14 May 2014

3i Group plc announces full year results to 31 March 2014

Key highlights

- Strong total shareholder return of 30%
- Good flow of Private Equity realisations with proceeds of £669m, representing a 43% uplift over opening value
- Building investment momentum with three new Private Equity investments and one substantial further investment. Closed acquisition of Barclays' European infrastructure fund management business and seeing a good pipeline of primary PPP projects from this platform. Also closed 4 CLOs during the year; two each in the US and Europe
- Substantially outperformed cost savings target; achieved £70 million of cumulative run-rate operating cost reductions, ahead of targeted savings of £60 million. Exceeded our target of covering operating costs with cash income, with an annual operating cash profit of £5m for the year
- Solid and simplified balance sheet with gross debt reduced to £857m and gross interest costs reduced to £54m, ahead of target of £60m. Net debt reduced to £160m and gearing to 5%
- Total return of £478 million after accounting for a foreign exchange translation loss of £116m
- Good progression in NAV per share to 348 pence and a distribution yield of over 6%
- Confirming final dividend of 13.3 pence per share, bringing the total dividend for FY2014 to 20.0 pence per share, subject to shareholder approval

Simon Borrows, 3i's Chief Executive, commented:

"We have met or exceeded all of our strategic priorities and targets for the year.

"3i is now a more streamlined, decisive organisation focused on high performance and delivering attractive shareholder returns. We have started the new financial year with good momentum in our private equity portfolio and ambitious plans in our three businesses."

Financial data

	Year to/as at 31 March 2014	Year to/as at 31 March 2013
Group		
Total return	**£478m**	£373m
- Total return on opening shareholders' funds	**16.3%**	14.2%
Dividend per ordinary share	**20.0p**	8.1p
Total shareholder return[1]	**30%**	54%
Operating expenses	**£136m**	£170m
- As a percentage of assets under management [2]	**1.0%**	1.3%
Annual operating cash profit/(loss)	**£5m**	£(8)m
Proprietary Capital		
Realisation proceeds	**£677m**	£606m
- Uplift over opening book value	**£202m/43%**	£190m/46%
- Money multiple	**1.8x**	2.1x
Gross investment return[3]	**£665m**	£598m
- As a percentage of opening 3i portfolio value	**20.2%**	18.7%
Operating profit [4]	**£539m**	£386m
Cash investment	**£337m**	£149m
Net interest payable	**£51m**	£95m
3i portfolio value	**£3,565m**	£3,295m
Gross debt	**£857m**	£1,081m
Net debt/(cash)	**£160m**	£335m
Gearing	**5%**	11%
Liquidity	**£1,197m**	£1,082m
Net asset value	**£3,308m**	£2,934m
Diluted net asset value per ordinary share	**348p**	311p
Fund Management		
Total assets under management	**£12,911m**	£12,870m
- Third party capital	**£9,508m**	£9,176m
- Proportion of third party capital	**74%**	71%
Total fee income	**£127m**	£127m
- Third-party fee income	**£76m**	£71m
Operating profit/(loss)[4]	**£19m**	£(13)m
Underlying Fund Management profit[4,5]	**£33m**	£17m
- Underlying Fund Management margin	**26%**	13%

[1] Total shareholder return is calculated as the share price movement between the close of business on the last trading day of the prior year and close of business on the last trading day of the current year plus shareholder distributions.
[2] Actual operating expenses, excluding restructuring costs of £9 million in the year to 31 March 2014 and £30m in the year to 31 March 2013, as a percentage of weighted average assets under management.
[3] Gross investment return includes £3m of portfolio fees allocated to Fund Management.
[4] Operating profit for the Proprietary Capital and Fund Management activities excludes carried interest payable/receivable, which is not allocated between these activities.
[5] Excluding Fund Management restructuring costs of £8m and amortisation costs of £6m (2013: £24m, £6m).

ENDS

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For further information regarding the announcement of 3i's annual results to 31 March 2014, including a live videocast 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, Infrastructure and Debt Management across Europe, Asia and the Americas. For further information, please visit: www.3i.com.

Notes to the announcement of the results

Note 1

The statutory accounts for the year to 31 March 2014 have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2013 have been delivered to the Registrar of Companies. The auditors' 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 Report and accounts 2014 will be distributed to shareholders on or soon after 4 June 2014.

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 final dividend is expected to be paid on 25 July 2014 to holders of ordinary shares on the register on 20 June 2014.

The financial data presented in the Overview and Strategic report relates to the Investment basis financial statements. The Investment basis is described in the Financial review and the differences from, and the reconciliation to, the IFRS Audited financial statements are included in the Strategic report.

Overview

Delivering strong results
Chairman's statement

"A strong performance as we continue implementing our strategic plan."

I am pleased to report a strong performance for the financial year to 31 March 2014. Simon Borrows and his executive team have made excellent headway in accomplishing many of the objectives in the three-year strategic plan we adopted in June 2012 and have achieved both strong levels of realisations and continued progress in matching the level of our operating costs with our annual cash income.

Dividend

In May 2012, the Board announced a strengthened distribution policy designed to give shareholders a direct share in the success of the Group's realisations by adopting a policy of returning to shareholders a proportion of gross cash proceeds subject to certain conditions.

These conditions have been satisfied, and in November 2013 we announced that we would be initiating additional shareholder distributions above the base dividend.

Given the strong level of realisations, the emphasis on selective investment in uncertain market conditions, and our healthy balance sheet position, we are proposing a total dividend for the financial year to 31 March 2014 of 20.0 pence per share, a yield of 6% on the 316 pence per share price at 28 March 2013. We paid one third of this, 6.7 pence per share, in January 2014 as an interim dividend. Subject to shareholder approval, we will pay the balance of 13.3 pence per share as a final dividend in July 2014.

Board changes

During the year, Willem Mesdag retired from the Board with effect from 30 November 2013. Willem had served as a non-executive Director on our Board since 2007, including as Chair of the Valuations Committee, and I would like to take this opportunity to thank him for his valuable advice and counsel over that period. David Hutchison OBE, who is Chief Executive of Social Finance Ltd, joined our Board as a non-executive Director with effect from 11 November 2013. David has succeeded Willem as Chair of the Valuations Committee.

Outlook

We remain cautious overall on the economic outlook. While there appear to be some positive indicators in certain parts of the European economy, not least strong equity markets, overall levels of GDP growth remain low and we believe that any broader based recovery could take time, and the unwinding of recent monetary policy will not be without risk.

Despite this uncertain macroeconomic environment and relatively subdued levels of M&A activity in our core markets, our Private Equity business completed three new mid-market investments and one significant further investment: Basic-Fit, GIF, JMJ Associates and Scandlines, contributing to total cash investment of £372 million, including third-party funds. Within Infrastructure, the Group completed its acquisition of Barclays' Infrastructure Funds Management business, adding over £700 million of assets under management and an experienced investment team based in London and Paris. We have also capitalised on buoyant credit markets in Debt Management, with the launch of four new CLO funds with aggregate third-party AUM of £1.2 billion.

The strength of the market for realisations and Simon Borrows' success in leading 3i through an intensive restructuring process have allowed us again to demonstrate the strength of 3i's franchise. We are confident that we will deliver the remaining objectives set out in the strategic plan, and we look forward to improving further the performance of the business and generating further shareholder value in years to come.

Sir Adrian Montague
Chairman

Strategic report

Delivering our strategic plan
Chief Executive's review

"We have met or exceeded all of our strategic priorities and targets for the year. 3i is now a more streamlined, decisive organisation focused on high performance and delivering attractive shareholder returns."

Introduction

FY2014 was another busy year for everyone at 3i. We met or exceeded all of our strategic priorities and targets for the year, and I am pleased to report a strong set of results. We are now almost two years into the three-year strategic plan that I set out in June 2012. This year's strong performance benefited from the considerable progress made during our restructuring phase in FY2013.

3i generated a total shareholder return of 30% compared to 9% for the FTSE All-Share index. Like many UK-based companies, we faced currency headwinds this year and the performance is all the more credible in view of that. During the year, we delivered a good flow of realisations and a total return of 16.3%. This included a good progression in NAV per share to 348 pence at 31 March 2014, from 311 pence at 31 March 2013.

As announced in November 2013, given the strong level of realisations, the emphasis on selective investment in these high-priced market conditions and our healthy balance sheet position, we have initiated additional shareholder distributions. The total proposed dividend for the financial year to 31 March 2014 is 20 pence per share, a yield of over 6% to the 316 pence share price at the close of 28 March 2013. We paid one-third of this, 6.7 pence per share, in January 2014 as an interim dividend. Subject to shareholder approval, we will pay the balance of 13.3 pence per share as a final dividend in July 2014.

Performance in the year

The **Private Equity** business made excellent progress this year, generating a gross investment return of £647 million (24% on opening value), reflecting the strong realisation activity and good earnings growth across the portfolio.

