	8	8	–	–	n/a	n/a
Other	n/a	n/a	–	2	2	–	–	n/a	n/a
Partial realisations[3]									
Other	n/a	n/a	–	1	1	–	–	n/a	n/a
Total Private Equity realisations			**85**	**114**	**29**	**–**	**–**	**n/a**	**n/a**

1 For partial realisations, 31 March 2020 value represents value of stake sold.
2 Cash proceeds realised in the period over opening value.
3 Cash proceeds over cash invested. For partial realisations and refinancings, valuations of any remaining investment are included in the multiple. Money multiples are quoted on a GBP basis.

Portfolio valuation approach

Compared to valuing our portfolio at 31 March 2020, we now have greater clarity and understanding of how our portfolio companies are managing and responding to the varying degrees of restrictions and other pandemic containment measures. The strength of the FY2021 Private Equity GIR highlights the resilience and momentum of the majority of our Private Equity portfolio companies, with almost all performing in line with or better than our re-forecast at the start of this financial year. In the majority of cases, our longer-term investment view on our portfolio companies has not changed. Therefore, we retained our usual valuation process in most cases. For the small number of more challenged investments, particularly those in the travel and automotive sectors, we sought to gather a broader range of inputs, considered different methodologies and applied further judgement.

Private Equity generated an unrealised profit of £2,161 million (2020: £34 million unrealised loss) with strong performance from assets valued on an earnings basis with the most significant contribution coming from Action.

Action valuation and performance

Action's run-rate earnings proved to be resilient in the 12 months to 31 March 2021, despite the two periods of major disruption due to significant trading restrictions, and the business remained highly cash generative throughout this time. This trend continued into April and early May 2021. With the benefit of this 12 months of experience we made an adjustment to the earnings used for valuation purposes, adding back the EBITDA losses that were incurred in the month of April 2020 as being unrepresentative of the normal earnings of the business. This effectively means we are using 11 months of run-rate earnings to 31 March 2021 (1 May 2020-31 March 2021). The run-rate earnings used include our normal adjustment to reflect stores opened in the year, as well as the add-back of €10 million exceptional Covid-19 related costs incurred in Action's first quarter of 2021. The valuation at 31 March 2021 includes the net debt and capital structure as at that date. Further details on Action's performance can be found in the CEO's statement above.

We increased Action's post discount run-rate multiple to 18.5x (31 December 2020: 18.0x) and applied this to the run-rate earnings described above. Further details on the Action multiple can be found below. At 31 March 2021, Action was valued at £4,566 million (31 March 2020: £3,536 million) and, as the largest Private Equity investment by value, it represented 52% of the Private Equity portfolio (31 March 2020: 54%).

Performance (excluding Action)

Excluding Action, the performance of investments valued on an earnings basis resulted in unrealised profits of £536 million (March 2020: £61 million unrealised loss), as we continue to see strong momentum in earnings growth and cash generation for portfolio companies operating in the consumer goods, e-commerce, healthcare and business and technology services sectors, offsetting underperformance from companies exposed to the travel and automotive industries.

Royal Sanders has performed strongly, generating significant earnings growth and cash flow, which allowed it to return a dividend to 3i of £38 million in July 2020. The business continued its organic growth and captured a share of the increase in demand for handwash and hand gels whilst building on its existing platform with two bolt-on acquisitions. As part of our valuation process, we estimated the proportion of profits which may not be maintainable as sales of handwash and hand gels normalise, and therefore excluded €9 million of these profits from the valuation earnings. The valuation increased to £364 million at 31 March 2021 (31 March 2020: £198 million).

The accelerated shift towards e-commerce and increased consumer discretionary spending on home and living products has generated positive tailwinds for **Luqom**. The business has grown its international footprint, launching web shops in 10 new countries and is well positioned to expand its reach further across Europe. The business doubled its earnings in the year and was valued at £307 million at 31 March 2021 (31 March 2020: £144 million).

Cirtec Medical has benefited from platform-specific tailwinds, with a number of customers ramping up their orders. Additionally, it has continued its buy and build strategy with the acquisition of NovelCath and has completed several margin optimisation initiatives, all of which delivered strong year-on-year earnings growth. At 31 March 2021, Cirtec Medical was valued at £444 million (31 March 2020: £302 million).

The increased focus on health and wellness benefited **Havea** in the year. The business mitigated a drop in footfall as a result of the pandemic with an increased online presence and continued to build on its existing platform with the acquisition of Laudavie. **Tato** has seen increased demand for speciality chemicals used in biocidal, disinfectant and hygiene products driving strong earnings growth and cash generation and returned £14 million of dividends to 3i in FY2021. We are now working more closely with management and the family owners of this minority investment and so reduced the liquidity discount on our holding.

Measures and initiatives put in place to mitigate the disruption caused by Covid-19 restrictions have enabled both **Hans Anders** and **BoConcept** to deliver a resilient performance in a challenging retail environment.

There were weaker performances in the small number of our portfolio companies operating in the challenged travel and automotive sectors. The valuation of **arrivia** recognises the acute impact on earnings of an extended period of no cruise sailings and limited resort vacations and the uncertainty on timing of the travel recovery, but also the strength of its membership revenue business and the positive impact of vaccine deployment across the US. A discussion on the performance and valuation of **Audley Travel** can be found under Discounted Cash Flow ("DCF") below.

Formel D recorded a steady recovery in output following the initial temporary plant shut downs in response to Covid-19 in April 2020. However, prolonged Covid-19 restrictions, a semi-conductor shortage affecting automotive production and operational challenges in France and the US meant that at 31 March 2021 the business was valued at £62 million (31 March 2020: £141 million). Softer trading in QSR, the connector seals and insulator business of **Q Holding**, in the spring and summer of 2020 was largely offset by a rebound at the end of 2020 and continued strength through the outset of 2021, as well as robust demand for non-discretionary medical products throughout 2020 in the medical side of Q Holding's business.

Overall, 87% of the portfolio by value grew LTM adjusted earnings in the year (2020: 93%). Table 4 shows the earnings growth of our top 20 assets.

Table 3: **Unrealised profits/(losses) on the revaluation of Private Equity investments**[1] in the year to 31 March

	2021 £m	2020 £m
Earnings based valuations		
Performance (excluding Action)	**536**	(61)
Multiple movements (excluding Action)	**408**	(231)
Action performance[2]	**1,067**	461
Action multiple	**135**	–
Other bases		
Uplift to imminent sale	**–**	1
Write-off	**–**	(103)
Discounted cash flow	**(101)**	(9)
Other movements on unquoted investments	**3**	–
Quoted portfolio	**113**	(92)
Total	**2,161**	(34)

1 Further information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation in our Annual report and accounts 2021.
2 Action performance in FY2020 includes £272 million unrealised loss which is the adjustment made at 31 March 2020 to align the fair value to the Action transaction as described on page 19 of the FY2020 Annual report and accounts.

Table 4: **Portfolio earnings growth of the top 20 Private Equity[1] investments**

	Number of companies	**3i value at 31 March 2021 £m**
<0%	7	**977**
0 - 9%	4	**966**
10 - 19%	3	**4,991**
20 - 29%	2	**568**
≥30%	4	**1,105**

1 Includes top 20 Private Equity companies by value. This represents 98% of the Private Equity portfolio by value (31 March 2020: 98%). Last 12 months' adjusted earnings to 31 December 2020 and Action based on run-rate earnings to 31 March 2021 covering the period 1 May 2020 to 31 March 2021.

Leverage

Leverage across the portfolio decreased to 3.9x earnings (31 March 2020: 4.1x) or increased to 4.3x excluding Action (31 March 2020: 3.7x).

Table 5 shows the ratio of net debt to adjusted earnings by portfolio value.

Multiple movements

In setting or changing a multiple, we consider a number of factors such as relative performance, investment size, comparable recent transactions and exit plans, and monitor external equity markets. The increase in value due to multiple movements, including Action, for FY2021 was £543 million (2020: £231 million unrealised loss).

Equity markets during our 2021 financial year were characterised by relatively high volatility. Initial steep declines as the pandemic broke out were followed by a progressive recovery as the outlook improved. However, as a result of market volatility and declines in earnings, some sector earnings multiples have diverged significantly from long-term averages. As a result, we have continued our approach of taking a longer-term view of sector multiples when determining the valuation of our investments.

We increased the valuation multiples for those portfolio companies that have both performed strongly and are well positioned to sustain this performance in line with changing consumer trends, such as Cirtec Medical, Luqom, Royal Sanders and Tato. We reflected recent transformational acquisitions and sector movements in the multiples of Evernex and SaniSure and, to reflect our view of intrinsic value in assets that have been disproportionately impacted by the pandemic, we re-rated businesses such as arrivia in line with higher market multiples.

The multiple of run-rate earnings used to value Action at 31 March 2021 increased to 18.5x net of the liquidity discount (31 December 2020: 18.0x) reflecting its continued strong performance despite the pandemic and its potential for further growth in the nine countries it operates in across Europe and beyond. Based on the valuation at 31 March 2021, a 1.0x movement in Action's post-discount multiple would increase or decrease the valuation of 3i's investment by £307 million.

Table 5: **Ratio of net debt to adjusted earnings**[1]

	Number of companies	3i value at 31 March 2021 £m
<1x	3	**535**
1 - 2x	–	**–**
2 - 3x	2	**383**
3 - 4x	4	**5,392**
4 - 5x	3	**335**
5 - 6x	5	**931**
>6x	2	**146**

1 This represents 88% of the Private Equity portfolio by value (31 March 2020: 91%). Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation. Net debt and adjusted earnings at 31 December 2020 and Action based on run-rate earnings to 31 March 2021 covering the period 1 May 2020 to 31 March 2021.

DCF

Audley Travel is our largest Private Equity asset valued on a DCF basis. The valuation of Audley Travel reflects the year of minimal departures due to the ongoing travel restrictions and the assumption that travel does not recover to 2019 levels until 2024. In November 2020, we invested £46 million to support Audley Travel through this prolonged period of difficulty. The bookings trajectory since our further investment has been ahead of that investment case, driven by positive sentiment following the progress with vaccines, confirming that there is clear intent and pent-up demand for travel amongst the Audley Travel client base. However, despite these developments, we continue to remain cautious around the 2021 outlook for the travel sector, given its dependence on international control of the pandemic and government policy. At 31 March 2021, Audley Travel was valued at £85 million (31 March 2020: £124 million).

Quoted portfolio

Basic-Fit, the only quoted investment in the Private Equity portfolio, was significantly impacted by the Covid-19 pandemic in 2020 and 2021. At the time of writing, current government road maps indicate possible reopening of Basic-Fit clubs in the Netherlands in May 2021 and in Belgium and France shortly thereafter and the business is well positioned to benefit from the anticipated increased focus on health and wellbeing.

Basic-Fit expanded its network by 121 clubs in 2020, taking its total to 905 clubs in the Netherlands, Belgium, Luxembourg, France and Spain.

In June 2020, we invested £17 million (at €25 per share) in Basic-Fit to provide expansion capital. We recognised an unrealised profit of £113 million as a result of the increase in share price to €32.85 at 31 March 2021 (31 March 2020: €15.20), valuing our residual 12.8% stake at £214 million (31 March 2020: 12.7% shareholding valued at £93 million). Since the year end, Basic-Fit has raised further capital at €34 per share. We did not participate in that equity raise and, as a result, our residual stake reduced to 11.6% from 12.8%.

Assets under management

The value of 3i's proprietary capital invested in Private Equity increased to £8.8 billion in the year (31 March 2020: £6.6 billion), due to unrealised profit and net investment in the year.

The value of the Private Equity portfolio, including third-party capital, increased to £11.6 billion (31 March 2020: £8.8 billion).

Table 6: **Private Equity assets by geography** as at 31 March 2021

3i office location	**Number of companies**	**3i carrying value 2021 £m**
Netherlands	**5**	**5,567**
France	**2**	**523**
Germany	**6**	**714**
UK	**9**	**800**
US	**8**	**1,190**
Other	**3**	**20**
Total	**33**	**8,814**

Table 7: **Private Equity 3i proprietary capital** as at 31 March

Vintages	**3i proprietary capital value[3] 2021 £m**	**Vintage money multiple[4] 2021**	3i proprietary capital value[3] 2020 £m	Vintage money multiple[4] 2020
Buyouts 2010–2012[1]	**1,569**	**10.2x**	1,623	9.5x
Growth 2010–2012[1]	**16**	**2.1x**	20	2.1x
2013–2016[1]	**829**	**2.1x**	869	2.2x
2016–2019[1]	**2,062**	**1.4x**	1,472	1.0x
2019–2022[1]	**745**	**1.1x**	281	1.0x
Others[2]	**3,593**	**n/a**	2,287	n/a
Total	**8,814**		6,552	

1 Assets included in these vintages are disclosed in the Glossary.
2 Includes value of £2,997 million (31 March 2020: £1,913 million) held in Action through the 2020 Co-investment vehicles and 3i.
3 3i proprietary capital is the unrealised value for the remaining investments in each vintage.
4 Vintage money multiple (GBP) includes realised value and unrealised value as at the reporting date.

Infrastructure

At a glance

Gross investment return

£178m or 16%

(2020: £39m loss or (4)%)

AUM

£4,945m

(2020: £4,441m)

Cash income

£67m

(2020: £78m)

We manage a range of funds investing principally in mid-market economic infrastructure and operational projects in Europe. Infrastructure is a defensive asset class that has generally been financially resilient to the challenge of Covid-19 and provides a good source of income and fees for the Group, enhancing returns on our proprietary capital. The team is also active in the deployment of proprietary capital as part of our strategy to build our North American Infrastructure platform.

The Infrastructure portfolio performed well in the year, generating a GIR of £178 million, or 16% on the opening portfolio (2020: £39 million loss, (4)%), driven by the appreciation of our quoted stake in 3iN and strong dividend income. Our US Infrastructure portfolio, which is currently all funded with proprietary capital, proved to be resilient in the year. We also made good progress in realising our remaining value in our Indian Infrastructure Fund.

Table 8: **Gross investment return** for the year to 31 March

Investment basis	**2021 £m**	2020 £m
Realised profits over value on the disposal of investments	**6**	–
Unrealised profits/(losses) on the revaluation of investments	**168**	(92)
Dividends	**29**	26
Interest income from investment portfolio	**10**	12
Fees receivable	**–**	–
Foreign exchange on investments	**(39)**	21
Movement in fair value of derivatives	**4**	(6)
Gross investment return	**178**	(39)
Gross investment return as a % of opening portfolio value	**16%**	(4)%

3iN performance

3iN's diversified, defensive portfolio outperformed our expectations set a year ago. We have seen particularly strong performance from assets operating in the utilities sector such as Joulz, Infinis and Valorem, and good performance from those operating in natural resources and healthcare sectors such as ESVAGT and Ionisos. TCR, which operates in the transportation sector, performed ahead of expectations in a severely hit aviation market.

In the 12 months to 31 March 2021, 3iN generated a total return on opening NAV of 9.2%, achieving its total return target of 8% to 10% per annum over the medium term and delivered its dividend target of 9.8 pence, a 6.5% increase on last year.

As investment manager to 3iN we received a management fee of £25 million (2020: £28 million) and a NAV based performance fee of £8 million (2020: £6 million) comprising a third of the potential performance fee for each of FY2021 and FY2020 after the performance hurdle was met.

3iN investment activity

Competition for infrastructure assets coming to market was strong in the year, resulting in high prices. 3iN remained selective and disciplined on price, supporting a number of existing portfolio companies with bolt-on acquisitions. Infinis completed the acquisition of the development rights for a 6MW solar project at the Ling Hall landfill and Tampnet purchased a 1,200km offshore fibre cable system in the Gulf of Mexico. 3iN committed additional capital to ESVAGT to fund further growth in its offshore wind servicing segment and completed the acquisition of further stakes in its existing Dutch PPP projects.

In April 2021, 3iN announced a new c.€182 million investment to acquire a 60% stake in DNS:NET, a leading independent telecommunications provider in Germany. Completion is expected in June 2021.

Performance of 3i's proprietary capital Infrastructure portfolio

The Group's proprietary capital infrastructure portfolio consists of its 30% quoted stake in 3iN and its investments in Regional Rail and Smarte Carte, as well as smaller stakes in our other Infrastructure funds.

Quoted stake in 3iN

3iN's share price increased by 20% and closed at 296 pence on 31 March 2021 (31 March 2020: 247 pence). We recognised £132 million of unrealised profits on our 3iN investment (2020: £76 million unrealised loss) and £26 million of dividend income (2020: £24 million).

Table 9: **Unrealised profits/(losses) on the revaluation of Infrastructure investments[1]** in the year to 31 March

	2021 £m	2020 £m
Quoted	**132**	(76)
Discounted cash flow ("DCF")	**26**	(16)
Fund/Other	**10**	–
Total	**168**	(92)

1 Further information on our valuation methodology, including definitions and rationale, is included in the portfolio valuation – an explanation section in our Annual report and accounts 2021.

Table 10: **Infrastructure portfolio movement** for the year to 31 March 2021

Investment	Valuation	Opening value at 1 April 2020 £m	Investment £m	Disposals at opening book value £m	Unrealised profit/(loss) movement £m	Other movements[1] £m	**Closing value at 31 March 2021 £m**
3iN	Quoted	665	–	–	132	–	**797**
Smarte Carte	DCF	172	–	–	(4)	(8)	**160**
Regional Rail	DCF	195	–	(74)	30	(20)	**131**
3i Managed Infrastructure Acquisitions Fund	Fund	38	–	–	10	–	**48**
3i European Operational Projects Fund	Fund	20	2	–	(1)	(1)	**20**
India Infrastructure Fund	Other	27	–	(24)	1	(1)	**3**
Total		1,117	2	(98)	168	(30)	**1,159**

1 Other movements include foreign exchange.

North American Infrastructure

Regional Rail operates 25 rail line segments across five states in the US with over 540 miles of track, and c.190 freight rail customers with the business classified as an essential service throughout the Covid-19 pandemic. In the 12 months to 31 March 2021, Regional Rail performed well, with opportunistic growth in offerings like rail car storage, better than expected operational efficiency at its recently acquired Carolina Coastal Railway line and the addition of new customers on its Florida lines more than offsetting some freight volume softness in the winter months across Northeast America. In March 2021, following strong cash generation, Regional Rail completed a long-term financing package, returning £74 million of capital proceeds to 3i. At 31 March 2021, Regional Rail was valued on a DCF basis at £131 million including the capital proceeds 3i received in the year (31 March 2020: £195 million).

Smarte Carte benefited from its diverse product and service offering helping to offset the reduction in air travel across the US in the year. To maintain Smarte Carte's position as a leading concessionaire, the business has focused on maximising liquidity, improving long-term contract economics and expanding its service offerings. Despite the challenging travel sector conditions, the long-term outlook for the business remains positive and the business has already begun to see a better than expected rebound in US domestic travel over the last six months, increasing luggage cart volumes. At 31 March 2021, Smarte Carte was valued on a DCF basis at £160 million (31 March 2020: £172 million).

India Infrastructure fund

In the year, we sold our stake in **Krishnapatnam Port**, returning proceeds of £30 million to the Group. This represented most of the remaining value in the India Infrastructure fund.

Fund management

Over the last year, we established a new 3i-managed vehicle that will co-invest alongside 3iN in certain transactions, with a commitment of €400 million from Industriens Pension of Denmark. This fund platform broadens our capabilities and complements our mandate as Investment Manager to 3iN.

In the year, our 3i European Operational Projects Fund completed the acquisition of a portfolio of eight operational projects in France from DIF Infrastructure III. At the end of March 2021, the Fund agreed to acquire further stakes in two of those projects and a 30% stake in a new project in France, which upon completion will take the total capital deployed from 60% at 31 March 2021 to c.62% of its total commitments.

Infrastructure AUM increased to £4.9 billion (2020: £4.4 billion), principally due to the increase in 3iN's share price.

Table 11: **Assets under management** as at 31 March 2021

Fund/strategy	Close date	Fund size	3i commitment/ share	Remaining 3i commitment	% invested[3] at 31 March 2021	**AUM £m**	**Fee income earned in 2021 £m**
3iN[1]	Mar 07	n/a	£797m	n/a	n/a	**2,639**	**25**
3i Managed Infrastructure Acquisitions LP	Jun 17	£698m	£35m	£5m	86%	**959**	**6**
3i European Operational Projects Fund[2]	Apr 18	€456m	€40m	€15m	60%	**227**	**2**
BIIF	May 08	£680m	n/a	n/a	90%	**484**	**4**
3i India Infrastructure Fund	Mar 08	US$1,195m	US$250m	US$35m	73%	**10**	**1**
3i managed accounts	various	n/a	n/a	n/a	n/a	**335**	**2**
US Infrastructure	various	n/a	n/a	n/a	n/a	**291**	**–**
Total						**4,945**	**40**

1 AUM based on the share price at 31 March 2021.
2 3i European Operational Projects Fund acquisitions signed but not completed by 31 March 2021 will raise the invested percentage from 60% to 62%.
3 % invested is the capital deployed into investments against the total Fund commitment.

Scandlines

Scandlines is held for its ability to deliver long-term capital returns whilst generating cash dividends.

Scandlines delivered a solid GIR of £25 million (March 2020: £5 million) or 6% of opening portfolio value (March 2020: 1%) despite significant travel restrictions impacting its ferry crossings between Germany and Denmark.

Portfolio performance

Revenue generated from freight volumes remained stable in 2020, with volumes close to 2019 levels. Leisure volumes were materially impacted during the initial spring 2020 lockdown. However, as restrictions were eased over the summer months, leisure volumes steadily recovered to levels similar to those seen in 2019. The reintroduction of material travel restrictions in the final months of 2020 and start of 2021 resulted in a further reduction in leisure volumes. To mitigate the impact of the pandemic, Scandlines has focused on driving cost efficiencies and maximising the availability of liquidity, retaining surplus cash which would otherwise be returned to shareholders in less challenging conditions and re-paying debt. The stable freight revenues and cost measures contributed to the business remaining profitable in 2020. As expected, we received no dividend from Scandlines in FY2021.

Scandlines continues to invest in its sustainability agenda making further investment in its business including fuel-efficient thrusters and a rotor sail for M/V Copenhagen to harness wind power and provide supplementary propulsion while reducing CO_2 emissions. In addition, the Company published its first stand-alone sustainability report.

At the time of writing, travel restrictions remain in place between Sweden, Denmark and Germany which are having a significant impact on leisure volumes. Freight volumes continue to show resilience and are currently in line with 2019 levels. The business has good levels of liquidity and is well positioned to rebound as restrictions are lifted.

We continue to value Scandlines on a DCF at £435 million (31 March 2020: £429 million).

Foreign exchange

We hedge the balance sheet value of our investment in Scandlines. We recognised a £3 million net gain on foreign exchange translation (March 2020: £14 million gain) including a £20 million fair value gain (March 2020: £3 million loss) from our hedging programme.

Table 12: **Gross investment return** for the year to 31 March

Investment basis	**2021 £m**	2020 £m
Unrealised profit/(loss) on the revaluation of investments	**22**	(46)
Dividends	**–**	37
Foreign exchange on investments	**(17)**	17
Movement in fair value of derivatives	**20**	(3)
Gross investment return	**25**	5
Gross investment return as a % of opening portfolio value	**6%**	1%

Financial review

Strong financial performance

We generated a GIR of £2,139 million in FY2021 (2020: £318 million) and operating profit before carried interest of £2,031 million (2020: £215 million).

The total return was £1,726 million, representing a profit on opening shareholders' funds of 22% (2020: £253 million or 3%). The diluted NAV per share at 31 March 2021 increased by 18% to 947 pence (31 March 2020: 804 pence) after paying dividends totalling 35 pence per share during the year. This result was after a net foreign exchange translation loss of 41 pence and the 13 pence negative accounting re-measurement loss from a fundamental de-risking of the UK defined benefit pension plan.

Table 13: **Total return** for the year to 31 March

Investment basis	**2021 £m**	2020 £m
Realised profits over value on the disposal of investments	**35**	90
Unrealised profits/(losses) on the revaluation of investments	**2,351**	(172)
Portfolio income		
Dividends	**82**	68
Interest income from investment portfolio	**65**	118
Fees receivable	**9**	9
Foreign exchange on investments	**(427)**	214
Movement in the fair value of derivatives	**24**	(9)
Gross investment return	**2,139**	318
Fees receivable from external funds	**44**	44
Operating expenses	**(112)**	(116)
Interest received	**(1)**	1
Interest paid	**(47)**	(38)
Exchange movements	**7**	1
Other income	**1**	5
Operating profit before carried interest	**2,031**	215
Carried interest		
Carried interest and performance fees receivable	**5**	85
Carried interest and performance fees payable	**(184)**	(84)
Operating profit before tax	**1,852**	216
Tax charge	**–**	(1)
Profit for the year	**1,852**	215
Re-measurements of defined benefit plans	**(126)**	38
Total comprehensive income for the year ("Total return")	**1,726**	253
Total return on opening shareholders' funds	**22%**	3%

Investment basis and alternative performance measures ("APMs")

In our Strategic report we report our financial performance using our Investment basis. We do not consolidate our portfolio companies; as private equity and infrastructure investments they are not operating subsidiaries. IFRS 10 provides an exception from consolidation but also requires us to fair value other companies in the Group (primarily intermediate holding companies and partnerships), which results in a loss of transparency. As explained in the Investment basis and Reconciliation of investment basis and IFRS sections below, the total comprehensive income and net assets are the same under our audited IFRS financial statements and our Investment basis. The Investment basis is simply a "look through" of IFRS 10 to present the underlying performance and we believe it is more transparent to readers of our Annual report and accounts.

In October 2015, the European Securities and Markets Authority ("ESMA") published guidelines about the use of APMs. These are financial measures such as KPIs that are not defined under IFRS. Our Investment basis is itself an APM, and we use a number of other measures which, on account of being derived from the Investment basis, are also APMs.

Further information about our use of APMs, including the applicable reconciliations to the IFRS equivalent where appropriate, is provided at the end of the Financial review and should be read alongside the Investment basis to IFRS reconciliation. Our APMs are gross investment return as a percentage of the opening investment portfolio value, cash realisations, cash investment, operating cash profit, net cash/(debt) and gearing.

Realised profits

We generated total realised proceeds of £218 million (2020: £918 million) and realised profits of £35 million (2020: £90 million) in the year, including realised proceeds of £114 million and profit of £29 million from Private Equity (2020: £848 million, £90 million) and realised proceeds of £104 million and profit of £6 million from Infrastructure (2020: nil, nil).

Unrealised value movements

We recognised an unrealised profit of £2,351 million (2020: £172 million unrealised loss). Our portfolios performed strongly in FY2021 despite the uncertainty and disruption caused by Covid-19. Action continued to deliver robust performance contributing £1,202 million of unrealised profits and we also saw strong performance from our Private Equity investments in Royal Sanders, Luqom, Cirtec Medical, Tato, SaniSure, Magnitude Software and AES. The share prices of our quoted investments, 3iN and Basic-Fit, recovered well in the year.

Further information on the Private Equity, Infrastructure and Scandlines valuations is included in the business reviews.

Portfolio income

Portfolio income decreased to £156 million during the year (2020: £195 million). Interest income from portfolio companies, the majority of which is non-cash, reduced to £65 million (2020: £118 million) as we provided against interest income on the assets most impacted by the Covid-19 pandemic. Partially offsetting this was strong dividend income of £82 million (2020: £68 million), the majority of which was cash, following distributions from Royal Sanders, 3iN and Tato. Fee income remained stable in the year at £9 million (2020: £9 million).

Fees receivable from external funds

Fees received from external funds were £44 million (2020: £44 million). 3i receives a fund management fee from 3iN, which amounted to £25 million in FY2021 (2020: £28 million). 3i also received fee income of £6 million (2020: £6 million) from MIA through advisory and management fees and continued to generate fee income from other 3i managed accounts and other funds. In Private Equity, we recognised a £4 million administration fee for our management of the 3i 2020 Co-investment vehicles related to Action.

Operating expenses

Operating expenses of £112 million (2020: £116 million), decreased in the year due to lower overhead spend and lower travel cost due to global restrictions on travel. 3i continues to focus on controlling its operating expenses to achieve an operating cash profit.

Operating cash profit

We generated an operating cash profit of £23 million in the year (2020: £40 million). Cash income decreased to £131 million (2020: £160 million), principally due to lower cash interest following the receipt of non-recurring cash interest in FY2020, Scandlines' decision not to pay a dividend in 2020, and the decision to defer the collection of some portfolio income as a result of prudent portfolio liquidity management during the pandemic. This was offset by good dividend income from the stronger performers in the portfolio. Cash operating expenses decreased to £108 million (2020: £120 million) driven principally by lower variable compensation costs and a reduction in travel.

Table 14: **Unrealised value movements on the revaluation of investments** for the year to 31 March

	2021 £m	2020 £m
Private Equity	**2,161**	(34)
Infrastructure	**168**	(92)
Scandlines	**22**	(46)
Total	**2,351**	(172)

Table 15: **Operating cash profit** for the year to 31 March

	2021 £m	2020 £m
Cash fees from external funds	**39**	44
Cash portfolio fees	**7**	12
Cash portfolio dividends and interest	**85**	104
Cash income	**131**	160
Cash operating expenses[1]	**(108)**	(120)
Operating cash profit	**23**	40

1 Cash operating expenses include operating expenses paid and lease payments.

Carried interest and performance fees

We receive carried interest and performance fees from third-party funds and 3iN. We also pay carried interest and performance fees to participants in plans relating to returns from investments. These are received and/or paid subject to meeting certain performance conditions. In Private Equity, we typically accrue net carried interest payable between 10% and 13% of GIR, based on the assumption that all investments are realised at their balance sheet value. Carried interest is paid to participants when cash proceeds have actually been received following a realisation, refinancing event or other cash distribution and performance hurdles are passed in cash terms. Due to the length of time between investment and realisation, the schemes are usually active for a number of years and their participants include both current and previous employees of 3i.