We continue to see significant benefits from the asset management improvement initiatives launched in FY2013. The majority of our investments generated earnings growth during the year, with larger investments such as Action continuing to perform very well. A consequence of this strong performance is an increase in the carry payable we are accruing on our Proprietary Capital, although we have some way to go before this becomes a cash payment. Overall, the Private Equity investment portfolio is in much better shape than it was two years ago and I believe it offers significant potential for further value creation.

During the year, we delivered a good flow of Private Equity realisations, generating £669 million of total proceeds for 3i and realised profits over opening valuation of £201 million, an overall uplift of 43%. Including third-party funds managed by 3i, total Private Equity realisation proceeds in the period were £1.1 billion. These were achieved at a total money multiple of 1.8x, generating good returns on both proprietary and third-party capital for the benefit of our shareholders and fund investors. We realised a mix of investments over the year, including a good number of our smaller, more challenged investments. We have not sold any of our longer-term hold investments which make up the largest part of our portfolio value. Their strong performance has led to material improvement in Eurofund V and the Growth Capital Fund, which have now recovered to 1.13x and 1.32x respectively of invested capital at 31 March 2014. This compares to 0.93x and 0.95x at 31 March 2013 respectively.

As at 31 March 2014, our Private Equity portfolio comprised 81 different investments, many of which have relatively low value. Over the next few years, as we continue to realise older and smaller value investments and pursue a focused investment strategy, we expect the number of investments held in our Private Equity portfolio to more than halve. This will create a much more manageable portfolio and generate further operating efficiencies.

For the Private Equity business, a key highlight of the year was the increased momentum in new investment activity with four key investments: Basic-Fit (leading European discount fitness operator), GIF (German-based specialist in transmission testing), JMJ (global management consultancy) and a substantial further investment in Scandlines (leading European ferry operator). In total, cash investment was £372 million including third-party funds, of which £276 million was 3i's proprietary capital. We made these investments at careful prices and expect this group of assets to deliver considerable upside value over the medium term.

While this pick-up in new investment activity is encouraging, we remain highly selective given the current high-price environment. We continue to focus on our core sectors and geographies where we have real experience and where our international platform and capabilities are a differentiator. We focus on mid-market investments which we are able to secure using our local expertise and presence, away from highly competitive auction processes. A key aspect of our differentiated business model is that we lead investments with our own balance sheet. We aim to fund a majority of each investment with proprietary capital as well as managing the balance of third-party funds for our co-investors. This enables us to retain a material share of the alpha-generating economics.

In **Infrastructure**, the European portfolio continued to perform well and generated a good level of cash income for the Group, through both dividends and advisory fees from 3i Infrastructure plc. However, the value of the 3i India Infrastructure Fund declined during the year, driven by the combination of a material depreciation in the Indian rupee and political and macroeconomic challenges in India. 3i Infrastructure plc's core European portfolio is expected to be the key driver of future performance and accounted for 78% of 3i's underlying Infrastructure portfolio value at 31 March 2014, compared with 68% at 31 March 2013.

In November 2013, 3i completed the acquisition from Barclays of their European infrastructure fund management business, adding over £700 million of assets under management and experienced investment teams in both London and Paris. This business was a pioneer in the PPP market and currently manages two unlisted funds focused on UK and European PPP and low-risk energy projects. This strategic acquisition is a key milestone in the development of our Infrastructure business and I believe it will broaden and enhance our access to new investment opportunities, as well as providing a platform for future fundraising.

In February 2014, following the announcement of Cressida Hogg's departure, we appointed Ben Loomes and Phil White as Managing Partners and Co-heads of the Infrastructure business. This important leadership change brings fresh impetus and further underlines 3i's commitment to the next stage of development of its Infrastructure platform.

Furthermore, in May 2014, 3i Infrastructure plc announced that it had agreed, subject to shareholder approval, and approval from the Jersey Financial Services Commission, a number of amendments to the existing advisory agreement with 3i. These included extending the term of the advisory agreement for a minimum of a further five years.

There continues to be a strong demand for infrastructure assets as investors seek yield. While the market remains competitive, we are seeing a number of interesting investment opportunities in our target markets. For example, in June last year, 3i Infrastructure plc invested £62 million in Cross London Trains, which will own a key element of London's commuter rail infrastructure. In addition, it announced investments in the National Military Museum (Netherlands) and Mersey Gateway Bridge (UK) primary PPP projects, sourced through our new PPP platform, and see a strong pipeline for further PPP investments.

In **Debt Management**, third-party management fee income remained steady at £32 million (2013: £31 million), representing 44% of the Group's total third-party management fee income in the period. At 31 March 2014, the business managed £6.5 billion of assets through 28 funds, 17 in Europe and 11 in the US.

Market activity was buoyant during the year, following the re-opening of the European CLO market early in 2013. Levels of new CLO issuance in the US were dampened in early 2014 by anticipated regulatory changes but have subsequently recovered. We capitalised on this with the launch of two new European CLOs (Harvest VII and Harvest VIII) and two new US CLOs (Jamestown III and COA Summit). Together, these new CLO funds added £1.2 billion of AUM including £40 million of proprietary capital.

During the year, Debt Management generated a gross investment return of £16 million, equating to 20% of its opening portfolio value.

Since the period end, we have made good progress towards launching further CLO funds and we have warehousing vehicles in place in both Europe and the US to seed these future launches.

Strategic objectives and progress

Last year, I set out a number of key strategic objectives:

- Cover operating costs with annual cash income
- Grow third-party income and generate a sustainable annual operating profit from our fund management activities
- Improve capital allocation, focusing on enhanced shareholder distributions and re-investment in our core investment businesses

Our progress against each of these objectives is described below.

Cover operating costs with annual cash income

Prior to the launch of 3i's restructuring in 2012, the Group's operating costs materially exceeded its annual cash income from management fees and portfolio income. An important target in FY2014 was to cover the Group's operating costs with annual cash income. The major cost reduction programme announced in June 2012 was a key part of achieving this objective.

In FY2013, we significantly outperformed our original target of £40 million of annualised run-rate operating cost savings, achieving £51 million of cost savings at 31 March 2013. In this context, we announced last year a new target of £60 million of cumulative run-rate cost savings to be achieved by 31 March 2014. I am pleased to report that we exceeded this target as well, delivering £70 million of run-rate cost savings at 31 March 2014. These savings represent over a third of the Group's total opening run-rate cost base of £185 million at 31 March 2012, before we announced the restructuring. As a result, actual operating costs in the year were £136 million, 20% lower than last year (2013: £170 million), including restructuring costs of £9 million (2013: £30 million). Restructuring costs were higher than the £7 million estimated, in order to secure the higher savings. We expect the full benefits of this cost reduction programme to be realised during FY2015.

In FY2014, the Group's cash income was consistent with the prior year at £132 million. This was driven by the acquisition of the European PPP platform in our Infrastructure business and the launch of new CLO funds and increased portfolio income from proprietary capital deployed in our Debt Management business. This offset the reduction in fee income from Private Equity as a result of net divestment activity, as well as the Growth Capital Fund coming to the end of its investment period in the previous year.

To help you track our progress, last year we introduced a new key performance indicator called "Annual operating cash profit". This measures the difference between our annual cash income (cash fees from managing third-party funds and cash income from our investment portfolio) and our annual operating expenses, excluding restructuring costs. As noted above, in the past, 3i has operated at a material deficit on this measure. In FY2014, we achieved an annual operating cash profit of £5 million.

Grow third-party income and generate a sustainable annual operating profit from our fund management activities

Our Fund Management platforms in Private Equity, Infrastructure and Debt Management source and manage investments on behalf of both 3i and third-party funds. These platforms underpin our ability to make alpha-generating investments on behalf of our shareholders, co-investors and fund investors. A key objective for us is to ensure that fees from these fund management activities, taken together, more than cover the costs of operating our platforms and that over time we are able to generate a sustainable annual operating profit. The costs of running our investment platforms include paying for our investment teams and the network of international offices, as well as the costs to the Group of providing support functions such as finance, information technology, compliance and human resources.

Our objective is to ensure that we maintain a profitable Fund Management platform overall, growing our AUM profitably. We have made strong progress in this regard. Since 31 March 2012, total AUM has grown from £10.5 billion to £12.9 billion at 31 March 2014. Over the same period, through the cost reduction programme, we reduced our operating costs as a percentage of weighted average AUM from 1.5% at 31 March 2012 to 1.0% at 31 March 2014, excluding restructuring costs.

In order to assess properly the profitability of our fund management activities, we consider the fees that can be generated by our entire Fund Management platform, treating proprietary capital invested on the same basis as managed third-party funds. To do this, we calculate an internal fee payable to the Fund Management business for managing our proprietary capital and call this a "synthetic fee". The standalone profitability of our Fund Management platform is then based on measuring the total fund management income (third-party fees plus synthetic fees) against the operating costs allocated to the platform, excluding restructuring and amortisation costs. To help you track this profitability, we have introduced a new key performance indicator called "Underlying Fund Management profit and margin" (further details are available in the Financial review). In FY2014, our fund management platform generated an underlying profit and margin of £33 million and 26% respectively, compared to £17 million and 13% in FY2013.

Over time, we believe that our Fund Management platform is capable of generating sustainable and growing annual profits, which in turn should create additional value for shareholders beyond the growth in value of our proprietary investments. This is an important building block of the 3i Value Build which I talked about in my last review.

Improve capital allocation, focusing on enhanced shareholder distributions and re-investment in our core investment businesses

As part of the strategic review, we fundamentally changed our capital allocation approach so that, over time, we aim to use less of our capital to pay operating costs, funding costs and debt repayment, and instead focus our capital on additional shareholder distributions and investment in our core businesses.

The table below shows the average allocation of our capital over the three years between FY2010-12. On average, 68% of the total proceeds from realisations and cash income was used to pay operating and funding costs and debt repayment, leaving just 32% for shareholder distributions and investment in our core businesses. In FY2014, we improved this picture with 50% going to shareholder distributions and re-investment. We expect further improvement in FY2015.

Capital allocation

	Average over FY2010 – FY2012	**FY2014**
Realisations, fees and portfolio income	100%	**100%**
Operating costs, net carried interest and tax	(27)%	**(19)%**
Debt repayment and interest costs	(41)%	**(31)%**
Shareholder distributions	(3)%	**(14)%**
Funds to invest	**29%**	**36%**

Business model

3i's business is a mix of proprietary capital investing and managing third-party capital. This "hybrid" asset manager business model enables us to combine capital returns from our proprietary balance sheet and recurring management fee income from our fund management activities. We believe that this represents a differentiated and attractive value proposition for our shareholders.

Investing from our own balance sheet is part of our heritage. Currently, proprietary AUM amounts to £3.4 billion, accounting for 26% of the Group's total AUM. 3i is the largest single investor in its own Private Equity and Infrastructure funds. Putting our own capital to work alongside third-party investors is a fundamental part of our business model and strategy, and gives 3i a true competitive advantage. We view our role as both an active owner as well as manager of third-party funds. This further reinforces the alignment between the interests of our shareholders, our co-investors and our fund investors.

So, in addition to generating capital returns from proprietary capital investing (our Proprietary Capital activities), we also consider the profitability of our Fund Management platform. Both parts need to generate value for the Group. Our overall objectives are to maximise investment returns from our Proprietary Capital activities and grow our Fund Management activities profitably.

We are already managing the Group with this much clearer delineation between Proprietary Capital and Fund Management. Going forward, you will be able to track our progress through new disclosures and a combination of KPIs measuring our performance as an investor of Proprietary Capital and separately as a Fund Management business, in addition to overall Group performance. The performance of these activities is discussed in the Financial Review and further disclosure on the breakdown between Proprietary Capital and Fund Management is shown in Note 1.

Outlook

We have continued to be successful in implementing our strategic plan against a backdrop of ongoing challenges in the macroeconomic environment. Further regulation across the financial services industry is also presenting additional challenges for our business through further costs and increased complexity.

Despite this, we see the power of the 3i business model coming back well. Our network of local teams across our key geographies and our proprietary capital are two key competitive advantages. For example, in our mid-market Private Equity business, we have had teams on the ground across Europe for over 30 years and our franchise in those markets is very strong. This enables us to access attractive investment opportunities and using our own capital affords us flexibility in our approach and timescale that few of our competitors have.

The current environment is a tricky one for new investments. There is an excess of capital looking for investment opportunities and this has driven up sellers' price expectations. We have benefited from this in our realisation programme, however as we review new investment we will need to continue to be patient and disciplined. Our proposition can deliver healthy alpha-generating returns if we invest, manage and exit well. Careful investment in mid-market Private Equity using 3i's competitive advantages will generate significant value for the Group, its shareholders and third-party investors as well as take 3i back to sector-leading performance.

Everyone at 3i is committed and working hard to continue to deliver against our strategic plan. I would like to thank the entire 3i team for their efforts this year. They are key to our success. We are all looking forward to making further good progress in FY2015.

Simon Borrows
Chief Executive

Key Performance Indicators

Gross investment return ("GIR")

% of opening portfolio value

Financial year	2012	2013	**2014**
	(11)	19	**20**

Rationale and definition

- GIR is how we measure the performance of our portfolio of proprietary investments
- GIR includes profit and loss on realisations, increases and decreases in the value of the investments we hold at the end of the period, any income received from the investments such as interest or dividends, and foreign exchange movements
- GIR, measured as a percentage, is calculated against the opening portfolio value

Comments

- Strong Private Equity portfolio performance reflecting benefits of asset management improvement initiatives
- Good flow of Private Equity realisations delivered realised profits over opening value of £201m, representing an uplift of 43%
- Strong returns from our European infrastructure portfolio offset by currency and macro challenges in the Indian portfolio

NAV and dividends

NAV per share

Year to 31 March	2012	2013	**2014**
	279p	311p	**348p**

Rationale and definition

- NAV is a measure of the fair value of our proprietary investments and the net costs of operating the business
- Dividends provide our shareholders with an annual yield as well as a direct participation in 3i's realisation activity in the period

Comments

- Good progression in NAV per share to 348p, up 12% over the period, after taking into account restructuring costs and dividends in the period of 1p and 12p, respectively
- Sterling materially strengthened against the US dollar, euro, Indian rupee and Brazilian real in the year, resulting in a translation loss of 12p in the year, which reduced NAV
- Good flow of realisations resulted in additional proposed dividend of 11.9p per share for the year over base annual dividend of 8.1p per share
- Proposed final dividend of 13.3p per share, bringing total announced dividend for FY2014 to 20.0p per share

Total shareholder return ("TSR")

%

Financial year	2012	2013	**2014**
TSR	(26.7)	54.0	**30.3**
Share price	(28.4)	50.2	**26.5**
Dividend	1.7	3.8	**3.8**

Rationale and definition

- TSR measures the absolute return to our shareholders through the change in share price and dividends paid during the period
- Annualised three-year TSR is a key performance metric used as part of Executive Directors' remuneration

Comments

- TSR of 30% in FY2014, reflecting an increase in share price from 316p at close 28 March 2013 to 398p at close 31 March 2014, the final dividend from FY2013 of 5.4p paid in July 2013 and an interim dividend of 6.7p paid in January 2014
- During the period from the June 2012 strategic review announcement to 31 March 2014, 3i generated an annualised TSR of 56%

Assets under management ("AUM")

£m

Financial year

	2012	2013	**2014**
AUM	10,493	12,870	**12,911**
Proprietary Capital	4,173	3,694	**3,403**
Fund Management	6,320	9,176	**9,508**

Rationale and definition

- We invest in companies using capital from our shareholders (Proprietary Capital) and third-party investors. The total amount of capital we have to invest or are managing on behalf of our shareholders and third-party investors is called assets under management ("AUM")
- AUM is an important measure since it forms the basis on which management fee income is generated

Comments

- Total AUM was stable at £12.9bn
- Growth in third-party AUM to £9.5bn (74% of total AUM)
- New funds raised in the period included two European and two US CLOs, as well as the acquisition of the management contracts of two PPP funds, offsetting the effect of Private Equity realisations and other fund run-off in Debt Management
- Proprietary Capital AUM reduced from £3.7bn to £3.4bn driven by good flow of Private Equity realisations

Underlying Fund Management Profit and Margin

Financial year

	2012	2013	**2014**
Profit	£39m	£17m	£33m
Margin	23%	13%	26%

Rationale and definition

- 3i's Fund Management business comprises our teams that manage investments on behalf of our shareholders (Proprietary Capital) and third-party investors. The business incurs costs such as salary and rent, which should be funded by fees from third-party investors and an internal fee paid by the Group for managing its Proprietary Capital. This internal fee is called a "synthetic fee" and is discussed further in the Financial review
- Underlying Fund Management profit is calculated as fee income (defined as third-party fees, synthetic fees on Proprietary Capital and portfolio fees) minus operating expenses related to Fund Management activities, excluding restructuring and amortisation costs

Comments

- Strong growth in underlying Fund Management profit to £33m, up by 94% compared to the previous year
- Underlying Fund Management profit margin increased to 26% from 13% last year
- End of investment periods for Eurofund V and the Growth Capital Fund in FY2012 and FY2013 respectively reduced fee income. Growth in FY2014 driven by full year effect of cost reduction programme and growth in Debt Management fee income, offsetting the reduction in fee income from Private Equity

Annual operating cash profit/loss

£m

Financial year

2012	2013	**2014**
(20)	(8)	5

Rationale and definition

- We set a strategic objective of covering the annual cost of running our business (operating expenses) with the annual cash income received from our investments (portfolio dividend and interest income) and fees paid by third-party investors. We exclude the costs of restructuring the business, so that we can measure the profitability on a sustainable basis. We call this measure annual operating cash profit

Comments

- Exceeded objective of generating annual cash income sufficient to cover operating expenses, prior to restructuring costs in FY2014
- Reflects full benefits of cost reduction programme launched in June 2012

Our strategic priorities in FY2015

Strategic priority	Priorities in FY2015
Focus on consistency and discipline of investment processes and asset management	▪ Continue to improve Private Equity investment portfolio earnings through our asset management initiatives, increasing the value of our portfolio ▪ Realise investments at values representing good uplifts to book value and healthy cash profits, optimising value from our portfolio
Selective new investment	▪ Make new investments that generate attractive overall returns for shareholders, fund investors and co-investors
Maintain cost discipline	▪ Cover the Group's operating costs with annual cash income ▪ Generate a sustainable annual operating profit from our Fund Management activities
Continue to improve capital allocation, focusing on enhanced shareholder distributions	▪ More efficient capital allocation model benefiting from reduced operating and funding costs ▪ Enhanced shareholder distributions providing shareholders with a direct share of our realisation proceeds above the base dividend level

Business review

"A year of significant progress with strong returns and momentum in all three businesses."