We generated a strong GIR of £596 million in the Private Equity 2016-19 vintage (2020: £(145) million). As a result, the performance hurdle for this vintage has now been met on an accruals basis and we are now accruing carried interest payable for this vintage. As this was a first time accrual, it includes an element of “catch up” leading to a higher than usual carried interest charge this year. The effect of the catch up is £54 million. The continued robust performance of Action in the Buyouts 2010-12 vintage led to a £117 million increase in carried interest payable in FY2021.

During the year, £506 million (2020: £35 million) was paid to participants in Private Equity, of which £496 million was paid to participants in the Private Equity Buyouts 2010-12 carry plan, which includes a residual Action stake. The amount paid includes £111 million which became due following the decision to acquire 25% of the outstanding carry liability in August 2020. The economic result of this transaction is the increase in 3i’s investment in Action, net of carry, from 46.2% to 47.7%; the gross investment is 52.7% (31 March 2020: 52.6%) following purchase of a further small equity stake in Action as described in the Private Equity business review section.

Overall, the effect of the income statement charge, cash payments, as well as currency translation meant that the balance sheet carried interest and performance fees payable was £560 million (31 March 2020: £1,038 million).

3iN pays a performance fee based on its NAV on an annual basis, subject to a hurdle rate of return and partly deferred, subject to further hurdles. The continued strong performance of the assets held by 3iN resulted in the recognition of £8 million (2020: £6 million) of performance fees receivable. The Infrastructure team receives a share of the fee received from 3iN, with the majority of payments deferred and expensed over a number of years. £11 million (2020: £21 million) was recognised as an expense during the year, relating to performance fees from both the current and previous years. During the year, £10 million was paid to the Infrastructure team. The total potential payable relating to the FY2021 performance fee was £7 million, which together with the prior periods’ performance fee, results in remaining cumulative total potential payable for performance fees of £55 million.

Table 16: **Carried interest and performance fees** for the year to 31 March

Statement of comprehensive income	**2021 £m**	2020 £m
Carried interest and performance fees receivable		
Private Equity	**(3)**	79
Infrastructure	**8**	6
Total	**5**	85
Carried interest and performance fees payable		
Private Equity	**(173)**	(63)
Infrastructure	**(11)**	(21)
Total	**(184)**	(84)
Net carried interest payable	**(179)**	1

Table 17: **Carried interest and performance fees** at 31 March

Statement of financial position	2021 £m	2020 £m
Carried interest and performance fees receivable		
Private Equity	**8**	11
Infrastructure	**8**	6
Total	**16**	17
Carried interest and performance fees payable		
Private Equity	**(533)**	(998)
Infrastructure	**(27)**	(40)
Total	**(560)**	(1,038)

Net foreign exchange movements

At 31 March 2021, 84% of the Group's net assets were denominated in euros or US dollars (31 March 2020: 78%). As sterling strengthened against both of these currencies, the Group recorded a total net foreign exchange translation loss of £420 million in the year (2020: £215 million gain), before the £24 million (2020: £9 million loss) translation gain from the movement in the fair value of hedging derivatives. The net foreign exchange loss also reflects the translation of non-portfolio net assets, including non-sterling cash held at the balance sheet date.

The Group's general policy is not to hedge its foreign currency denominated portfolio. Where possible, flows from currency realisations are matched with currency investments. Short-term derivative contracts are used occasionally to manage transaction cash flows. We do hedge the foreign exchange translation risk associated with our investment in Scandlines, which is considered a longer-term hold with relatively predictable cash flows. As at 31 March 2021, the notional amount of the forward foreign exchange contracts held by the Group was €500 million, all relating to Scandlines.

Table 18: **Net assets and sensitivity by currency** at 31 March

	FX rate	£m	%	1% sensitivity £m
Sterling	n/a	**1,254**	14%	**n/a**
Euro[1]	1.1741	**6,237**	68%	**62**
US dollar	1.3803	**1,489**	16%	**15**
Danish krone	8.7315	**162**	2%	**2**
Other	n/a	**22**	–	**n/a**

1 Sensitivity impact is net of derivatives.

Pension

During the year, the 3i Group Pension Plan's Trustees` completed a £650 million buy-in transaction with Legal & General. This transaction was completed without additional contributions from 3i. This insurance policy, alongside previous buy-in policies entered into with Pension Insurance Corporation and Legal & General in March 2017 and February 2019 respectively, means that the Plan benefits of all members are now insured. This is an excellent outcome, as it provides long-term security for the Plan members and 3i is no longer exposed to any material longevity, interest or inflation risk in the Plan or any financing requirements.

The last triennial funding valuation was based on the Plan's position at 30 June 2019 and, on an IAS 19 accounting basis, the Plan remains in surplus. We reduced the IAS 19 Plan surplus to reflect the commercial outcome of the buy-in transaction from £173 million at 31 March 2020 to £55 million at 31 March 2021, which included a £122 million re-measurement loss, but no impact on cash.

Tax

The Group's parent company continues to operate in the UK as an approved investment trust company. An approved investment trust is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its tax status. This approval allows certain investment profits of the Company, broadly its capital profits, to be exempt from tax in the UK. The Group's tax charge for the year was nil (2020: £1 million). The Group's overall UK tax position for the financial year is dependent on the finalisation of tax returns of the various corporate and partnership entities in the UK group.

Balance sheet and liquidity

We have run a conservative balance sheet strategy as a fundamental part of our business model since 2012. The validity of that choice was demonstrated throughout FY2021, enabling us to continue to invest without needing to accelerate any realisations. We had provided guidance that, in a normal economic environment, we were comfortable operating between £500 million of net cash and £500 million of net debt. We have now taken the opportunity to review this range, having had the benefit of testing our strategy under the stress of the pandemic and recognising the significant increase in the quality and value of our net assets since 2012. We have concluded that our guidance of a £500 million net cash tolerance remains appropriate but that we should extend the net debt tolerance to £750 million and include a gearing tolerance of up to 15%. Delivery of our mid to high-teens returns is not dependent on having a geared balance sheet. Any such, gearing would therefore be short term and tactical, rather than structural. The £750 million net debt tolerance is not a limit, and we would be prepared to exceed it provided gearing remains below 15%, and there is good visibility on realisations and refinancings occurring within the next 12 months.

At 31 March 2021, the Group had net debt of £750 million (31 March 2020: £270 million net cash) and gearing of 8%, after a £516 million carried interest payment, net cash investment of £160 million and dividend payments of £338 million in the year.

The Group had liquidity of £725 million as at 31 March 2021 (31 March 2020: £1,245 million) comprising cash and deposits of £225 million (31 March 2020: £845 million) and an undrawn RCF of £500 million. The RCF was increased from £400 million in the year and its maturity extended to 2026. In June 2020, we took advantage of favourable debt market conditions to strengthen our liquidity further, issuing a 20-year £400 million bond at a coupon of 3.75%. At 31 March 2021, our gross debt was £975 million.

The investment portfolio value increased to £10,408 million at 31 March 2021 (31 March 2020: £8,098 million) with unrealised profits of £2,351 million and net cash investment offsetting a foreign exchange translation loss in the year.

Further information on investments and realisations is included in the Private Equity, Infrastructure and Scandlines business reviews.

Going concern

The Annual report and accounts 2021 are prepared on a going concern basis. The Directors made an assessment of going concern, taking into account the Group's current performance and the outlook, and performed additional analysis to support the going concern assessment considering the ongoing impact of the Covid-19 pandemic on the portfolio.

Further details on going concern can be found in the Going concern and Viability statements in our Annual report and accounts 2021.

Dividend

The Board has recommended a second FY2021 dividend of 21.0 pence per share (2020: 17.5 pence), taking the total dividend for the year to 38.5 pence (2020: 35.0 pence). Subject to shareholder approval, the dividend will be paid to shareholders in July 2021.

Table 19: **Simplified consolidated balance sheet** at 31 March

Statement of financial position	**2021 £m**	2020 £m
Investment portfolio	**10,408**	8,098
Gross debt	**(975)**	(575)
Cash and deposits	**225**	845
Net (debt)/cash	**(750)**	270
Carried interest and performance fees receivable	**16**	17
Carried interest and performance fees payable	**(560)**	(1,038)
Other net assets	**50**	410
Net assets	**9,164**	7,757
Gearing[1]	**8%**	nil

1 Gearing is net debt as a percentage of net assets.

Key accounting judgements and estimates

A key judgement is the assessment required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial treatment of investment entities is accurate. The introduction of IFRS 10 resulted in a number of intermediate holding companies being presented at fair value, which has led to reduced transparency of the underlying investment performance. As a result, the Group continues to present a non-GAAP Investment basis set of financial statements to ensure that the commentary in the Strategic report remains fair, balanced and understandable. The reconciliation of the Investment basis to IFRS is shown further on in this document.

In preparing these accounts, the key accounting estimates are the carrying value of our investment assets, which is stated at fair value, and the calculation of carried interest payable.

Given the importance of the valuation of investments, the Board has a separate Valuations Committee to review the valuation policy, process and application to individual investments. However, asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. At 31 March 2021, 90% by value of the investment assets were unquoted (31 March 2020: 91%).

The valuation of the proprietary capital portfolio is a primary input into the carried interest payable and receivable balances, which are determined by reference to the valuation at 31 March 2021 and the underlying investment management agreements.

Investment basis

Consolidated statement of comprehensive income

for the year to 31 March

	2021 £m	2020 £m
Realised profits over value on the disposal of investments	**35**	90
Unrealised profits/(losses) on the revaluation of investments	**2,351**	(172)
Portfolio income		
Dividends	**82**	68
Interest income from investment portfolio	**65**	118
Fees receivable	**9**	9
Foreign exchange on investments	**(427)**	214
Movement in the fair value of derivatives	**24**	(9)
Gross investment return	**2,139**	318
Fees receivable from external funds	**44**	44
Operating expenses	**(112)**	(116)
Interest received	**(1)**	1
Interest paid	**(47)**	(38)
Exchange movements	**7**	1
Other income	**1**	5
Operating profit before carried interest	**2,031**	215
Carried interest		
Carried interest and performance fees receivable	**5**	85
Carried interest and performance fees payable	**(184)**	(84)
Operating profit before tax	**1,852**	216
Tax charge	**–**	(1)
Profit for the year	**1,852**	215
Other comprehensive income		
Re-measurements of defined benefit plans	**(126)**	38
Total comprehensive income for the year ("Total return")	**1,726**	253

Consolidated statement of financial position

as at 31 March

	2021 £m	2020 £m
Assets		
Non-current assets		
Investments		
Quoted investments	**1,011**	758
Unquoted investments	**9,397**	7,340
Investment portfolio	**10,408**	8,098
Carried interest and performance fees receivable	**8**	11
Other non-current assets	**54**	26
Intangible assets	**8**	9
Retirement benefit surplus	**55**	173
Property, plant and equipment	**5**	5
Right of use asset	**16**	19
Derivative financial instruments	**16**	7
Deferred income taxes	**1**	–
Total non-current assets	**10,571**	8,348
Current assets		
Carried interest and performance fees receivable	**8**	6
Other current assets	**21**	296
Current income taxes	**2**	2
Derivative financial instruments	**10**	6
Cash and cash equivalents	**225**	845
Total current assets	**266**	1,155
Total assets	**10,837**	9,503
Liabilities		
Non-current liabilities		
Trade and other payables	**(24)**	(5)
Carried interest and performance fees payable	**(543)**	(505)
Loans and borrowings	**(975)**	(575)
Retirement benefit deficit	**(29)**	(25)
Lease liability	**(13)**	(16)
Derivative financial instruments	**–**	(2)
Deferred income taxes	**(1)**	(1)
Provisions	**(2)**	(3)
Total non-current liabilities	**(1,587)**	(1,132)
Current liabilities		
Trade and other payables	**(64)**	(73)
Carried interest and performance fees payable	**(17)**	(533)
Lease liability	**(4)**	(4)
Derivative financial instruments	**–**	(2)
Current income taxes	**(1)**	(2)
Total current liabilities	**(86)**	(614)
Total liabilities	**(1,673)**	(1,746)
Net assets	**9,164**	7,757
Equity		
Issued capital	**719**	719
Share premium	**788**	788
Other reserves	**7,721**	6,328
Own shares	**(64)**	(78)
Total equity	**9,164**	7,757

Consolidated cash flow statement
for the year to 31 March

	2021 £m	2020 £m
Cash flow from operating activities		
Purchase of investments	**(479)**	(1,279)
Proceeds from investments	**319**	801
Net cash flow from derivatives	**7**	–
Portfolio interest received	**5**	34
Portfolio dividends received	**80**	70
Portfolio fees received	**7**	12
Fees received from external funds	**39**	44
Carried interest and performance fees received	**6**	696
Carried interest and performance fees paid	**(516)**	(44)
Carried interest held in non-current assets	**–**	(14)
Operating expenses paid	**(103)**	(116)
Co-investment loans received/(paid)	**15**	(8)
Tax (paid)/received	**(1)**	10
Interest received	**(1)**	1
Other cash income	**–**	2
Net cash flow from operating activities	**(622)**	209
Cash flow from financing activities		
Issue of shares	**1**	1
Purchase of own shares	**–**	(59)
Dividends paid	**(338)**	(363)
Proceeds from long-term borrowing	**395**	–
Lease payments	**(5)**	(4)
Interest paid	**(46)**	(42)
Net cash flow from financing activities	**7**	(467)
Cash flow from investing activities		
Purchase of property, plant and equipment	**(1)**	(3)
Net cash flow from deposits	**–**	50
Net cash flow from investing activities	**(1)**	47
Change in cash and cash equivalents	**(616)**	(211)
Cash and cash equivalents at the start of year	**845**	1,020
Effect of exchange rate fluctuations	**(4)**	36
Cash and cash equivalents at the end of year	**225**	845

Background to Investment basis financial statements

The Group makes investments in portfolio companies directly, held by 3i Group plc, and indirectly, held through intermediate holding company and partnership structures (“Investment entity subsidiaries”). It also has other operational subsidiaries which provide services and other activities such as employment, regulatory activities, management and advice (“Trading subsidiaries”). The application of IFRS 10 requires us to fair value a number of intermediate holding companies that were previously consolidated line by line. This fair value approach, applied at the intermediate holding company level, effectively obscures the performance of our proprietary capital investments and associated transactions occurring in the intermediate holding companies.

The financial effect of the underlying portfolio companies and fee income, operating expenses and carried interest transactions occurring in Investment entity subsidiaries are aggregated into a single value. Other items which were previously eliminated on consolidation are now included separately.