Julia Wilson
Group Finance Director

The financial data presented in the Overview and Strategic report relates to the Investment basis financial statements. The differences from, and the reconciliation to, the IFRS Audited statements are detailed in the Financial review.

Group overview

3i Group is an international investment manager with three complementary business lines. All our business lines invest using a combination of proprietary capital from the Group's own balance sheet and third-party funds. This Business review provides detail on our performance for the 12 months to 31 March 2014 ("the period") as well as our financial position as at that date.

Summary financial data

Since the adoption of IFRS by the Group in the year ended 31 March 2006, there has been discussion about whether investment companies, such as 3i, should be exempt from consolidation for its portfolio investments. The introduction of the IFRS 10 accounting standard has resolved this point with the introduction of an investment entity exception, which is an excellent outcome as consolidation of our portfolio investments would both be impractical and limit the usefulness of our statutory accounts. We have therefore decided to adopt this standard early to benefit from the exception. However, the detailed application of the standard has reduced the transparency of the Group's underlying operating performance because we are now required 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. As a result, we have introduced separate "Investment basis" Statements of comprehensive income, financial position and cash flow to aid users of our report.

The numbers presented in the Overview and Strategic report refer to this Investment basis and Table 1 summarises our Investment basis financial results. A more detailed discussion of the impact of IFRS 10, the IFRS financial statements and a reconciliation to the Investment basis, are provided in the Financial review.

Segmental financial data

We manage the business using the Private Equity, Infrastructure and Debt Management business line activities to organise resources and measure performance.

However, as the business has focused on the development and efficient management of total assets under management, it becomes increasingly relevant to consider the balance of fee income and operating costs from that fund management activity separately from the value and performance of 3i's proprietary investment portfolio. Consequently, alongside the Investment basis statements, we have further analysed the performance of our balance sheet investments, our "Proprietary Capital" returns, and that of our fund management activities, our "Fund Management" returns. These are discussed in this section as well as being detailed in Note 1 to the Audited financial statements.

In order to assess the profitability of the Fund Management platform we have introduced the concept of a "synthetic fee", from the Proprietary Capital business to the Fund Management business for its services in managing investments funded from our balance sheet. This has been benchmarked against our third-party capital arrangements in each business line and will be reviewed annually to ensure it remains appropriate. A fee of 1.5% is applied to Proprietary Capital invested in Private Equity and Infrastructure and 0.5% in Debt Management.

Performance

The **Group** generated a total return of £478 million, or a profit on opening shareholders' funds of 16.3% (2013: £373 million or 14.2%). This reflects further progress and achievement in the implementation of our strategic priorities, with good realisations at strong uplifts to opening value, an improvement in our cost and income balance, and a further reduction in gross debt and associated interest costs. However, continuing pressure in macro conditions has had a negative impact on the results in the year, principally in respect of foreign exchange.

Table 1: Summary financial data

	Year to/as at 31 March 2014	Year to/as at 31 March 2013
Group		
Total return	**£478m**	£373m
Total return on opening shareholders' funds	**16.3%**	14.2%
Dividend per ordinary share	**20.0p**	8.1p
Total shareholder return [1]	**30%**	54%
Operating expenses	**£136m**	£170m
As a percentage of assets under management [2]	**1.0%**	1.3%
Annual operating cash profit/(loss)	**£5m**	£(8)m
Proprietary Capital		
Realisation proceeds	**£677m**	£606m
Uplift over opening book value	**£202m/43%**	£190m/46%
Money multiple	**1.8x**	2.1x
Gross investment return [3]	**£665m**	£598m
As a percentage of opening 3i portfolio value	**20.2%**	18.7%
Operating profit [4]	**£539m**	£386m
Cash investment	**£337m**	£149m
Net interest payable	**£51m**	£95m
3i portfolio value	**£3,565m**	£3,295m
Gross debt	**£857m**	£1,081m
Net debt/(cash)	**£160m**	£335m
Gearing	**5%**	11%
Liquidity	**£1,197m**	£1,082m
Net asset value	**£3,308m**	£2,934m
Diluted net asset value per ordinary share	**348p**	311p
Fund Management		
Total assets under management	**£12,911m**	£12,870m
Third-party capital	**£9,508m**	£9,176m
Proportion of third-party capital	**74%**	71%
Total fee income	**£127m**	£127m
Third-party fee income	**£76m**	£71m
Operating profit/(loss) [4]	**£19m**	£(13)m
Underlying Fund Management profit [4,5]	**£33m**	£17m
Underlying Fund Management margin	**26%**	13%

1 Total shareholder return is calculated as the share price movement between the close of business on the last trading day of the prior year and close of business on the last trading day of the current year plus shareholder distributions.
2 Actual operating expenses, excluding restructuring costs of £9 million in the year to 31 March 2014 and £30 million in the year to 31 March 2013, as a percentage of weighted average assets under management.
3 Gross investment return includes £3 million of portfolio fees allocated to Fund Management.
4 Operating profit for the Proprietary Capital and Fund Management activities excludes carried interest payable/receivable, which is not allocated between these activities.
5 Excluding Fund Management restructuring costs of £8 million and amortisation costs of £6 million (2013: £24 million, £6 million).

The Group generated a gross investment return of £665 million (2013: £598 million). Split by business line, Private Equity generated £647 million, Debt Management £16 million and Infrastructure £2 million. Further detail about the performance of our business lines is set out in the relevant Business line sections and Note 1 of the Audited financial statements.

As well as a good total return, the operating cash flow position has significantly improved and cash portfolio and fee income now cover the operating costs of the business. A modest increase in third-party assets under management and the successful cost reduction programme led to "annual operating cash profit" of £5 million in the period, exceeding our target to be breakeven by 31 March 2014. This compares with an £(8) million loss last year and an average loss of £(29) million p.a. in the period from FY2011 to FY2013.

This means we are operating a much more financially robust platform. Sustaining this position by growing cash income and maintaining a relentless focus on costs remains a key objective. More detail on the annual operating cash profit measure and on operating expenses is contained within the Financial review.

The primary driver of the improvement in annual operating cash profit was a reduced level of operating expenses. The Group significantly exceeded its updated run-rate cost savings target of £60 million by 31 March 2014 (against an original target of £45 million), delivering cumulative like-for-like savings of £70 million, a 38% reduction from the £185 million opening run-rate cost base at 31 March 2012.

A consequence of the strong investment performance was an increase in the amount we accrued in the year for carry payable. The charge in the year was £85 million (2013: £12 million). Further detail is provided in the Financial review.

The Group's **Proprietary Capital** portfolio performed well in the period with a gross investment return of £665 million, or 20.2% of opening portfolio, and an operating profit before carry of £539 million (2013: £598 million, 18.7%, £386 million). Strong realisations delivering cash proceeds of £677 million and realised profits of £202 million (2013: £606 million and £190 million) and good value growth of £475 million (2013: £253 million), were the largest contributors. The Private Equity portfolio performed strongly with average last 12 month earnings growth of 19%. Portfolio income was stable at £101 million (2013: £103 million) and benefited from an increased contribution from Debt Management. This was offset by net interest payable of £51 million, which is materially lower than last year (2013: £95 million). The Proprietary Capital business also incurred operating expenses of £28 million (2013: £30 million) and a synthetic fee for investment management payable to the Fund Management business of £51 million (2013: £56 million). This synthetic fee was benchmarked against third-party arrangements. Foreign exchange volatility, and particularly the strength of sterling, led to a £116 million non-cash accounting charge in the period (2013: £30 million gain).

Net interest payable benefited from the further steps taken to reduce gross debt in the period, principally by the repayment of drawings under a revolving credit facility in April 2013. Gross interest payable of £54 million was below the target of £60 million in FY2014. As at 31 March 2014, gross debt was £857 million, a reduction of 21% since the start of the period and over 47% since 31 March 2012. Strong realisations mean that at 31 March 2014 net debt had reduced to £160 million compared to £335 million at 31 March 2013, even after reflecting the good investment activity in the latter part of the year. Gearing was 5% at the end of the period (2013: 11%).