To maintain transparency in our report and aid understanding we introduced separate non-GAAP “Investment basis” Statements of comprehensive income, financial position and cash flow in our 2014 Annual report and accounts. The Investment basis is an APM and the Strategic report is prepared using the Investment basis as we believe it provides a more understandable view of our performance. Total return and net assets are equal under the Investment basis and IFRS; the Investment basis is simply a “look through” of IFRS 10 to present the underlying performance.

Reconciliation of Investment basis and IFRS

A detailed reconciliation from the Investment basis to IFRS basis of the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated cash flow statement is shown on the following pages.

Reconciliation of Investment basis and IFRS

Reconciliation of consolidated statement of comprehensive income

for the year to 31 March

	Notes	**Investment basis 2021 £m**	**IFRS adjustments 2021 £m**	**IFRS basis 2021 £m**	Investment basis 2020 £m	IFRS adjustments 2020 £m	IFRS basis 2020 £m
Realised profits/(losses) over value on the disposal of investments	1,2	**35**	**(26)**	**9**	90	(119)	(29)
Unrealised profits/(losses) on the revaluation of investments	1,2	**2,351**	**(1,134)**	**1,217**	(172)	144	(28)
Fair value movements on investment entity subsidiaries	1	**–**	**792**	**792**	–	191	191
Portfolio income							
Dividends	1,2	**82**	**(33)**	**49**	68	(46)	22
Interest income from investment portfolio	1,2	**65**	**(43)**	**22**	118	(81)	37
Fees receivable	1,2	**9**	**4**	**13**	9	2	11
Foreign exchange on investments	1,3	**(427)**	**232**	**(195)**	214	(178)	36
Movement in the fair value of derivatives		**24**	**–**	**24**	(9)	–	(9)
Gross investment return		**2,139**	**(208)**	**1,931**	318	(87)	231
Fees receivable from external funds		**44**	**–**	**44**	44	–	44
Operating expenses	4	**(112)**	**1**	**(111)**	(116)	–	(116)
Interest received	1	**(1)**	**–**	**(1)**	1	1	2
Interest paid		**(47)**	**–**	**(47)**	(38)	–	(38)
Exchange movements	1,3	**7**	**10**	**17**	1	25	26
Income from investment entity subsidiaries	1	**–**	**22**	**22**	–	19	19
Other income/(expense)		**1**	**–**	**1**	5	(2)	3
Operating profit before carried interest		**2,031**	**(175)**	**1,856**	215	(44)	171
Carried interest							
Carried interest and performance fees receivable	1	**5**	**–**	**5**	85	(18)	67
Carried interest and performance fees payable	1	**(184)**	**178**	**(6)**	(84)	61	(23)
Operating profit before tax		**1,852**	**3**	**1,855**	216	(1)	215
Tax charge	1,4	**–**	**–**	**–**	(1)	–	(1)
Profit for the year		**1,852**	**3**	**1,855**	215	(1)	214
Other comprehensive income/(expense)							
Exchange differences on translation of foreign operations	1,3	**–**	**(3)**	**(3)**	–	1	1
Re-measurements of defined benefit plans		**(126)**	**–**	**(126)**	38	–	38
Other comprehensive income for the year		**(126)**	**(3)**	**(129)**	38	1	39
Total comprehensive income for the year (“Total return”)		**1,726**	**–**	**1,726**	253	–	253

The IFRS basis is audited and the Investment basis is unaudited.

Notes:

1 Applying IFRS 10 to the Consolidated statement of comprehensive income consolidates the line items of a number of previously consolidated subsidiaries into a single line item “Fair value movements on investment entity subsidiaries”. In the “Investment basis” accounts we have disaggregated these line items to analyse our total return as if these Investment entity subsidiaries were fully consolidated, consistent with prior years. The adjustments simply reclassify the Consolidated statement of comprehensive income of the Group, and the total return is equal under the Investment basis and the IFRS basis.

2 Realised profits/(losses), unrealised profits/(losses), and portfolio income shown in the IFRS accounts only relate to portfolio companies that are held directly by 3i Group plc and not those portfolio companies held through Investment entity subsidiaries. Realised profits, unrealised profits, and portfolio income in relation to portfolio companies held through Investment entity subsidiaries are aggregated into the single “Fair value movement on investment entity subsidiaries” line. This is the most significant reduction of information in our IFRS accounts.

3 Foreign exchange movements have been reclassified under the Investment basis as foreign currency asset and liability movements. Movements within the Investment entity subsidiaries are included within “Fair value movements on investment entities”.

4 Other items also aggregated into the “Fair value movements on investment entity subsidiaries” line include fees receivable from external funds, audit fees, administration expenses, carried interest and tax.

Reconciliation of consolidated statement of financial position

as at 31 March

	Notes	Investment basis 2021 £m	IFRS adjustments 2021 £m	IFRS basis 2021 £m	Investment basis 2020 £m	IFRS adjustments 2020 £m	IFRS basis 2020 £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	**1,011**	**(214)**	**797**	758	(340)	418
Unquoted investments	1	**9,397**	**(5,184)**	**4,213**	7,340	(4,304)	3,036
Investments in investment entity subsidiaries	1,2	**–**	**4,905**	**4,905**	–	3,936	3,936
Investment portfolio		**10,408**	**(493)**	**9,915**	8,098	(708)	7,390
Carried interest and performance fees receivable	1	**8**	**1**	**9**	11	–	11
Other non-current assets	1	**54**	**(2)**	**52**	26	(3)	23
Intangible assets		**8**	**–**	**8**	9	–	9
Retirement benefit surplus		**55**	**–**	**55**	173	–	173
Property, plant and equipment		**5**	**–**	**5**	5	–	5
Right of use asset		**16**	**–**	**16**	19	–	19
Derivative financial instruments		**16**	**–**	**16**	7	–	7
Deferred income taxes		**1**	**–**	**1**	–	–	–
Total non-current assets		**10,571**	**(494)**	**10,077**	8,348	(711)	7,637
Current assets							
Carried interest and performance fees receivable	1	**8**	**–**	**8**	6	1	7
Other current assets	1	**21**	**–**	**21**	296	(152)	144
Current income taxes		**2**	**–**	**2**	2	–	2
Derivative financial instruments		**10**	**–**	**10**	6	–	6
Cash and cash equivalents	1	**225**	**(9)**	**216**	845	(74)	771
Total current assets		**266**	**(9)**	**257**	1,155	(225)	930
Total assets		**10,837**	**(503)**	**10,334**	9,503	(936)	8,567
Liabilities							
Non-current liabilities							
Trade and other payables	1	**(24)**	**7**	**(17)**	(5)	5	–
Carried interest and performance fees payable	1	**(543)**	**494**	**(49)**	(505)	439	(66)
Loans and borrowings		**(975)**	**–**	**(975)**	(575)	–	(575)
Retirement benefit deficit		**(29)**	**–**	**(29)**	(25)	–	(25)
Lease liability		**(13)**	**–**	**(13)**	(16)	–	(16)
Derivative financial instruments		**–**	**–**	**–**	(2)	–	(2)
Deferred income taxes		**(1)**	**–**	**(1)**	(1)	–	(1)
Provisions		**(2)**	**–**	**(2)**	(3)	–	(3)
Total non-current liabilities		**(1,587)**	**501**	**(1,086)**	(1,132)	444	(688)
Current liabilities							
Trade and other payables	1	**(64)**	**2**	**(62)**	(73)	–	(73)
Carried interest and performance fees payable	1	**(17)**	**–**	**(17)**	(533)	492	(41)
Lease liability		**(4)**	**–**	**(4)**	(4)	–	(4)
Derivative financial instruments		**–**	**–**	**–**	(2)	–	(2)
Current income taxes		**(1)**	**–**	**(1)**	(2)	–	(2)
Total current liabilities		**(86)**	**2**	**(84)**	(614)	492	(122)
Total liabilities		**(1,673)**	**503**	**(1,170)**	(1,746)	936	(810)
Net assets		**9,164**	**–**	**9,164**	7,757	–	7,757
Equity							
Issued capital		**719**	**–**	**719**	719	–	719
Share premium		**788**	**–**	**788**	788	–	788
Other reserves	3	**7,721**	**–**	**7,721**	6,328	–	6,328
Own shares		**(64)**	**–**	**(64)**	(78)	–	(78)
Total equity		**9,164**	**–**	**9,164**	7,757	–	7,757

The IFRS basis is audited and the Investment basis is unaudited.

Notes:

1 Applying IFRS 10 to the Consolidated statement of financial position aggregates the line items into the single line item "Investments in investment entity subsidiaries". In the Investment basis we have disaggregated these items to analyse our net assets as if the Investment entity subsidiaries were consolidated. The adjustment reclassifies items in the Consolidated statement of financial position. There is no change to the net assets, although for reasons explained below, gross assets and gross liabilities are different. The disclosure relating to portfolio companies is significantly reduced by the aggregation, as the fair value of all investments held by Investment entity subsidiaries is aggregated into the "Investments in investment entity subsidiaries" line. We have disaggregated this fair value and disclosed the underlying portfolio holding in the relevant line item, ie, quoted investments or unquoted investments. Other items which may be aggregated include carried interest, other assets and other payables, and the Investment basis presentation again disaggregates these items.

2 Intercompany balances between Investment entity subsidiaries and trading subsidiaries also impact the transparency of our results under the IFRS basis. If an Investment entity subsidiary has an intercompany balance with a consolidated trading subsidiary of the Group, then the asset or liability of the Investment entity subsidiary will be aggregated into its fair value, while the asset or liability of the consolidated trading subsidiary will be disclosed as an asset or liability in the Consolidated statement of financial position for the Group.

3 Investment basis financial statements are prepared for performance measurement and therefore reserves are not analysed separately under this basis.

Reconciliation of consolidated cash flow statement

for the year to 31 March

	Notes	**Investment basis 2021 £m**	**IFRS adjustments 2021 £m**	**IFRS basis 2021 £m**	Investment basis 2020 £m	IFRS adjustments (restated)[1] 2020 £m	IFRS basis (restated)[1] 2020 £m
Cash flow from operating activities							
Purchase of investments	1	**(479)**	**353**	**(126)**	(1,279)	629	(650)
Proceeds from investments	1	**319**	**(135)**	**184**	801	(792)	9
Amounts paid to investment entity subsidiaries	1	**–**	**(879)**	**(879)**	–	(1,176)	(1,176)
Amounts received from investment entity subsidiaries	1	**–**	**281**	**281**	–	1,362	1,362
Net cash flow from derivatives		**7**	**–**	**7**	–	–	–
Portfolio interest received	1	**5**	**(5)**	**–**	34	(24)	10
Portfolio dividends received	1	**80**	**(32)**	**48**	70	(46)	24
Portfolio fees received	1	**7**	**–**	**7**	12	(1)	11
Fees received from external funds		**39**	**–**	**39**	44	–	44
Carried interest and performance fees received	1	**6**	**–**	**6**	696	(18)	678
Carried interest and performance fees paid	1	**(516)**	**483**	**(33)**	(44)	13	(31)
Carried interest held in non-current assets	1	**–**	**–**	**–**	(14)	14	–
Operating expenses paid	1	**(103)**	**–**	**(103)**	(116)	–	(116)
Co-investment loans received/(paid)	1	**15**	**(3)**	**12**	(8)	–	(8)
Tax (paid)/received	1	**(1)**	**–**	**(1)**	10	–	10
Interest received	1	**(1)**	**–**	**(1)**	1	1	2
Other cash income		**–**	**–**	**–**	2	–	2
Net cash flow from operating activities		**(622)**	**63**	**(559)**	209	(38)	171
Cash flow from financing activities							
Issue of shares		**1**	**–**	**1**	1	–	1
Purchase of own shares		**–**	**–**	**–**	(59)	–	(59)
Dividends paid		**(338)**	**–**	**(338)**	(363)	–	(363)
Proceeds from long-term borrowing		**395**	**–**	**395**	–	–	–
Lease payments		**(5)**	**–**	**(5)**	(4)	–	(4)
Interest paid		**(46)**	**–**	**(46)**	(42)	–	(42)
Net cash flow from financing activities		**7**	**–**	**7**	(467)	–	(467)
Cash flow from investing activities							
Purchase of property, plant and equipment		**(1)**	**–**	**(1)**	(3)	–	(3)
Net cash flow from deposits		**–**	**–**	**–**	50	–	50
Net cash flow from investing activities		**(1)**	**–**	**(1)**	47	–	47
Change in cash and cash equivalents	2	**(616)**	**63**	**(553)**	(211)	(38)	(249)
Cash and cash equivalents at the start of year	2	**845**	**(74)**	**771**	1,020	(37)	983
Effect of exchange rate fluctuations	1	**(4)**	**2**	**(2)**	36	1	37
Cash and cash equivalents at the end of year	2	**225**	**(9)**	**216**	845	(74)	771

1 Refer to the basis of preparation and accounting polices on page later in this document.

The IFRS basis is audited and the Investment basis is unaudited.

Notes:

1 The Consolidated cash flow statement is impacted by the application of IFRS 10 as cash flows to and from Investment entity subsidiaries are disclosed, rather than the cash flows to and from the underlying portfolio. Therefore in our Investment basis financial statements, we have disclosed our cash flow statement on a “look through” basis, in order to reflect the underlying sources and uses of cash flows and disclose the underlying investment activity.

2 There is a difference between the change in cash and cash equivalents of the Investment basis financial statements and the IFRS financial statements because there are cash balances held in Investment entity subsidiaries. Cash held within Investment entity subsidiaries will not be shown in the IFRS statements but will be seen in the Investment basis statements.

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. Our Investment basis is itself an APM. The explanation of and rationale for the Investment basis and its reconciliation to IFRS is provided above. The table below defines our additional APMs.

Gross investment return as a percentage of opening portfolio value

Purpose	Calculation	Reconciliation to IFRS
A measure of the performance of our proprietary investment portfolio.	It is calculated as the gross investment return, as shown in the Investment basis Consolidated statement of comprehensive income, as a % of the opening portfolio value.	The equivalent balances under IFRS and the reconciliation to the Investment basis are shown in the Reconciliation of the consolidated statement of comprehensive income and the Reconciliation of the consolidated statement of financial position respectively.

Cash realisations

Purpose	Calculation	Reconciliation to IFRS
Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities.	The cash received from the disposal of investments in the year as shown in the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.

Cash investment

Purpose	Calculation	Reconciliation to IFRS
Identifying new opportunities in which to invest proprietary capital is the primary driver of the Group's ability to deliver attractive returns.	The cash paid to acquire investments in the year as shown on the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.

Operating cash profit

Purpose	Calculation	Reconciliation to IFRS
By covering the cash cost of running the business with cash income, we reduce the potential dilution of capital returns.	The cash income from the portfolio (interest, dividends and fees) together with fees received from external funds less cash operating expenses and leases payments as shown on the Investment basis Consolidated cash flow statement. The calculation is shown in Table 15 of the Financial review.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.

Net (debt)/cash

Purpose	Calculation	Reconciliation to IFRS
A measure of the available cash to invest in the business and an indicator of the financial risk in the Group's balance sheet.	Cash and cash equivalents plus deposits less loans and borrowings as shown on the Investment basis Consolidated statement of financial position.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.

Gearing

Purpose	Calculation	Reconciliation to IFRS
A measure of the financial risk in the Group's balance sheet.	Net debt (as defined above) as a % of the Group's net assets under the Investment basis. It cannot be less than zero.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.

Audited financial statements

Consolidated statement of comprehensive income

for the year to 31 March

	Notes	2021 £m	2020 £m
Realised profits/(losses) over value on the disposal of investments		**9**	(29)
Unrealised profits/(losses) on the revaluation of investments		**1,217**	(28)
Fair value movements on investment entity subsidiaries		**792**	191
Portfolio income			
Dividends		**49**	22
Interest income from investment portfolio		**22**	37
Fees receivable		**13**	11
Foreign exchange on investments		**(195)**	36
Movement in the fair value of derivatives		**24**	(9)
Gross investment return		**1,931**	231
Fees receivable from external funds		**44**	44
Operating expenses		**(111)**	(116)
Interest received		**(1)**	2
Interest paid		**(47)**	(38)
Exchange movements		**17**	26
Income from investment entity subsidiaries		**22**	19
Other income		**1**	3
Operating profit before carried interest		**1,856**	171
Carried interest			
Carried interest and performance fees receivable		**5**	67
Carried interest and performance fees payable		**(6)**	(23)
Operating profit before tax		**1,855**	215
Tax charge		**–**	(1)
Profit for the year		**1,855**	214
Other comprehensive income that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**(3)**	1
Other comprehensive (expense)/income that will not be reclassified to the income statement			
Re-measurements of defined benefit plans		**(126)**	38
Other comprehensive (expense)/income for the year		**(129)**	39
Total comprehensive income for the year ("Total return")		**1,726**	253
Earnings per share			
Basic (pence)	2	**192.4**	22.1
Diluted (pence)	2	**191.9**	22.1

The Notes to the accounts section forms an integral part of these financial statements.

Consolidated statement of financial position

as at 31 March

	Notes	**2021 £m**	2020 £m
Assets			
Non-current assets			
Investments			
Quoted investments		**797**	418
Unquoted investments		**4,213**	3,036
Investments in investment entity subsidiaries		**4,905**	3,936
Investment portfolio		**9,915**	7,390
Carried interest and performance fees receivable		**9**	11
Other non-current assets		**52**	23
Intangible assets		**8**	9
Retirement benefit surplus		**55**	173
Property, plant and equipment		**5**	5
Right of use asset		**16**	19
Derivative financial instruments		**16**	7
Deferred income taxes		**1**	–
Total non-current assets		**10,077**	7,637
Current assets			
Carried interest and performance fees receivable		**8**	7
Other current assets		**21**	144
Current income taxes		**2**	2
Derivative financial instruments		**10**	6
Cash and cash equivalents		**216**	771
Total current assets		**257**	930
Total assets		**10,334**	8,567
Liabilities			
Non-current liabilities			
Trade and other payables		**(17)**	–
Carried interest and performance fees payable		**(49)**	(66)
Loans and borrowings	5	**(975)**	(575)
Retirement benefit deficit		**(29)**	(25)
Lease liability		**(13)**	(16)
Derivative financial instruments		**–**	(2)
Deferred income taxes		**(1)**	(1)
Provisions		**(2)**	(3)
Total non-current liabilities		**(1,086)**	(688)
Current liabilities			
Trade and other payables		**(62)**	(73)
Carried interest and performance fees payable		**(17)**	(41)
Lease liability		**(4)**	(4)
Derivative financial instruments		**–**	(2)
Current income taxes		**(1)**	(2)
Total current liabilities		**(84)**	(122)
Total liabilities		**(1,170)**	(810)
Net assets		**9,164**	7,757
Equity			
Issued capital		**719**	719
Share premium		**788**	788
Capital redemption reserve		**43**	43
Share-based payment reserve		**34**	33
Translation reserve		**(5)**	(2)
Capital reserve		**6,733**	5,432
Revenue reserve		**916**	822
Own shares		**(64)**	(78)
Total equity		**9,164**	7,757

The Notes to the accounts section forms an integral part of these financial statements.

Simon Thompson
Chairman 12 May 2021

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

2021	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	**719**	**788**	**43**	**33**	**(2)**	**5,432**	**822**	**(78)**	**7,757**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**1,707**	**148**	**–**	**1,855**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(3)**	**–**	**–**	**–**	**(3)**
Re-measurements of defined benefit plans	**–**	**–**	**–**	**–**	**–**	**(126)**	**–**	**–**	**(126)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(3)**	**1,581**	**148**	**–**	**1,726**
Share-based payments	**–**	**–**	**–**	**19**	**–**	**–**	**–**	**–**	**19**
Release on exercise/ forfeiture of share awards	**–**	**–**	**–**	**(18)**	**–**	**–**	**18**	**–**	**–**
Exercise of share awards	**–**	**–**	**–**	**–**	**–**	**(14)**	**–**	**14**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**(266)**	**(72)**	**–**	**(338)**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of ordinary shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total equity at the end of the year	**719**	**788**	**43**	**34**	**(5)**	**6,733**	**916**	**(64)**	**9,164**

1 Refer to Note 20 in our Annual report and accounts 2021.

2020	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[2] £m	Revenue reserve[2] £m	Own shares £m	Total equity £m
Total equity at the start of the year[1]	719	787	43	36	(3)	5,590	779	(42)	7,909
Profit for the year	–	–	–	–	–	21	193	–	214
Exchange differences on translation of foreign operations	–	–	–	–	1	–	–	–	1
Re-measurements of defined benefit plans	–	–	–	–	–	38	–	–	38
Total comprehensive income for the year	–	–	–	–	1	59	193	–	253
Share-based payments	–	–	–	16	–	–	–	–	16
Release on exercise/ forfeiture of share awards	–	–	–	(19)	–	–	19	–	–
Exercise of share awards	–	–	–	–	–	(23)	–	23	–
Ordinary dividends	–	–	–	–	–	(194)	(169)	–	(363)
Purchase of own shares	–	–	–	–	–	–	–	(59)	(59)
Issue of ordinary shares	–	1	–	–	–	–	–	–	1
Total equity at the end of the year	719	788	43	33	(2)	5,432	822	(78)	7,757

1 The adoption of IFRS 16 on 1 April 2019 resulted in the recognition of a right of use asset of £23 million and lease liability of £23 million, with nil impact on retained earnings.
2 Refer to Note 20 in our Annual report and accounts 2021.

The Notes to the accounts section forms an integral part of these financial statements.

Consolidated cash flow statement

for the year to 31 March

	Notes	2021 £m	2020 (restated)[1] £m
Cash flow from operating activities			
Purchase of investments		**(126)**	(650)
Proceeds from investments		**184**	9
Amounts paid to investment entity subsidiaries		**(879)**	(1,176)
Amounts received from investment entity subsidiaries		**281**	1,362
Net cash flow from derivatives		**7**	–
Portfolio interest received		**–**	10
Portfolio dividends received		**48**	24
Portfolio fees received		**7**	11
Fees received from external funds		**39**	44
Carried interest and performance fees received		**6**	678
Carried interest and performance fees paid		**(33)**	(31)
Operating expenses paid		**(103)**	(116)
Co-investment loans received/(paid)		**12**	(8)
Tax (paid)/received		**(1)**	10
Interest received		**(1)**	2
Other cash income		–	2
Net cash flow from operating activities		**(559)**	171
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares		**–**	(59)
Dividend paid	3	**(338)**	(363)
Proceeds from long-term borrowing		**395**	–
Lease payments		**(5)**	(4)
Interest paid		**(46)**	(42)
Net cash flow from financing activities		**7**	(467)
Cash flow from investing activities			
Purchases of property, plant and equipment		**(1)**	(3)
Cash flow from deposits		–	50
Net cash flow from investing activities		**(1)**	47
Change in cash and cash equivalents		**(553)**	(249)
Cash and cash equivalents at the start of the year		**771**	983
Effect of exchange rate fluctuations		**(2)**	37
Cash and cash equivalents at the end of the year		**216**	771

1 Refer to the basis of preparation and accounting policies page later in this document.

The Notes to the accounts section forms an integral part of these financial statements.

Company statement of financial position

as at 31 March

	Notes	2021 £m	2020 £m
Assets			
Non-current assets			
Investments			
Quoted investments		**797**	418
Unquoted investments		**4,213**	3,036
Investment portfolio		**5,010**	3,454
Carried interest and performance fees receivable		**38**	22
Interests in Group entities		**4,921**	4,023
Other non-current assets		**22**	14
Derivative financial instruments		**16**	7
Total non-current assets		**10,007**	7,520
Current assets			
Carried interest and performance fees receivable		**–**	46
Other current assets		**5**	122
Derivative financial instruments		**10**	6
Cash and cash equivalents		**195**	742
Total current assets		**210**	916
Total assets		**10,217**	8,436
Liabilities			
Non-current liabilities			
Loans and borrowings	5	**(975)**	(575)
Derivative financial instruments		**–**	(2)
Total non-current liabilities		**(975)**	(577)
Current liabilities			
Trade and other payables		**(536)**	(483)
Derivative financial instruments		**–**	(2)
Total current liabilities		**(536)**	(485)
Total liabilities		**(1,511)**	(1,062)
Net assets		**8,706**	7,374
Equity			
Issued capital		**719**	719
Share premium		**788**	788
Capital redemption reserve		**43**	43
Share-based payment reserve		**34**	33
Capital reserve		**7,109**	5,812
Revenue reserve		**77**	57
Own shares		**(64)**	(78)
Total equity		**8,706**	7,374

The Company profit for the year to 31 March 2021 is £1,651 million (2020: £246 million).

The Notes to the accounts section forms an integral part of these financial statements.

Simon Thompson
Chairman
12 May 2021

Company statement of changes in equity

for the year to 31 March

2021	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	**719**	**788**	**43**	**33**	**5,812**	**57**	**(78)**	**7,374**
Profit for the year	**–**	**–**	**–**	**–**	**1,577**	**74**	**–**	**1,651**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,577**	**74**	**–**	**1,651**
Share-based payments	**–**	**–**	**–**	**19**	**–**	**–**	**–**	**19**
Release on exercise/forfeiture of share awards	**–**	**–**	**–**	**(18)**	**–**	**18**	**–**	**–**
Exercise of share awards	**–**	**–**	**–**	**–**	**(14)**	**–**	**14**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**(266)**	**(72)**	**–**	**(338)**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of ordinary shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total equity at the end of the year	**719**	**788**	**43**	**34**	**7,109**	**77**	**(64)**	**8,706**

1 Refer to Note 20 of our Annual report and accounts 2021 for the nature of the capital and revenue reserves.

2020	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	787	43	36	5,979	11	(42)	7,533
Profit for the year	–	–	–	–	50	196	–	246
Total comprehensive income for the year	–	–	–	–	50	196	–	246
Share-based payments	–	–	–	16	–	–	–	16
Release on exercise/forfeiture of share awards	–	–	–	(19)	–	19	–	–
Exercise of share awards	–	–	–	–	(23)	–	23	–
Ordinary dividends	–	–	–	–	(194)	(169)	–	(363)
Purchase of own shares	–	–	–	–	–	–	(59)	(59)
Issue of ordinary shares	–	1	–	–	–	–	–	1
Total equity at the end of the year	719	788	43	33	5,812	57	(78)	7,374

1 Refer to Note 20 of our Annual report and accounts 2021for the nature of the capital and revenue reserves.

The Notes to the accounts section forms an integral part of these financial statements.

Company cash flow statement
for the year to 31 March

	Notes	2021 £m	2020 £m
Cash flow from operating activities			
Purchase of investments		**(126)**	(650)
Proceeds from investments		**184**	9
Amounts received from subsidiaries		**530**	1,009
Amounts paid to subsidiaries		**(1,249)**	(925)
Net cash flow from derivatives		**7**	–
Portfolio interest received		**–**	10
Portfolio dividends received		**48**	24
Portfolio fees paid		**(1)**	(1)
Carried interest and performance fees received		**38**	685
Co-investment loans received/(paid)		**12**	(8)
Interest received		**(1)**	2
Other cash income		**–**	2
Net cash flow from operating activities		**(558)**	157
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares		**–**	(59)
Dividend paid	3	**(338)**	(363)
Proceeds from long-term borrowing		**395**	–
Interest paid		**(45)**	(38)
Net cash flow from financing activities		**13**	(459)
Cash flow from investing activities			
Net cash flow from deposits		**–**	50
Net cash flow from investing activities		**–**	50
Change in cash and cash equivalents		**(545)**	(252)
Cash and cash equivalents at the start of the year		**742**	958
Effect of exchange rate fluctuations		**(2)**	36
Cash and cash equivalents at the end of the year		**195**	742

The Notes to the accounts section forms an integral part of these financial statements.

Significant accounting policies

Reporting entity

3i Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The consolidated financial statements ("the Group accounts") for the year to 31 March 2021 comprise the financial statements of the Company and its consolidated subsidiaries (collectively, "the Group").

The Group accounts have been prepared and approved by the Directors in accordance with section 395 of the Companies Act 2006 and the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its Company statement of comprehensive income and related Notes.

A Basis of preparation

The Group and Company accounts have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements are presented to the nearest million sterling (£m), the functional currency of the Company.

The Group did not implement the requirements of any other standards or interpretations that were in issue; these were not required to be adopted by the Group for the year ended 31 March 2021. No other standards or interpretations have been issued that are expected to have a material impact on the Group's financial statements.

The Group adopts the direct method for the cash flow statements, which requires major classes of gross cash receipts and gross cash payments to be disclosed separately. As such, the Group has changed the consolidated cash flow statement to present net cash flows from investment entity subsidiaries on a gross basis in two line items: Amounts paid to investment entity subsidiaries and Amounts received from investment entity subsidiaries. Comparatives for the year to 31 March 2020 have been restated.

The principal accounting policies applied in the preparation of the Group accounts are disclosed below, but where possible, they have been shown as part of the Note to which they specifically relate in order to assist the reader's understanding. These policies have been consistently applied and apply to all years presented, except for in relation to the adoption of new accounting standards.

Going concern

These financial statements have been prepared on a going concern basis as disclosed in the Directors' report. The Directors have made an assessment of going concern for a period of at least 12 months from the date of approval of the accounts, taking into account the Group's current performance, financial position and the principal and emerging risks facing the business, including the impact of Covid-19 on global markets and potential implications for the Group's financial performance.

The Group, its investments and its critical functions have been operating well throughout the financial year against a backdrop of the pandemic, and the challenges posed by the various government-imposed lockdowns and restrictions implemented in response. As discussed in detail in the Strategic report of our Annual report and accounts 2021, the majority of the portfolio has been resilient, with those portfolio companies operating in the consumer, e-commerce, healthcare and business services sectors continuing to deliver very strong performances. The assets exposed to travel and automotive sectors continue to be more negatively impacted by the pandemic. As we enter the next financial year, our portfolio of assets should be well positioned to continue to generate good returns for shareholders.