The Group's **Fund Management** income is driven by total assets under management ("AUM") which were £12.9 billion at 31 March 2014 (2013: £12.9 billion). In the period, we closed the first new European CLO (Harvest VII) since the establishment of the Debt Management business in February 2011, an important milestone for the business. This added €310 million to AUM and was followed by a further European CLO (Harvest VIII, €425 million) in March 2014. The US Debt Management business has continued to grow strongly, with two CLOs launched in the year, adding $900 million to AUM.

The proportion of third-party assets under management grew to 74% from 71% during the year. Infrastructure grew following the acquisition of BIFM, completed in November 2013, which added a further £780 million of AUM. Private Equity AUM reduced in the year as a result of net divestment activity.

Fees are earned on third-party capital and, as noted above, the Proprietary Capital business also generates a synthetic fee for the Fund Management business. Fund Management income in the year was flat at £127 million (2013: £127 million), notwithstanding the effect of net divestment in Private Equity.

For the Fund Management business to be profitable on a sustainable basis, tight cost control is critical. The positive impact of the cost reduction programme initiated in June 2012 is now clearly shown in the results. Total Fund Management operating expenses fell by 23% in the period to £108 million (2013: £140 million), including £8 million of restructuring costs (2013: £24 million) and the addition of £6 million of costs relating to acquisitions in the period.

Consequently, the Fund Management business improved both its absolute profit and profit margin in the period. Fund Management operating profit before carry at £19 million represented a margin of 15% (2013: £(13) million loss and (10)%). On an underlying basis, excluding restructuring and amortisation costs, the profit and margin were £33 million and 26% (2013: £17 million, 13%).

The acquisition of the Barclays Infrastructure Funds Management business ("BIFM"), which completed in November 2013, will further increase third-party fee income and positions the Infrastructure business for growth. Fees generated from the team's managed funds marginally exceeded the operating costs of the acquired business in the period to 31 March 2014.

The financial profile of the Group with regard to Proprietary Capital performance, annual operating cash profit, Fund Management profit and balance sheet strength has materially improved, and the Group has now met the criteria for making additional distributions set out in May 2012. Realisation proceeds, including the carry forward of £222 million of proceeds from the sale of Mold-Masters in the prior period, totalled £899 million at 31 March 2014. Investment levels have improved as momentum builds but we are at the lower end of capacity as prices remain high. Taking all these factors into account, the Board has therefore confirmed, as indicated in November 2013, that it proposes a total dividend of 20 pence per share for the year, of which 8.1 pence per share is our base dividend. Following the payment of an interim 6.7 pence per share dividend in January 2014, the final dividend proposed is 13.3 pence per share, subject to shareholder approval.

Assets under management

The Group's total AUM increased by £41 million to £12,911 million during the year. Assets managed on behalf of third parties increased as a proportion of the total to 74% from 71% at the beginning of the year.

The acquisition of the Barclays Infrastructure Funds Management business, which invests in PPP projects and completed in November 2013, added £780 million of AUM to the Infrastructure business line. Debt Management successfully raised two CLOs in Europe and two CLOs in the US, which more than offset the reduction in the value of assets managed in the CLO and other Debt Management fund vehicles that have reached the end of their re-investment period. Net divestment activity in Private Equity led to a fall in AUM of £662 million. Movements in foreign exchange rates also had a negative impact of £374 million on total AUM.

The table below summarises the key movements in the period. Fund by fund details are shown in the relevant business line sections of this business review.

Table 2: Reconciliation of movements in assets under management by business line

	Private Equity £m	Infrastructure £m	Debt Management £m	Total £m
AUM at 31 March 2013	**4,851**	**1,579**	**6,440**	**12,870**
of which proprietary capital	3,145	481	68	3,694
of which third-party capital	1,706	1,098	6,372	9,176
Investment (cost)	611	–	–	611
Divestment/Distributions (cost)	(1,273)	–	(918)	(2,191)
3i Infrastructure plc NAV movement	–	12	–	12
Acquisitions	–	780	–	780
New funds raised[1]	–	–	1,203	1,203
Foreign exchange movements and other	(57)	(77)	(240)	(374)
AUM at 31 March 2014	**4,132**	**2,294**	**6,485**	**12,911**
of which proprietary capital	2,788	483	132	3,403
of which third-party capital	1,344	1,811	6,353	9,508

1 Includes 3i investment into new funds where applicable.

Business lines

Private Equity performance

"Strong performance driven through a combination of earnings growth and successful realisations, together with growing momentum in new investment."

Alan Giddins	**Menno Antal**
Managing Partner, Co-head Private Equity	Managing Partner, Co-head Private Equity

Introduction

3i's Private Equity business employs 59 investment professionals focused on making and managing mid-market investments in northern Europe and North America.

The Private Equity business also manages the existing portfolio in southern Europe, Asia and Brazil. During the year we announced that we would not be making any new investments, or pursuing a fund raise, in Brazil and have reduced the cost and resources applied to it.

As at 31 March 2014, the Private Equity portfolio consisted of 81 companies with operations in over 80 countries. Assets under management at 31 March 2014 were £4.1 billion (2013: £4.9 billion) and the reduction reflects the net divestment activity seen in the period. However, the value of 3i's proprietary capital invested in the Private Equity portfolio at 31 March 2014 was £2.9 billion (2013: £2.7 billion), due to good value growth across the portfolio more than offsetting net divestment activity.

The business performed well in the year and the gross investment return was £647 million, or 24% of the opening portfolio value (2013: £562 million, or 21%) reflecting strong realisation activity and good earnings growth in the portfolio.

Within this, the European and North American portfolio performed particularly well, delivering a gross investment return of £698 million (30%), while the portfolio in Asia and Brazil delivered a loss of £51 million (13% loss).

Investment activity picked up in the second half of the year. We completed three new investments in JMJ, GIF and Basic-Fit, and there was a significant further investment as we completed the buyout of our co-shareholder in Scandlines.

Private Equity business model

3i's Private Equity business is focused on making mid-market private equity investments.

Originate	**Invest**	**Grow**	**Exit**
Identifying leading mid-market businesses in northern Europe and North America.	Use 3i's local network, sub-sector insight and investment disciplines to select attractive assets at the right price, investing in four to six opportunities annually and financing them appropriately.	Build these businesses through international expansion, organic growth and acquisitions, and optimise their operations in partnership with top class management teams.	Maximising value through timely and well-executed exit strategies.
The main driver of performance is investment returns. In addition, management fees and carried interest are generated from third-party capital invested. Private Equity investments account for 82% of the Group's Proprietary Capital portfolio.			

Investment and realisations activity

Merger and acquisition ("M&A") volumes during the year to 31 December 2013 declined in Europe and in the smaller to mid-market segments (source: Capital IQ). This led to lower private equity deal flow and, with capital availability remaining high from both principal investors and debt providers, highly competitive auctions and high prices were a significant feature of market conditions (source: KPMG M&A Predictor, January 2014).

In this environment, we have remained selective and focused on sourcing deal flow outside of highly competitive processes. Private Equity invested a total of £372 million cash (2013: £182 million) in the year, of which 74% was Proprietary Capital and 26% third-party capital. Eurofund V invested £61 million in the Scandlines further investment in the year and £28 million was invested from co-investment arrangements in three of the new investments made in the year, in return for management fees and other income as well as carried interest.

Proprietary Capital of £188 million was invested in three new investments and £77 million in the further investment into Scandlines. In addition, £8 million was invested to support restructurings or covenant issues (2013: £13 million) and £3 million for other investments (2013: £2 million). Other non-cash investment includes capitalised interest of £167 million recognised in the loan portfolio (2013: £113 million). This included £28 million (2013: £7 million) of interest which was recognised in the prior year and now capitalised and £106 million (2013: £75 million) of interest provided against as a result of the principal loan value being below par.

Table 3 provides details of the investments made in the year.

Table 3: Private Equity investment in the year to 31 March 2014

Investment	Type	Business description	Date	Total investment £m	Proprietary Capital investment £m
Basic-Fit	New	Discount fitness operator in Europe	December 2013	95	81
Scandlines	Further	Ferry operator in the Baltic sea	December 2013	138	77
GIF	New	International transmission testing specialist	October 2013	64	63
JMJ	New	Global management consultancy	October 2013	57	44
Other cash investment	Other		n/a	18	11
Total cash investment				**372**	**276**
Non-cash investment				244	167
Total				**616**	**443**

In light of the market dynamics noted above, there has been a positive environment for exits and we have continued to make progress, in particular, in exiting our smaller or older investments. We were able to achieve a number of very successful realisations with carefully structured and executed exit plans generating competition among buyers and premium exit prices. We were also able to take advantage of strong equity markets, most notably in our IPO and partial exit from Quintiles.

Private Equity generated Proprietary Capital proceeds from realisations of £669 million (2013: £575 million) at a 43% uplift over opening portfolio value (2013: 49%). Notable exits included the sale of Xellia, which generated proceeds of £143 million and an uplift over opening portfolio value of 46%; the sale of Civica for £124 million and a 48% uplift on opening portfolio value; and the partial sale of shares in Quintiles which generated proceeds of £51 million and an uplift of 70% over opening portfolio value. The realisations from the Private Equity portfolio generated an aggregate money multiple of 1.8x (2013: 2.1x). The multiple incorporates the sale of Enterprise, a 2007 investment, which was written down by £201 million in FY2011 and sold for £7 million in April 2013.