With the experience of FY2021 at a portfolio and operational level, the Directors considered the impact of the current Covid-19 environment on the business for at least the next 12 months. Underpinning the Group's business model is its proprietary capital. This enables the Group to operate without third-party obligations regarding the timing of realisations and deployment of capital. The Group covers its cash operating costs, £108 million at 31 March 2021, with cash income generated by our Infrastructure business and some income from our Private Equity portfolio and Scandlines, £131 million at 31 March 2021. The Directors' assessment of going concern, which takes into account this business model and the Group's existing liquidity of £725 million, indicates that the Group and parent company will have sufficient funds to continue as a going concern, for at least the next 12 months. Liquidity comprised of cash and deposits of £225 million (31 March 2020: £845 million) and undrawn facilities of £500 million (31 March 2020: £400 million). During the year the Group successfully issued a £400 million bond with a maturity date of 2040.

The Group also increased its RCF to £500 million and extended the maturity to 2026. The Group manages liquidity with the aim of ensuring it is adequate and sufficient, by regular monitoring of investments, realisations, operating expenses and portfolio cash income.

In addition, the Directors have modelled a number of severe stress test scenarios, including the consideration of the potential impact of continued Covid-19 restrictions and the anticipated recovery profile for each portfolio company, as well as the impact of a significant downturn event specifically on the Group's largest asset, Action. These scenarios include a range of estimated impacts, primarily based on providing additional support to portfolio companies as a result of the downturn and delaying the Group's ability to realise and make new investments. The scenarios are most sensitive to a delay in realisations which contribute to liquidity of the Group. A key judgement applied is the extent of a continued Covid-19 related impact on trading activity and restrictions alongside the likely recovery profile of portfolio companies. The severe scenarios include assumptions modelling a 'K-shaped' recovery (which sees a greater divergence in the recovery profile of assets in different sectors) and a 'U-shaped' recovery (which considers a more extended and drawn-out recovery in which the economy is impacted by rolling lockdowns and much reduced economic activity).

The results of each of the stress test scenarios indicate that the Group is able to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements by, in certain cases, making use of controllable management actions. In all these scenarios the Directors expect the Group to be able to recover without a permanent long-term impact on its solvency or capital requirements. Mitigating actions within management control include reduced new investment levels and drawing on the existing RCF.

Having performed the assessment on going concern, the Directors considered it appropriate to prepare the financial statements of the Company and Group on a going concern basis, and have concluded that the Group has sufficient financial resources, 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 issue of these financial statements.

B Basis of consolidation

In accordance with IFRS 10 the Company meets the criteria as an investment entity and therefore is required to recognise subsidiaries that also qualify as investment entities at fair value through profit or loss. It does not consolidate the investment entities it controls. Subsidiaries that provide investment related services, such as advisory, management or employment services, are not accounted for at fair value through profit and loss and continue to be consolidated unless those subsidiaries qualify as investment entities, in which case they are recognised at fair value. Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group has all of the following:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to affect those returns through its power over the investee.

The Group is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial treatment is accurate.

Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. All intragroup balances and transactions with subsidiaries are eliminated upon consolidation. Subsidiaries are de-consolidated from the date that control ceases.

The Group comprises several different types of subsidiaries. For a new subsidiary, the Group assesses whether it qualifies as an investment entity under IFRS 10, based on the function the entity performs within the Group. For existing subsidiaries, the Group annually reassesses the function performed by each type of subsidiary to determine if the treatment under IFRS 10 exception from consolidation is still appropriate. The types of subsidiaries and their treatment under IFRS 10 are as follows:

General Partners ("GPs") – Consolidated

General Partners provide investment management services and do not hold any direct investments in portfolio assets. These entities are not investment entities.

Investment managers/advisers – Consolidated

These entities provide investment related services through the provision of investment management or advice. They do not hold any direct investments in portfolio assets. These entities are not investment entities.

Holding companies of investment managers/advisers – Consolidated
These entities provide investment related services through their subsidiaries. Typically they do not hold any direct investment in portfolio assets and these entities are not investment entities.

Limited Partnerships and other intermediate investment holding structures – Fair valued
The Group makes investments in portfolio assets through its ultimate parent company as well as through other limited partnerships and corporate subsidiaries which the Group has created to align the interests of the investment teams with the performance of the assets through the use of various carried interest schemes. The purpose of these limited partnerships and corporate holding vehicles, many of which also provide investment related services, is to invest for investment income and capital appreciation. These partnerships and corporate subsidiaries meet the definition of an investment entity and are accounted for at fair value through profit and loss.

Portfolio investments – Fair valued
Under IFRS 10, the test for accounting subsidiaries takes wider factors of control as well as actual equity ownership into account. In accordance with the investment entity exception, these entities have been held at fair value with movements in fair value being recognised in profit or loss.

Associates – Fair valued
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 statement of financial position at fair value even though the Group may have significant influence over those companies.

Further detail on our application of IFRS 10 can be found in the Reconciliation of Investment basis to IFRS section.

C Critical accounting judgements and estimates

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underpin the preparation of its financial statements. UK company law and IFRS require the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The actual outcome may be materially different from that anticipated.

(a) Critical judgements
In the course of preparing the financial statements, one judgement has been made in the process of applying the Group's accounting policies, other than those involving estimations, that has had a significant effect on the amounts recognised in the financial statements as follows:

I. Assessment as an investment entity
The Board has concluded that the Company continues to meet the definition of an investment entity, as its strategic objective of investing in portfolio investments and providing investment management services to investors for the purpose of generating returns in the form of investment income and capital appreciation remains unchanged.

(b) Critical estimates
In addition to these significant judgements the Directors have made two estimates, which they deem to have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements within the next financial year. The details of these estimates are as follows:

I. Fair valuation of the investment portfolio
The investment portfolio, a material asset of the Group, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in Note 4 Fair values of assets and liabilities in this document. Further information can be found in Portfolio valuation – an explanation in our Annual report and accounts 2021. Given the importance of this area, the Board has a separate Valuations Committee to review the valuations policies, process and application to individual investments. A report on the activities of the Valuations Committee (including a review of the assumptions made) is included in the Valuations Committee Report on in our Annual report and accounts 2021.

II. Carried interest payable
Carried interest payable is calculated based on the underlying agreements, and assuming all portfolio investments are sold at their fair values at the balance sheet date. The actual amounts of carried interest paid will depend on the cash realisations of these portfolio investments and valuations may change significantly in the next financial year. The fair valuation of the investment portfolio is itself a critical estimate, as detailed above. The sensitivity of carried interest payable to movements in the investment portfolio is disclosed in Note 15 in our Annual report and accounts 2021.

D Other accounting policies

(a) Gross investment return

Gross investment return is equivalent to “revenue” for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio net of deal-related costs and includes foreign exchange movements in respect of the investment portfolio. The substantial majority is investment income and outside the scope of IFRS 15. It is analysed into the following components with the relevant standard shown where appropriate:

i. Realised profits or losses over value on the disposal of investments are the difference between the fair value of the consideration received in accordance with IFRS 13 less any directly attributable costs, on the sale of equity and the repayment of interest income from the investment portfolio, and its carrying value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal.
ii. Unrealised profits or losses on the revaluation of investments are the movement in the fair value of investments in accordance with IFRS 13 between the start and end of the accounting period converted into sterling using the exchange rates in force at the date of fair value assessment.
iii. Fair value movements on investment entity subsidiaries are the movements in the fair value of Group subsidiaries which are classified as investment entities under IFRS 10. The Group makes investments in portfolio assets through these entities which are usually limited partnerships or corporate subsidiaries.
iv. Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be 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 profit or loss when the shareholders’ rights to receive payment have been established.
- Interest income from the investment portfolio is recognised as it accrues. When the fair value of an investment is assessed to be below the principal value of a loan, the Group recognises a provision against any interest accrued from the date of the assessment going forward until the investment is assessed to have recovered in value.
- The accounting policy for fee income is included in Note 4 in our Annual report and accounts 2021.

v. Foreign exchange on investments arises on investments made in currencies that are different from the functional currency of the Company being sterling. Investments are translated at the exchange rate ruling at the date of the transaction in accordance with IAS 21. At each subsequent reporting date, investments are translated to sterling at the exchange rate ruling at that date.
vi. Movement in the fair value of derivatives relates to the change in fair value of forward foreign exchange contracts which have been used to minimise foreign currency risk in the investment portfolio. See Note 18 in our Annual report and accounts 2021 for more details.

(b) Foreign currency translation

For the Company and those subsidiaries whose balance sheets are denominated in sterling, which is the Company’s functional and presentational currency, monetary assets and liabilities and non-monetary assets held at fair value denominated in foreign currencies are translated into sterling at the closing rates of exchange at the balance sheet date. Foreign currency transactions are translated into sterling at the average rates of exchange over the year and exchange differences arising are taken to profit or loss.

The statements of financial position of subsidiaries and associates, which are not held at fair value, denominated in foreign currencies are translated into sterling at the closing rates. The statements of comprehensive income for these subsidiaries and associates are translated at the average rates and exchange differences arising are taken to other comprehensive income. Such exchange differences are reclassified to profit or loss in the period in which the subsidiary or associate is disposed of.

(c) Treasury assets and liabilities

Short-term treasury assets, and short and long-term treasury liabilities are used in order to manage cash flows.

Cash and cash equivalents comprise cash at bank and amounts held in money market funds which are readily convertible into cash and there is an insignificant risk of changes in value. Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument. De-recognition occurs when rights to cash flows from a financial asset expire, or when a liability is extinguished.

Notes to the accounts

1 Segmental analysis
Operating segments are the components of the Group whose results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

The Chief Executive, who is considered to be the chief operating decision maker, managed the Group on the basis of business divisions determined with reference to market focus, geographic focus, investment funding model and the Group's management hierarchy. A description of the activities, including returns generated by these divisions and the allocation of resources, is given in the Strategic report. For the geographical segmental split, revenue information is based on the locations of the assets held. To aid the readers' understanding we have split out Action, Private Equity's largest asset, into a separate column. Action is not regarded as a reported segment as the chief operating decision maker reviews performance, makes decisions and allocates resources to the Private Equity segment, which includes Action.

The segmental information that follows is presented on the basis used by the Chief Executive to monitor the performance of the Group. The reported segments are Private Equity, Infrastructure and Scandlines.

The segmental analysis is prepared on the Investment basis. The Investment basis is an APM and we believe it provides a more understandable view of performance. More information on the Investment basis and a reconciliation between the Investment basis and IFRS can be found at the end of the Financial review.

1 Segmental analysis continued

Investment basis

Year to 31 March 2021	Private Equity £m	*Of which Action £m*	Infrastructure £m	Scandlines £m	Total[4] £m
Realised profits over value on the disposal of investments	**29**	–	**6**	**–**	**35**
Unrealised profits on the revaluation of investments	**2,161**	*1,202*	**168**	**22**	**2,351**
Portfolio income					
Dividends	**53**	–	**29**	**–**	**82**
Interest income from investment portfolio	**55**	–	**10**	**–**	**65**
Fees receivable	**9**	*1*	**–**	**–**	**9**
Foreign exchange on investments	**(371)**	*(181)*	**(39)**	**(17)**	**(427)**
Movement in the fair value of derivatives	**–**	–	**4**	**20**	**24**
Gross investment return	**1,936**	*1,022*	**178**	**25**	**2,139**
Fees receivable from external funds	**4**	–	**40**	**–**	**44**
Operating expenses	**(70)**	–	**(40)**	**(2)**	**(112)**
Interest received					**(1)**
Interest paid					**(47)**
Exchange movements					**7**
Other income					**1**
Operating profit before carried interest					**2,031**
Carried interest					
Carried interest and performance fees receivable	**(3)**	–	**8**	**–**	**5**
Carried interest and performance fees payable	**(173)**	–	**(11)**	**–**	**(184)**
Operating profit before tax					**1,852**
Tax charge					**–**
Profit for the year					**1,852**
Other comprehensive expense					
Re-measurements of defined benefit plans					**(126)**
Total return					**1,726**
Realisations[1]	**114**	–	**104**	**–**	**218**
Cash investment[2]	**(508)**	(9)	**(2)**	**–**	**(510)**
Net (investment)/divestment	**(394)**	(9)	**102**	**–**	**(292)**
Balance sheet					
Opening portfolio value at 1 April 2020	**6,552**	*3,536*	**1,117**	**429**	**8,098**
Investment[3]	**633**	9	**2**	**–**	**635**
Value disposed	**(85)**	–	**(98)**	**–**	**(183)**
Unrealised value movement	**2,161**	*1,202*	**168**	**22**	**2,351**
Other movement (including foreign exchange)	**(447)**	*(181)*	**(30)**	**(16)**	**(493)**
Closing portfolio value at 31 March 2021	**8,814**	*4,566*	**1,159**	**435**	**10,408**

1 Realised proceeds may differ from cash proceeds due to timing of cash receipts. During the year Private Equity received £105 million of cash proceeds which were recognised as realised proceeds in FY2020 and recognised £4 million of realised proceeds in Private Equity which are to be received in FY2022.
2 Cash investment per the segmental analysis is different to cash investment per the cash flow due to £31 million of syndication in Private Equity which was recognised in FY2020 and received in FY2021.
3 Includes capitalised interest and other non-cash investment.
4 The total is the sum of Private Equity, Infrastructure and Scandlines, "Of which Action" is part of Private Equity.

A number of items are not managed by segment by the chief operating decision maker and therefore have not been allocated to a specific segment.

1 Segmental analysis continued

Investment basis

Year to 31 March 2020	Private Equity £m	*Of which Action £m*	Infrastructure £m	Scandlines £m	Total[4] £m
Realised profits over value on the disposal of investments	90	*15*	–	–	90
Unrealised (losses)/profits on the revaluation of investments	(34)	*461*	(92)	(46)	(172)
Portfolio income					
Dividends	5	–	26	37	68
Interest income from investment portfolio	106	–	12	–	118
Fees receivable	9	*2*	–	–	9
Foreign exchange on investments	176	*79*	21	17	214
Movement in the fair value of derivatives	–	–	(6)	(3)	(9)
Gross investment return	352	*557*	(39)	5	318
Fees receivable from external funds	2		42	–	44
Operating expenses	(72)		(41)	(3)	(116)
Interest received					1
Interest paid					(38)
Exchange movements					1
Other income					5
Operating profit before carried interest					215
Carried interest					
Carried interest and performance fees receivable	79		6	–	85
Carried interest and performance fees payable	(63)		(21)	–	(84)
Operating profit before tax					216
Tax charge					(1)
Profit for the year					215
Other comprehensive income					
Re-measurements of defined benefit plans					38
Total return					253
Realisations[1]	848	*402*	–	70	918
Cash investment[2]	(1,062)	*(651)*[5]	(186)	–	(1,248)
Net (investment)/divestment	(214)	*(249)*	(186)	70	(330)
Balance sheet					
Opening portfolio value at 1 April 2019	6,023	*2,731*	1,001	529	7,553
Investment[3]	1,155	*651*	186	–	1,341
Value disposed	(759)	*(387)*	–	(70)	(829)
Unrealised value movement	(34)	*461*	(92)	(46)	(172)
Other movement (including foreign exchange)	167	*80*	22	16	205
Closing portfolio value at 31 March 2020	6,552	*3,536*	1,117	429	8,098

1 Realised proceeds may differ from cash proceeds due to timing of cash receipts. In FY2020 we have recognised £117 million of realised proceeds in Private Equity which are to be received in FY2021.
2 Cash investment includes a £31 million syndication of cash investment in Private Equity, which is to be received in FY2021. This differs to the cash flow due to the timing of the syndication to be received.
3 Includes capitalised interest and other non-cash investment.
4 The total is the sum of Private Equity, Infrastructure and Scandlines, "Of which Action" is part of Private Equity.
5 Cash investment includes £60 million of purchased LP stakes in EFV prior to the Action Transaction and £591 million of reinvestment as part of the Action Transaction in the Private Equity section of the Business review in the FY2020 Annual report and accounts.

A number of items are not managed by segment by the chief operating decision maker and therefore have not been allocated to a specific segment.

1 Segmental analysis continued

Investment basis Year to 31 March 2021	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Realised profits over value on the disposal of investments	**2**	**8**	**–**	**25**	**35**
Unrealised profits/(losses) on the revaluation of investments	**280**	**1,773**	**300**	**(2)**	**2,351**
Portfolio income	**47**	**93**	**13**	**3**	**156**
Foreign exchange on investments	**–**	**(289)**	**(135)**	**(3)**	**(427)**
Movement in fair value of derivatives	**–**	**20**	**4**	**–**	**24**
Gross investment return	**329**	**1,605**	**182**	**23**	**2,139**
Realisations	**2**	**88**	**74**	**54**	**218**
Cash investment	**(171)**	**(175)**	**(164)**	**–**	**(510)**
Net (investment)/divestment	**(169)**	**(87)**	**(90)**	**54**	**(292)**
Balance sheet					
Closing portfolio value at 31 March 2021	**1,645**	**7,260**	**1,481**	**22**	**10,408**

Investment basis Year to 31 March 2020	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Realised profits/(losses) over value on the disposal of investments	102	17	–	(29)	90
Unrealised (losses)/profits on the revaluation of investments	(109)	112	(167)	(8)	(172)
Portfolio income	49	133	17	(4)	195
Foreign exchange on investments	–	142	65	7	214
Movement in fair value of derivatives	–	(3)	(6)	–	(9)
Gross investment return	42	401	(91)	(34)	318
Realisations	252	560	–	106	918
Cash investment	–	(928)	(320)	–	(1,248)
Net divestment/(investment)	252	(368)	(320)	106	(330)
Balance sheet					
Closing portfolio value at 31 March 2020	1,190	5,698	1,153	57	8,098

2 Per share information

The calculation of basic net assets per share is based on the net assets and the number of shares in issue at the year end. When calculating the diluted net assets per share, the number of shares in issue is adjusted for the effect of all dilutive share awards.

	2021	2020
Net assets per share (£)		
Basic	**9.50**	8.06
Diluted	**9.47**	8.04
Net assets (£m)		
Net assets attributable to equity holders of the Company	**9,164**	7,757

	2021	2020
Number of shares in issue		
Ordinary shares	**973,166,947**	973,074,585
Own shares	**(8,530,634)**	(10,398,032)
	964,636,313	962,676,553
Effect of dilutive potential ordinary shares		
Share awards	**2,656,230**	1,649,348
Diluted shares	**967,292,543**	964,325,901

The calculation of basic earnings per share is based on the profit attributable to shareholders and the weighted average number of shares in issue. The weighted average shares in issue for the year to 31 March 2021 are 964,217,242 (2020: 968,001,540). When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effect of all dilutive share awards. The diluted weighted average shares in issue for the year to 31 March 2021 are 966,547,522 (2020: 969,674,941).

	2021	2020
Earnings per share (pence)		
Basic	**192.4**	22.1
Diluted	**191.9**	22.1
Earnings (£m)		
Profit for the year attributable to equity holders of the Company	**1,855**	214

3 Dividends

	2021 pence per share	2021 £m	2020 pence per share	2020 £m
Declared and paid during the year				
Ordinary shares				
Second dividend	**17.5**	**169**	20.0	194
First dividend	**17.5**	**169**	17.5	169
	35.0	**338**	37.5	363
Proposed dividend	**21.0**	**203**	17.5	168

The Group introduced a simplified dividend policy in May 2018. In accordance with this policy, subject to maintaining a conservative balance sheet approach, the Group aims to maintain or grow the dividend each year. The first dividend has been set at 50% of the prior year’s total dividend.

The dividend can be paid out of either the capital reserve or the revenue reserve subject to the investment trust rules.

The distributable reserves of the parent company are £3,811 million (31 March 2020: £3,863 million) and the Board reviews the distributable reserves bi-annually, including consideration of any material changes since the most recent audited accounts, ahead of proposing any dividend. The Board also reviews the proposed dividends in the context of the requirements of being an approved investment trust. Shareholders are given the opportunity to approve the total dividend for the year at the Company’s Annual General Meeting. Details of the Group’s continuing viability and going concern can be found in the Risk management section.

4 Fair values of assets and liabilities

Accounting policy:

Financial instruments are initially classified at either amortised cost or fair value through profit or loss. Financial instruments classified at fair value through profit or loss are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in profit or loss in the Statement of comprehensive income. Financial instruments classified at amortised cost are subsequently measured at amortised cost using the effective interest method with interest income or expense and foreign exchange gains and losses recognised in profit or loss in the Statement of comprehensive income.

(A) Classification
The following tables analyse the Group's assets and liabilities in accordance with the categories of financial instruments in IFRS 9:

	Group 2021 Classified at fair value through profit and loss £m	**Group 2021 Other financial instruments at amortised cost £m**	**Group 2021 Total £m**	Group 2020 Classified at fair value through profit and loss £m	Group 2020 Other financial instruments at amortised cost £m	Group 2020 Total £m
Assets						
Quoted investments	**797**	**–**	**797**	418	–	418
Unquoted investments	**4,213**	**–**	**4,213**	3,036	–	3,036
Investments in investment entities	**4,905**	**–**	**4,905**	3,936	–	3,936
Other financial assets	**61**	**55**	**116**	57	141	198
Total	**9,976**	**55**	**10,031**	7,447	141	7,588
Liabilities						
Loans and borrowings	**–**	**975**	**975**	–	575	575
Other financial liabilities	**–**	**163**	**163**	4	200	204
Total	**–**	**1,138**	**1,138**	4	775	779

	Company 2021 Classified at fair value through profit and loss £m	**Company 2021 Other financial instruments at amortised cost £m**	**Company 2021 Total £m**	Company 2020 Classified at fair value through profit and loss £m	Company 2020 Other financial instruments at amortised cost £m	Company 2020 Total £m
Assets						
Quoted investments	**797**	**–**	**797**	418	–	418
Unquoted investments	**4,213**	**–**	**4,213**	3,036	–	3,036
Other financial assets	**39**	**52**	**91**	38	179	217
Total	**5,049**	**52**	**5,101**	3,492	179	3,671
Liabilities						
Loans and borrowings	**–**	**975**	**975**	–	575	575
Other financial liabilities	**–**	**536**	**536**	4	483	487
Total	**–**	**1,511**	**1,511**	4	1,058	1,062

Within the Company, Interests in Group entities £4,921 million (31 March 2020: £4,023 million) includes £4,907 million (31 March 2020: £3,938 million) held at fair value and £14 million (31 March 2020: £85 million) held at cost less impairment.

(B) Valuation
The fair values of the Group's financial assets and liabilities not held at fair value, are not materially different from their carrying values, with the exception of loans and borrowings. The fair value of the loans and borrowings is £1,161 million (31 March 2020: £671 million), determined with reference to their published market prices. The carrying value of the loans and borrowings is £975 million (31 March 2020: £575 million) and accrued interest payable (included within trade and other payables) is £13 million (31 March 2020: £8 million).

4 Fair values of assets and liabilities continued

Valuation hierarchy

The Group classifies financial instruments measured at fair value according to the following hierarchy:

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

Unquoted equity instruments and debt instruments are measured in accordance with the IPEV Guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted equity instruments can be found in the section Portfolio valuation – an explanation in our Annual report and accounts 2021.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 31 March 2021:

	Group 2021 Level 1 £m	**Group 2021 Level 2 £m**	**Group 2021 Level 3 £m**	**Group 2021 Total £m**	Group 2020 Level 1 £m	Group 2020 Level 2 £m	Group 2020 Level 3 £m	Group 2020 Total £m
Assets								
Quoted investments	**797**	**–**	**–**	**797**	418	–	–	418
Unquoted investments	**–**	**–**	**4,213**	**4,213**	–	–	3,036	3,036
Investments in investment entity subsidiaries	**–**	**–**	**4,905**	**4,905**	–	–	3,936	3,936
Other financial assets	**–**	**26**	**35**	**61**	–	13	44	57
Liabilities								
Other financial liabilities	**–**	**–**	**–**	**–**	–	(4)	–	(4)
Total	**797**	**26**	**9,153**	**9,976**	418	9	7,016	7,443

We determine that, in the ordinary course of business, the net asset value of an investment entity subsidiary is considered to be the most appropriate to determine fair value. The underlying portfolio is valued under the same methodology as directly held investments, with any other assets or liabilities within investment entity subsidiaries fair valued in accordance with the Group's accounting policies. Details of the Directors' considerations about the fair value of the underlying investment entity subsidiaries are included in Note 12 of our Annual report and accounts 2021.

Movements in the directly held investment portfolio categorised as Level 3 during the year are set out in the table below:

	Group 2021 £m	Group 2020 £m	**Company 2021 £m**	Company 2020 £m
Opening fair value	**3,036**	1,193	**3,036**	1,193
Additions	**584**	1,929	**584**	1,929
– of which loan notes with nil value	**(24)**	(6)	**(24)**	(6)
Disposals, repayments and write-offs	**(333)**	(142)	**(333)**	(142)
Fair value movement[1]	**1,135**	20	**1,135**	20
Other movements and net cash movements[2]	**(185)**	42	**(185)**	42
Closing fair value	**4,213**	3,036	**4,213**	3,036

1 All fair value movements relate to assets held at the end of the year.
2 Other movements include the impact of foreign exchange and accrued interest.

Unquoted investments valued using Level 3 inputs also had the following impact on profit and loss: realised profits over value on disposal of investments of £9 million (2020: £29 million loss), dividend income of £33 million (2020: £7 million) and foreign exchange losses of £195 million (2020: £36 million gain).

4 Fair values of assets and liabilities continued

Assets move between Level 1 and Level 3 when an unquoted equity investment lists on a quoted market exchange. There were no transfers in or out of Level 3 during the year. In the 12 months to 31 March 2021, two assets changed valuation basis within Level 3, one moving from an earnings-based valuation to a DCF and Action moving from Transaction value which was used as a basis to determine fair value at 31 March 2020 to an earnings-based valuation. The changes in valuation methodology in the period reflect our view of the most appropriate method to determine the fair value of the two assets at 31 March 2021. Further information can be found in the Private Equity and Infrastructure sections of the Business and Financial reviews earlier in this document.

The following table summarises the various valuation methodologies used by the Group to fair value Level 3 instruments, the inputs and the sensitivities applied and the impact of those sensitives to the unobservable inputs. We have maintained a 5% sensitivity which is underpinned by the resilient performance of our portfolio. For the small number of companies in our portfolio that are exposed to more challenged sectors such as travel and automotive sectors, our fair value at 31 March 2021, reflects the impact this has had on performance. All numbers in the table below are on an Investment basis.

Level 3 unquoted investments

Methodology	Description	Inputs	Fair value at 31 March (£m)	Sensitivity on key unobservable input	Fair value impact of sensitivities (£m) +5%/-5%
Earnings (Private Equity)	Most commonly used Private Equity valuation methodology Used for investments which are typically profitable and for which we can determine a set of listed companies and precedent transactions, where relevant, with similar characteristics.	Earnings multiples are applied to the earnings of the Company to determine the enterprise value. **Earnings multiples** When selecting earnings multiples, we consider: 1. Comparable listed companies' current performance and through the cycle averages 2. Relevant market transaction multiples 3. Exit expectations and other company specific factors	**8,393** (2020: 6,328 of which 3,536 is Action based on Transaction value at 31 March 2020)	For the assets valued on an earnings basis, we have applied a 5% sensitivity to the earnings multiple	**528** (2020[1]: 216) **(539)** (2020[1]:(216))
		For point 1 and 2 of the above we select companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus. The pre-discount multiple ranges from 8.5x – 19.5x (2020: 8.0x – 14.5x). Other inputs: **Earnings** Reported earnings are adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, run-rate adjustments to arrive at maintainable earnings. The most common measure is earnings before interest, tax, depreciation and amortisation ("EBITDA"). Earnings are usually obtained from portfolio company management accounts to the preceding quarter end, with reference also to forecast earnings and the maintainable view of earnings. Action, our largest asset, we value using run-rate earnings.		Action is our largest asset, and we have included a 5% sensitivity on Action's earnings multiple of 19.5x (equivalent to 18.5x net). On a stand-alone basis, this is equal to	**283** (2020: n/a) **(284)** (2020: n/a)

Methodology	Description	Inputs	Fair value at 31 March (£m)	Sensitivity on key unobservable input	Fair value impact of sensitivities (£m) +5%/-5%
Discounted cash flow (Private Equity/ Infrastructure/ Scandlines)	Appropriate for businesses with long-term stable cash flows, typically in Infrastructure or, alternatively, businesses where DCF is more appropriate in the short term.	Long-term cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment.	**831** (2020: 832)	For the assets valued on a DCF basis, we have applied a 5% sensitivity to the discount rate	**(38)** (2020: (35)) **40** (2020: 37)
NAV (Private Equity/ Infrastructure)	Used for investments in unlisted funds.	Net asset value reported by the fund manager. The valuation of the underlying portfolio is consistent with IFRS.	**69** (2020: 58)	A 5% increase on closing NAV	**3** (2020: 3)
Other (Private Equity/ Infrastructure)	Used where elements of a business are valued on different bases.	Values of separate elements prepared on one of the methodologies listed above.	**104** (2020: 122)	A 5% increase in the closing value	**5** (2020: 6)

1 2020 excludes Action which was valued on Transaction value which was used as a basis to determine fair value at 31 March 2020.

5 Loans and borrowings

Accounting policy:
All loans and borrowings are initially recognised at the fair value of the consideration received. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Financial liabilities are derecognised when they are extinguished.