Total proceeds of £1,091 million were generated in the period (2013: £733 million) on behalf of shareholders and third-party investors.

Table 4: Private Equity realisations in the year to 31 March 2014

Investment	Country	Calendar year invested	31 March 2013 value £m	3i realised proceeds £m	Profit/(loss) in the year[1] £m	Uplift on opening value[1] %	Money multiple over cost[2]	IRR
Full realisations								
Xellia	Nordic	2008	99	143	45	46%	2.3x	18%
Civica	UK	2008	84	124	40	48%	2.1x	17%
Trescal	France	2010	51	58	8	16%	2.1x	31%
Hyperion	UK	2008	43	44	1	2%	1.7x	12%
Everis	Spain	2007	22	29	7	32%	1.1x	1%
Bestinvest	UK	2007	4	25	21	525%	0.6x	(8)%
Joyon	China	2007	15	21	5	31%	1.8x	15%
HTC	Nordic	2006	10	13	3	30%	0.6x	(6)%
Franklin	Singapore	2007	10	12	2	20%	1.5x	10%
Futaste	China	2007	8	9	nil	–	0.9x	(2)%
Enterprise	UK	2007	8	7	(1)	(13)%	0.1x	(48)%
Newron	Italy	1999	3	4	1	33%	0.7x	(3)%
Other investments	n/a	n/a	5	11	7	175%	n/a	n/a
Partial realisations[2]								
Action	Benelux	2011	48	59	11	23%	5.3x	94%
Quintiles	USA	2008	30	51	21	70%	2.6x	23%
Gain Capital	USA	2008	8	12	4	50%	0.9x	(1)%
Scandlines	Germany	2007	7	7	nil	–	1.7x	21%
Other investments	n/a	n/a	14	7	(7)	n/a	n/a	n/a
Deferred consideration								
ABX	Benelux	2006	nil	14	14	n/a	6.3x	139%
EUSA Pharma	UK	2007	nil	12	12	n/a	2.6x	21%
Betapharm	Germany	2004	nil	2	2	n/a	2.4x	52%
MWM	Germany	2007	nil	2	2	n/a	3.1x	31%
Mold Masters	Canada	2007	nil	2	2	n/a	2.7x	21%
Other investments	n/a	n/a	nil	1	1	n/a	n/a	n/a
Total			**469**	**669**	**201**	**43%**	**1.8x**	**n/a**

1 Cash proceeds in the period over opening value realised.
2 Cash proceeds over cash invested. For partial realisations and recapitalisations, valuations of any remaining investment are included in the multiple.

Table 5: Private Equity realisations by type for the year to 31 March

	2014 £m	2013 £m
Trade sales	**229**	362
Secondaries	**220**	25
Loan repayment	**59**	6
Quoted asset sales	**67**	117
Deferred consideration	**33**	18
Other including management buybacks	**61**	47
Total	**669**	**575**

Gross investment return

Table 6: Gross investment return for the year to 31 March

	2014 £m	2013 £m
Realised profits over value on the disposal of investments	**201**	190
Unrealised profits on the revaluation of investments	**478**	250
Portfolio income		
Dividends	**13**	22
Income from loans and receivables	**46**	52
Fees receivable/(payable)	**9**	4
	747	518
Foreign exchange on investments [1]	**(100)**	44
Gross investment return [1]	**647**	562

1 Following a change in presentation to align to strategy, foreign exchange revaluation movements on the portfolio are now shown as part of the gross investment return. Comparatives have been restated accordingly.

The portfolio generated a gross investment return of £647 million or 24% of the opening portfolio (2013: £562 million, or 21%). Strong realisations at good uplifts over opening value contributed £201 million of realised profit (2013: £190 million).

The remaining portfolio also performed well with value growth of £478 million in the year (2013: £250 million). This was underpinned by good value weighted earnings growth of 19%, a multiple increase of 20%, following rises in stock markets during the year and the re-rating of a small number of assets, and stable net debt in the portfolio of 3.1x EBITDA (2013: 10%, 7% and 3.2x). The majority of the portfolio (87% by value) grew earnings in the year and the larger investments continue to perform strongly. Table 7 shows earnings growth rates across the portfolio.

Table 7: Portfolio earnings growth weighted by March 2014 carrying values[1]

Last 12 months' (LTM) earnings growth	3i carrying value at 31 March 2014 (£m)
<(20)%	**23**
(20) - (11)%	**67**
(10) - (1)%	**166**
0 - 9%	**393**
10 - 19%	**549**
20 - 30%	**148**
>30%	**587**

1 Includes all companies valued on an earnings basis where comparable earnings data is available. This represents 66% of the Private Equity portfolio.

In the case of Action, the Benelux headquartered discount retailer, EBITDA for valuation purposes is adjusted to reflect a run-rate basis. Action is growing strongly due, in large part, to its successful store roll-out programme. We believe this run-rate methodology fairly reflects the high growth characteristics of this business, and therefore its maintainable earnings. We continue to monitor closely the high level of transaction and IPO activity in the discount retail sector in order to appropriately benchmark value and have applied a 13.2x pre-discount and 12.5x post-discount EBITDA multiple at 31 March 2014. Action is the largest Private Equity investment by value, valued at £501 million at 31 March 2014 (2013: £280 million), after a recapitalisation which returned £59 million of proceeds in the year. At 31 March 2014, Action represented 17% of the Private Equity portfolio (2013: 10%), and, based on the run-rate earnings and capital structure at 31 March 2014, a 1x movement in the EBITDA multiple applied would increase or decrease value by c.£50 million.

We also saw strong value growth from successful IPOs with Quintiles listing in May 2013, leading to unrealised value growth of £62 million in addition to realised profits of £21 million in the year. Since the period end, Phibro also listed in the US and its value at 31 March 2014 reflected the IPO price. Phibro recorded value growth of £42 million in the year.

Although performance overall was good, there were inevitably a small number of investments where company and geography specific issues impacted value. In total, we saw reductions in value of £134 million offsetting the general improvement. The largest negative movement related to Hobbs, which was reduced in value by £26 million earlier in the year; it was valued at £21 million at 31 March 2014, which was in line with the valuation at 31 December 2013.

Forecast earnings, used when the forecast EBITDA outlook is lower than the last 12 months' data and a lead indicator of negative portfolio outlook, were used for only four investments at 31 March 2014, representing 9% of the portfolio by number and 3% by value (2013: 11, 22% by number and 11% by value).

The net debt position of the portfolio reduced marginally in the period and the average ratio of net debt to EBITDA, for those assets valued on an earnings basis, was 3.1x at 31 March 2014 (2013: 3.2x). Successful refinancings within the portfolio extended the maturity of portfolio debt, with 79% of the debt repayable in 2016 or later (2013: 65%). Table 8 shows the ratio of net debt to EBITDA weighted by portfolio value.

The combination of earnings growth and net debt reduction ("performance") led to a value increase of £182 million (2013: £141 million).

Equity markets were strong throughout the year and the average EBITDA multiple in the FTSE 250 increased by 20% to 13.3x in the period. As a matter of policy, we select an appropriate multiple for each investment based on a comparable set of quoted companies and we may also apply caps and discounts to these comparable multiple sets to take account of relevant size, sector and cycle considerations as appropriate.

Against a strong market backdrop, we have applied these to a greater proportion of the portfolio during the year. The average EBITDA multiple used to value the Private Equity portfolio increased by 20% to 10.6x before marketability discount (2013: 8.8x) and 9.9x after marketability discount (2013: 7.9x). This translated into a positive movement in the period of £216 million (2013: £36 million). Excluding Action, the average EBITDA multiple increased by 13% to 9.8x pre discount (2013: 8.7x) which represented 9.0x (2013: 7.8x) post discount.

Portfolio income of £68 million (2013: £78 million) decreased as a result of net divestment activity. Income from loans and receivables reduced as a result of net divestment to £46 million (2013: £52 million), dividends received reduced to £13 million (2013: £22 million) but other portfolio income improved to £9 million (2013: £4 million) as we secured good fees on increased investment activity.

81% of the Private Equity portfolio value at 31 March 2014 was invested outside the UK, with 59% in investments denominated in euros and 16% denominated in US dollars. The reduction in currency portfolio hedging during the year, and sterling's appreciation against the euro and dollar, reduced the portfolio valuation at the balance sheet date by £100 million in the period (2013: £44 million gain).

The long-term performance of the Private Equity business is monitored through tracking the money multiple and IRR of investments. Information detailing the performance of the portfolio on a vintage by vintage basis, together with further portfolio analysis, is available on 3i's website www.3i.com.