	Group 2021 £m	Group 2020 £m
Loans and borrowings are repayable as follows:		
Within one year	**–**	–
Between the second and fifth year	**200**	200
After five years	**775**	375
	975	575

Principal borrowings include:

	Rate	Maturity	**Group 2021 £m**	Group 2020 £m	**Company 2021 £m**	Company 2020 £m
Fixed rate						
£200 million notes (public issue)	6.875%	2023	**200**	200	**200**	200
£375 million notes (public issue)	5.750%	2032	**375**	375	**375**	375
£400 million notes (public issue)	3.750%	2040	**400**	–	**400**	–
			975	575	**975**	575
Committed multi-currency facilities						
£500 million	LIBOR+0.50%	2026	–	–	–	–
			–	–	–	–
Total loans and borrowings			**975**	575	**975**	575

During the year the Company extended its syndicated multi-currency facility to March 2026 (2020: March 2025); and increased the size to £500 million (31 March 2020: £400 million). The £500 million facility has no financial covenants. The RCF has a one year extension option subject to certain requirements which if successfully exercised would extend the maturity date to March 2027.

All of the Group's borrowings are repayable in one instalment on the respective maturity dates. None of the Group's interest-bearing loans and borrowings are secured on the assets of the Group. The fair value of the loans and borrowings is £1,161 million (31 March 2020: £671 million), determined with reference to their published market prices. The loans and borrowings are included in Level 2 of the fair value hierarchy. The interest expense for loans and borrowings recognised within profit and loss is £50 million (2020: £37 million) and the interest paid for loans and borrowings recognised within the Consolidated cash flow statement is £45 million (2020: £38 million).

In accordance with the FCA's Investment Funds sourcebook (FUNDS 3.2.2R and Fund 3.2.6R), 3i Investments plc, as AIFM of the Company, is required to calculate leverage in accordance with a set formula and disclose this to investors. In line with this formula, leverage at 31 March 2021 for the Group is 131% (31 March 2020: 115%) and the Company is 130% (31 March 2020: 104%) under both the gross method and the commitment method. The leverage for 3i Investments plc at 31 March 2021 is 100% (31 March 2020: 100%) under both the gross method and the commitment method.

Under the Securities Financing Transactions Regulation and the FCA's Investment Funds sourcebook (FUNDS 3.2.4A), 3i is required to disclose certain information relating to the use of securities financing transactions ("SFTs") and total return swaps. At 31 March 2021, 3i was not party to any transactions involving SFTs or total return swaps.

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities are classified as follows:

	Loans and borrowings 2021 £m	**Lease liability 2021 £m**	Loans and borrowings 2020 £m	Lease liability 2020 £m
Opening liability	**575**	**20**	575	–
Adoption of IFRS 16 – Leases	**–**	**–**	–	23
Additions	**400**	**2**	–	1
Repayments	**–**	**(5)**	–	(4)
Closing liability	**975**	**17**	575	20

20 large investments

The 20 investments listed below account for 95% of the portfolio at 31 March 2021 (31 March 2020: 95%). All investments have been assessed to establish whether they classify as accounting subsidiaries under IFRS and/or subsidiaries under the UK Companies Act. This assessment forms the basis of our disclosure of accounting subsidiaries in the financial statements.

The UK Companies Act defines a subsidiary based on voting rights, with a greater than 50% majority of voting rights resulting in an entity being classified as a subsidiary. IFRS 10 applies a wider test and, if a Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee then it has control, and hence the investee is deemed an accounting subsidiary. Controlled subsidiaries under IFRS are noted below. None of these investments are UK Companies Act subsidiaries.

In accordance with Part 5 of The Alternative Investment Fund Managers Regulations 2013 ("the Regulations"), 3i Investments plc, as 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.

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] March 2021 £m**	Residual cost[1] March 2020 £m	**Valuation March 2021 £m**	Valuation March 2020 £m	Relevant transactions in the year
Action* General merchandise discount retailer	Private Equity Netherlands 2011/2020 Earnings	**623**	614	**4,566**	3,536	
3i Infrastructure plc* Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	**305**	305	**797**	665	
Cirtec Medical* Outsourced medical device manufacturing	Private Equity US 2017 Earnings	**172**	172	**444**	302	Acquisition of NovelCath in December 2020
Scandlines Ferry operator between Denmark and Germany	Scandlines Denmark/Germany 2018 DCF	**529**	529	**435**	429	
Tato Manufacturer and seller of speciality chemicals	Private Equity UK 1989 Earnings	**2**	2	**368**	196	
Royal Sanders* Private label and contract manufacturing producer of personal care products	Private Equity Netherlands 2018 Earnings	**136**	135	**364**	198	Acquisition of Royal Herkel in January 2021 and Tunap Cosmetics in March 2021 £38 million dividend received in July 2020.
Luqom* (formerly Lampenwelt) Online lighting specialist retailer	Private Equity Germany 2017 Earnings	**110**	113	**307**	144	
Evernex* Provider of third-party maintenance services for data centre infrastructure	Private Equity France 2019 Earnings	**272**	219	**281**	217	Acquisition of Technogroup in July 2020
Hans Anders* Value-for-money optical retailer	Private Equity Netherlands 2017 Earnings	**268**	221	**262**	196	Further investment of £20 million in April 2020
WP* Supplier of plastic packaging solutions	Private Equity Netherlands 2015 Earnings	**222**	206	**259**	244	

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] March 2021 £m**	Residual cost[1] March 2020 £m	**Valuation March 2021 £m**	Valuation March 2020 £m	Relevant transactions in the year
Havea* Manufacturer of natural healthcare and cosmetics products	Private Equity France 2017 Earnings	**187**	155	**242**	182	Further investment of £23 million in September 2020 Acquisition of Laudavie in November 2020
Basic-Fit Discount gyms operator	Private Equity Netherlands 2013 Quoted	**23**	6	**214**	93	Further investment of £17 million in June 2020
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	**30**	30	**212**	158	
Q Holding* Manufacturer of precision engineered elastomeric components	Private Equity US 2014 Earnings	**162**	162	**187**	222	
SaniSure* (formerly Bioprocessing platform) Manufacturer, distributor and integrator of single-use bioprocessing systems and components	Private Equity US 2019 Earnings	**135**	60	**183**	64	Acquisition of Biofluidfocus in August 2020 and Sani-Tech West in July 2020
Magnitude Software* Leading provider of unified application data management solutions	Private Equity US 2019 Earnings	**139**	139	**165**	121	
BoConcept* Urban living designer	Private Equity Denmark 2016 Earnings	**165**	149	**161**	119	
Smarte Carte* Provider of self-serve vended luggage carts, electronic lockers and concession carts	Infrastructure US 2017 DCF	**176**	167	**160**	172	
Regional Rail* Owns and operates short-line freight railroads and rail-related businesses	Infrastructure US 2019 DCF	**175**	175	**131**	195	Distributed £74 million to 3i
MPM* An international branded, premium and natural pet food company	Private Equity UK 2020 Earnings	**128**	–	**124**	–	New investment
		3,959	3,559	**9,862**	7,453	

* Controlled in accordance with IFRS.
1 Residual cost includes cash investment and interest net of cost disposed.

Glossary

2013-2016 vintage includes Aspen Pumps, Audley Travel, Basic-Fit, Dynatect, Kinolt, ATESTEO, JMJ, Q Holding, WP, Scandlines further (completed in December 2013), Christ, Geka, Óticas Carol and Blue Interactive.

2016-2019 vintage includes BoConcept, Cirtec Medical, Formel D, Hans Anders, arriva, Luqom, Havea, Royal Sanders, Magnitude Software and Schlemmer.

2019-2022 vintage includes Evernex, SaniSure, GartenHaus, MPM and WilsonHCG.

AIFMD Regulations are the Alternative Investment Fund Managers Regulations 2013.

Alternative Investment Funds ("AIFs") At 31 March 2021, 3i Investments plc as AIFM, managed five AIFs. These were 3i Group plc, 3i Growth Capital Fund, 3i Eurofund V, 3i Managed Infrastructure Acquisitions LP and 3i Infrastructure plc. 3i Investments (Luxembourg) SA as AIFM, managed one AIF, 3i European Operational Projects Fund.

Alternative Investment Fund Manager ("AIFM") is the regulated manager of AIFs. Within 3i, these are 3i Investments plc and 3i Investments (Luxembourg) SA.

APAC The Asia Pacific region.

Approved Investment Trust Company This is a particular UK tax status maintained by 3i Group plc, the parent company of 3i Group. An approved Investment Trust company is a UK 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.

Assets under management ("AUM") A measure of the total assets that 3i has to invest or manages on behalf of shareholders and third-party investors for which it receives a fee. AUM is measured at fair value. In the absence of a third-party fund in Private Equity, it is not a measure of fee generating capability.

Automatic Exchange of Information ("AEOI") regulation covers the combined legislative requirements of Common Reporting Standards ("CRS") and the Foreign Account Tax Compliance Act ("FATCA"). Both sets of rules require financial groups to identify investors and report details to their local authority who will then exchange the information with other relevant tax authorities.

B2B Business-to-business.

Board The Board of Directors of the Company.

Buyouts 2010-2012 vintage includes Action, Amor, Element, Etanco, Hilite, OneMed and Trescal.

CAGR is the compound annual growth rate.

Capital redemption reserve is established in respect of the redemption of the Company's ordinary shares.

Capital reserve recognises all profits and losses that are capital in nature or have been allocated to capital. Following changes to the Companies Act, the Company amended its Articles of Association at the 2012 Annual General Meeting to allow these profits to be distributable by way of a dividend.

Carried interest payable is accrued on the realised and unrealised profits generated taking relevant performance hurdles into consideration, assuming all investments were realised at the prevailing book value. Carried interest is only actually paid when the relevant performance hurdles are met and the accrual is discounted to reflect expected payment periods.

Carried interest receivable The Group earns a share of profits from funds which it manages on behalf of third parties. These profits are earned when the funds meet certain performance conditions and are paid by the fund once these conditions have been met on a cash basis. The carried interest receivable may be subject to clawback provisions if the performance of the fund deteriorates following carried interest being paid.

Company 3i Group plc.

Country-by-Country reporting ("CbC Reporting") refers to a requirement for large multinational groups, operating in different countries, to file an annual report with their head office tax authority. This provides information about the activities of the entities in the Group, on a country-by-country basis, across the countries in which the Group operates.

DACH The region covering Austria, Germany and Switzerland.

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.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation and is used as the typical measure of portfolio company performance.

EBITDA multiple Calculated as the enterprise value over EBITDA, it is used to determine the value of a company.

EMEA The region covering Europe, the Middle East and Africa.

Executive Committee The Executive Committee is responsible for the day-to-day running of the Group and comprises: the Chief Executive; Group Finance Director; the Managing Partners of the Private Equity and Infrastructure businesses; and the Group's General Counsel.

Fair value movements on investment entity subsidiaries The movement in the carrying value of Group subsidiaries, classified as investment entities under IFRS 10, between the start and end of the accounting period converted into sterling using the exchange rates at the date of the movement.

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.

Fee income (or Fees receivable) is earned for providing services to 3i's portfolio companies and predominantly falls into one of two categories. Negotiation and other transaction fees are earned for providing transaction related services. Monitoring and other ongoing service fees are earned for providing a range of services over a period of time.

Fees receivable from external funds are earned for providing management and advisory services to a variety of fund partnerships and other entities. Fees are typically calculated as a percentage of the cost or value of the assets managed during the year and are paid quarterly, based on the assets under management to date.

Foreign exchange on investments arises on investments made in currencies that are different from the functional currency of the Company. Investments are translated at the exchange rate ruling at the date of the transaction. At each subsequent reporting date investments are translated to sterling at the exchange rate ruling at that date.

Gross investment return ("GIR") includes profit and loss on realisations, increases and decreases in the value of the investments we hold at the end of a period, any income received from the investments such as interest, dividends and fee income, movements in the fair value of derivatives and foreign exchange movements. GIR is measured as a percentage of the opening portfolio value.

Growth 2010-2012 vintage includes Element, Hilite, BVG, Go Outdoors, Loxam, Touchtunes and WFCI.

Interest income from investment portfolio is recognised as it accrues. When the fair value of an investment is assessed to be below the principal value of a loan, the Group recognises a provision against any interest accrued from the date of the assessment going forward until the investment is assessed to have recovered in value.

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 basis Accounts prepared assuming that IFRS 10 had not been introduced. Under this basis, we fair value portfolio companies at the level we believe provides useful comprehensive financial information. The commentary in the Strategic report refers to this basis as we believe it provides a more understandable view of our performance.

IRR Internal Rate of Return.

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

Like-for-like compare financial results in one period with those for the previous period.

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

Net asset value ("NAV") is a measure of the fair value of our proprietary investments and the net costs of operating the business.

Operating cash profit is the difference between our cash income (consisting of portfolio interest received, portfolio dividends received, portfolio fees received and fees received from external funds as per the Investment basis Consolidated cash flow statement) and our operating expenses and lease payments (as per the Investment basis Consolidated cash flow statement).

Operating profit Includes gross investment return, management fee income generated from managing external funds, the costs of running our business, net interest payable, other losses and carried interest.

Organic growth is the growth a company achieves by increasing output and enhancing sales internally.

Performance fee receivable The Group earns a performance fee from the investment management services it provides to 3i Infrastructure plc ("3iN") when 3iN's total return for the year exceeds a specified threshold. This fee is calculated on an annual basis and paid in cash early in the next financial year.

Portfolio effect is the level of risk based on the diversity of the investment portfolio.

Portfolio income is that which is directly related to the return from individual investments. It is comprised of dividend income, income from loans and receivables and fee income.

Proprietary Capital Shareholders' capital which is available to invest to generate profits.

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.

Realised profits or losses over value on the disposal of investments The difference between the fair value of the consideration received, less any directly attributable costs, on the sale of equity and the repayment of loans and receivables and its carrying value at the start of the accounting period, converted into sterling using the exchange rates at the date of disposal.

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

Segmental reporting Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive who is considered to be the Group's chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intrasegment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

Share-based payment reserve is a reserve to recognise those amounts in retained earnings in respect of share-based payments.

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

SPAC Special Purpose Acquisition Company.

Syndication The sale of part of our investment in a portfolio company to a third party, usually within 12 months of our initial investment and for the purposes of facilitating investment by a co-investor or portfolio company management in line with our original investment plan. A syndication is treated as a negative investment rather than a realisation.

Total return Comprises operating profit less tax charge less movement in actuarial valuation of the historic defined benefit pension scheme.

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.

Translation reserve comprises all exchange differences arising from the translation of the financial statements of international operations.

Unrealised profits or losses on the revaluation of investments The movement in the carrying value of investments between the start and end of the accounting period converted into sterling using the exchange rates at the date of the movement.

List of Directors and their functions

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

Simon Thompson, Chairman
Simon Borrows, Chief Executive and Executive Director
Julia Wilson, Group Finance Director and Executive Director
Caroline Banszky, Independent non-executive Director
Stephen Daintith, Independent non-executive Director
David Hutchison, Senior Independent Director
Coline McConville, Independent non-executive Director
Alexandra Schaapveld, Independent non-executive Director

By order of the Board
K J Dunn
Company Secretary
12 May 2021

Registered Office: 16 Palace Street, London SW1E 5JD