Table 8: Ratio of debt to EBITDA – Private Equity portfolio weighted by March 2014 carrying values[1]

Ratio of net debt to EBITDA	3i carrying value at 31 March 2014 (£m)
<1x	721
1 - 2x	380
2 - 3x	492
3 - 4x	624
4 - 5x	608
5 - 6x	26
>6x	36

1 This represents 98% of the Private Equity portfolio.

Fund Management activity

Table 9: Assets under management

Private Equity	Close date	Original fund size	Original 3i commitment	Remaining 3i commitment at March 2014	% invested at March 2014	Gross money multiple[1] at March 2014	AUM	Fee income received in the year £m
3i Growth Capital Fund	March 2010	€1,192m	€800m	€376m	53%	1.3x	€562m	2
3i Eurofund V	Nov 2006	€5,000m	€2,780m	€292m	90%	1.1x	€2,756m	14
3i Eurofund IV	June 2004	€3,067m	€1,941m	€78m	96%	2.3x	€444m	1
3i Eurofund III	July 1999	€1,990m	€995m	€90m	91%	2.1x	€11m	–
Other	various	various	various	n/a	n/a	n/a	£1,168m	–
Total Private Equity AUM							**£4,132m**	**17**

1 Gross money multiple is the cash returned to the fund plus value as at 31 March 2014, as a multiple of cash invested.

AUM reduced to £4,132 million at 31 March 2014 (2013: £4,851 million) as a result of the net divestment activity in the year and the strengthening of sterling against the euro.

We continued to build relationships with leading investors who can invest alongside 3i in future transactions in return for management fees, other income and carried interest. Two of the three new investments made in the period, JMJ and Basic-Fit, were partially funded through this route.

The performance of Eurofund V and the Growth Capital Fund improved markedly in the year. At 31 March 2014, Eurofund V had a gross money multiple of 1.13x invested capital (2013: 0.91x) with strong performance from Action, EMT, Hilite and Scandlines contributing to its improved value. The Growth Capital Fund also grew returns strongly, particularly supported by the performance of Quintiles and full realisation of Hyperion.

Table 9 above details the current Private Equity AUM.

Fee income from third parties reduced in the period, as funds that are past their investment periods continued to realise investments from their portfolios. We continue to focus on securing other fees as we increase investment to mitigate this effect, but the net divestment position overall led to a reduction in the third-party fee income to £17 million (2013: £19 million).

Priorities for the year ahead

We seek to use our local teams to find opportunities and selectively invest in our core markets of northern Europe and North America, focused on international growth businesses.

We will work with co-investment partners on new investments to strengthen relationships and further expand the group of investors we will work with in the future.

We will continue to manage intensively the existing portfolio by implementing clear value-building strategies and realising investments well through carefully planned and executed exit strategies. This will benefit both 3i and our third-party investors.

Business lines

Infrastructure performance

"The European portfolio continues to perform well, while the acquisition of BIFM has increased the breadth of capability in the team."

Phil White
Managing Partner,
Co-head Infrastructure

Ben Loomes
Managing Partner,
Co-head Infrastructure

Introduction

3i's Infrastructure business employs 31 investment professionals focused on originating and managing both core and Public Private Partnership ("PPP") infrastructure investments.

During the year we completed the acquisition of Barclays Infrastructure Fund Management business ("BIFM"), adding specialist investment skills in the PPP sector.

The leadership of the Infrastructure business changed in the year. Cressida Hogg left 3i at the end of March and Ben Loomes and Phil White were appointed Managing Partners and Co-heads of the business.

At 31 March 2014, the underlying Infrastructure portfolio consisted of 17 investments, held through 3i Infrastructure plc ("3iN") and the 3i India Infrastructure Fund ("India Fund"). The business also managed an additional 111 investments, held by the two funds managed by BIFM. 3i has no proprietary capital invested in these two funds. Assets under management at 31 March 2014 were £2.3 billion (2013: £1.6 billion) and the increase primarily reflects the addition of two BIFM funds. The value of 3i's Proprietary Capital invested in the Infrastructure portfolio at 31 March 2014 was £487 million (2013: £507 million).

Gross investment return in the period of £2 million, or 0% of the opening portfolio (2013: £22 million or 4%), was impacted by both operational and macroeconomic challenges in the India Fund portfolio as well as the marked weakening of the Indian rupee against sterling. The core European portfolio continued to perform well.

Infrastructure business model

3i's Infrastructure business is focused on making and managing infrastructure investments, and in managing for value the investments in the India Fund ahead of an exit. The strategy is built around the following components:

Originate	**Manage the portfolio**	**Grow AUM**
Focused on the core infrastructure and PPP and renewable energy project markets, primarily in the UK and northern Europe.	Drive yield and capital growth from investments by optimising their operations over time, implementing strategies that deliver value over the long term.	By leveraging the breadth of capability and product offering to raise new funds.
The drivers of performance are balanced between growing fund management returns and investment returns, particularly from 3i's 34% equity holding in 3iN and 21% LP stake in the India Fund.		

Investment and realisations activity

The level of competition for infrastructure assets in Europe remained high in the year as they continue to be in demand from an increasing range of investors for their defensive and cash yielding characteristics. This was intensified by high levels of debt availability for infrastructure investments. Consequently, the team maintained a prudent approach to new investment and the level of investment on behalf of its advised and managed vehicles remained relatively low.

A total of £84 million was invested by the vehicles managed or advised by 3i. The largest single investment in the year was Cross London Trains, a company established to procure and lease the rolling stock for use on the Thameslink passenger rail franchise, made by 3iN. 3iN also completed the investments in the National Military Museum PPP project in The Netherlands for £5 million and an investment in the Mersey Gateway Bridge PPP project in the UK of £13 million. These deals were both sourced by the new PPP team. Table 10 provides details of the investments made in the year.

We sold one investment in the period, a stake in a small manager of PPP funds, generating proceeds of £2 million and a small profit on opening book value. Following the acquisition of BIFM, there was no longer a strategic reason for retaining a stake in that business.

Table 10: Infrastructure investment in the year to 31 March 2014

Investment	Business description	Date	Total investment £m	Proprietary Capital investment £m
Cross London Trains	Acquisition and on-leasing of passenger rolling stock for the Thameslink rail network	June 2013	62	–
National Military Museum	Design, build, finance and maintenance of a museum facility under a PFI framework	November 2013	5	–
Mersey Gateway Bridge	Design, build, finance and operating of a new tolled bridge over the Mersey river	March 2014	13	–
Other		n/a	4	–
Total			**84**	**–**

Gross investment return

Table 11: Gross investment return for the year to 31 March

	2014 £m	2013 £m
Realised profits over value on the disposal of investments	**1**	–
Unrealised (losses) on the revaluation of investments	**(13)**	(2)
Portfolio income		
Dividends	**21**	18
Income from loans and receivables	**–**	–
Fees receivable	**–**	–
	9	16
Foreign exchange on investments [1]	**(7)**	6
Gross investment return[1]	**2**	**22**

1 Following a change in presentation to align to strategy, foreign exchange revaluation movements on the portfolio are now shown as part of the gross investment return. Comparatives have been restated accordingly.

The portfolio generated a gross investment return of £2 million, or 0% of the opening portfolio (2013: £22 million or 4%).

The value of the Group's 34% holding in 3iN increased by 1% in the year to 31 March 2014, generating an unrealised value gain for the Group of £5 million for the year. The Group also received dividend income of £21 million from 3iN in the year (2013: £18 million). This return was underpinned by the performance of 3iN's European portfolio, which continued to generate good levels of income and value growth. In particular, 3iN's holdings in Elenia and Eversholt saw strong value gains, underpinned by the re-financing of their acquisition debt facilities at attractive terms, as well as by their continued strong operational performance. Its 10% holding in AWG ended the year broadly flat in valuation terms. The ongoing regulatory review of the UK water sector is expected to conclude in December 2014. 3iN's PPP portfolio also delivered robust value gains and good levels of income.

The valuation of the India Fund investments continued to be affected by a number of macroeconomic and market factors, resulting in an unrealised value loss of £18 million, which more than offset the gain generated by 3iN. The India Fund power investments, in particular, have experienced issues around fuel supply and costs and their ability to pass increased fuel costs to their customers. The road investments faced challenges in project execution due to delays relating to land acquisitions and working capital constraints in the construction sector.

At 31 March 2014, 22% of 3i's Proprietary Capital underlying portfolio was denominated in Indian rupees (2013: 32%). The weakness in the Indian rupee and US dollar against sterling impacted the portfolio valuation at the balance sheet date. A translation charge of £7 million (2013: £6 million gain) further offset the good underlying performance in Europe in the period.

Further portfolio analysis can be found on 3i's website, www.3i.com.

Fund Management activity

Table 12: Assets under management

	Close date	Original fund size	Original 3i commitment	Remaining 3i commitment at March 2014	% invested at March 2014	Gross money multiple[1] at March 2014	AUM	Fee income received in the year
3iN	March 2007	£1,072m[2]	£366m[3]	n/a	n/a	n/a	£1,084m	16
India Fund	March 2008	US$1,195m	US$250m	$38m	73%	0.7x	$689m[4]	6
BIIF	May 2008	£680m	n/a	n/a	88%	n/a	£604m	1
BEIF	July 2006	£280m	n/a	n/a	93%	1.1x	£100m	1
Other	various	various	various	n/a	n/a	n/a	£102m	–
Total Infrastructure AUM							**£2,294m**	**24**

1 Gross money multiple is the cash returned to the fund plus value as at 31 March 2014, as a multiple of cash invested.
2 Based on latest published NAV (ex-dividend).
3 3i Group's proportion of latest published NAV.
4 Adjusted to reflect 3i Infrastructure plc's US$250 million share of the Fund.

AUM increased to £2,294 million at 31 March 2014 (2013: £1,579 million) as a result of the acquisition of BIFM and growth in the NAV of 3iN, offset by a reduction due to foreign exchange translation in the AUM of the India Fund which is denominated in US dollars.

We continue to explore potential fund raising options, with a focus on primary PPP investing as a result of the expansion in capability in that area.

Table 12 details the current Infrastructure AUM.

Fee income from third parties increased in the year to £24 million (2013: £21 million) which reflects stable 3iN fee income, four months of fee income from acquired funds and lower fee income from the India Fund. BIFM is expected to generate, prior to any additional fund raising, c.£7 million in fee income next year.

Priorities for the year ahead

In Europe, we will maintain our rigorous investment approach, focusing our activity in the core infrastructure and PPP project markets in Europe, building on our market-leading track record of returns.

We will continue to work with the management teams of the portfolio to improve operational performance and deliver value over the long term.

We aim to increase AUM through future capital raisings for 3iN, as appropriate, and through targeted private fund raisings, principally focused on PPP investments.

In India, we will focus on managing the existing portfolio to maximise value in the realisation phase.

Business lines

Debt Management performance

“Successful CLO fund launches, as well as continued strong track records in both Europe and the US, position the business for further growth.”

Jeremy Ghose
Managing Partner and CEO, 3i Debt Management

Introduction

3i’s Debt Management business employs 29 investment professionals focused on managing funds that invest in corporate debt in both Europe and North America.

As at 31 March 2014, the Debt Management business managed 28 funds principally being Collateralised Loan Obligations (“CLOs”). Assets under management at 31 March 2014 were £6.5 billion (2013: £6.4 billion) and the increase primarily reflects the raising of four CLOs during the year, including our first in Europe since the establishment of the business in 2011. This AUM growth was offset by reductions in older funds as they passed their re-investment period and capital was distributed to investors. The value of 3i’s Proprietary Capital invested in the Debt Management portfolio at 31 March 2014 was £143 million (2013: £81 million).

Gross investment return in the period of £16 million or 20% of the opening portfolio (2013: £14 million or 33%) was good and reflected the strong performance of the funds and a consequent increase in both the valuation of our holdings and cash income in the year.

The level of investment activity increased as 3i invested in three of the four CLOs raised and also provided capital to establish warehouse facilities in order to build up portfolios of assets ahead of future fund raises. £61 million was invested in the year (2013: £23 million).

Debt Management business model

3i’s Debt Management business is focused on raising and managing corporate debt funds in Europe and North America.

<table>
<tr><th>Originate</th><th>Monitor</th><th>Grow</th><th>Fee income and portfolio return</th></tr>
<tr><td>Access investment opportunities through relationships with primary debt providers and private equity sponsors in Europe and North America.</td><td>In-depth credit analysis of opportunities and close monitoring of existing portfolio by sector specialists.</td><td>Growing AUM on the back of a strong investment track record.</td><td>Generate fees on third-party capital and investment return on 3i’s investment alongside third parties.</td></tr>
<tr><td colspan="4">The key element of return is the fund management income and profit through careful management of costs. As the value of the portfolio increases through further investment into new funds raised, the gross investment return will remain a key component of overall returns.</td></tr>
</table>

Investment and realisations activity

In 2013, the European CLO market re-opened, supported by increased economic confidence and increased private equity deal flow at the larger end of the market. During 2013, 20 European CLOs were raised with a value of €7.4 billion, while no CLOs were raised in 2012. The US CLO market continued to build on its momentum from 2012 during the first half of 2013, with record quarterly levels of CLO issuance seen in the second quarter. Increasing concerns about future US regulation (particularly the Volcker Rule) dampened activity in the second half, however issuance in early 2014 was at strong levels, following the announcement by the Federal Reserve that banks will be given until July 2017 to comply with the Volcker Rule.

The Debt Management business closed two European CLOs in the period and 3i invested £34 million into these launches alongside third-party investors. There were two CLO launches in the US, into which 3i invested £6 million. In addition, 3i has committed £80 million to create warehouse facilities in both the US and Europe to support the creation of portfolios ahead of future fund launches. During the year, £21 million was invested into these facilities.

Table 13 provides details of the investments made in the year.

Following a successful close and a period of good trading, the decision was taken to sell our equity holding in Jamestown I. This generated proceeds of £5.5 million, and crystallised a small realised profit.

Table 13: Debt Management investment in the year to 31 March 2014

Investment	Type	Business description	Date	Proprietary Capital investment £m
Harvest VIII	New	European senior debt CLO	March 2014	18
Jamestown III	New	North American senior debt CLO	December 2013	6
Harvest VII	New	European senior debt CLO	September 2013	16
European and US warehouses	New	Pre-CLO portfolio accumulation vehicles	n/a	21
Total				**61**

Gross investment return

The portfolio generated a gross investment return of £16 million, or 20% of the opening portfolio (2013: £14 million or 33%).

A small realised gain was recognised on the sale of our equity holding in Jamestown I.

Unrealised gains of £10 million reflect uplifts in the mark-to-market valuations of the equity stakes in our CLOs, as well as the valuation movement of our holding in the Credit Opportunities Fund (Palace Street I) and the warehouse vehicles used to launch CLOs.

Yield is generated from the Debt Management portfolio both from distributions on our equity held in the CLOs and Palace Street I (£10 million) and interest received on our warehouse vehicles (£4 million).

Foreign exchange movements reflect the strengthening of sterling in the year, as most of our portfolio is denominated either in US dollars or euros.

Further portfolio analysis can be found on 3i's website, www.3i.com.

Table 14: Gross investment return for the year to 31 March

	2014 £m	2013 £m
Realised profits over value on the disposal of investments	**–**	–
Unrealised profits on the revaluation of investments	**10**	5
Portfolio income		
Dividends	**10**	6
Income from loans and receivables	**4**	1
Fees (payable)	**(2)**	–
	22	12
Foreign exchange on investments [1]	**(6)**	2
Gross investment return [1]	**16**	**14**

1 Following a change in presentation to align to strategy, foreign exchange revaluation movements on the portfolio are now shown as part of the gross investment return. Comparatives have been restated accordingly.

Fund Management activity

AUM increased to £6,485 million at 31 March 2014 (2013: £6,440 million) as a result of the launch of two CLOs in Europe and two in North America. This was largely offset by the reduction in AUM in several of the CLOs that are now past their re-investment period and making distributions to investors and foreign exchange.

Table 15 details the current Debt Management AUM.

Fee income from third parties increased to £32 million in the year (2013: £31 million) as AUM grew and we had the benefit of a full year of fees from acquisitions made in FY2013. Of this, 78% was generated in Europe and 22% in the US.

In the year ended 31 March 2013 catch-up fees relating to earlier periods of £6 million were received in relation to improved fund performance as accrued subordinated fees became payable once funds had met their performance hurdles. In the year ended 31 March 2014, no such fees were received. Therefore, excluding catch-up fees, fee income has increased by £7 million in the year.

CLO fees remain the core of the business and accounted for 81% of the total fees received in the year (2013: 79%). The active CLO markets in both Europe and the US, as discussed above, are therefore important.

Priorities for the year ahead

We continue to manage the existing funds to maintain our strong track record of returns, ensuring we remain a preferred manager of corporate debt funds.

We will prioritise further CLO launches in both Europe and the US in order to replace maturing AUM and increase our investment potential.

We will maintain a focus on costs to ensure fees exceed operating expenses.

We will consider further inorganic growth opportunities, or diversification, where fee income from acquired management contracts or platforms would be incrementally profitable.

Table 15: Assets under management

	Closing date	Reinvestment period end	Maturity date	Par value of fund at launch [1]	Realised equity money multiple [2]	AUM	Annualised equity cash yield [3, 4, 5]	Fees received in the year £m
European CLO funds								
Harvest CLO VIII	Mar-14	Apr-18	Apr-26	€425m	n/a	€425m	n/a	–
Harvest CLO VII	Sep-13	Oct-17	Oct-25	€310m	n/a	€301m	n/a	0.7
Windmill CLO I	Oct-07	Dec-14	Dec-29	€500m	0.7x	€479m	6.9%	1.7
Axius CLO	Oct-07	Nov-13	Nov-23	€350m	0.4x	€319m	5.0%	1.0
Coniston CLO	Aug-07	Jun-13	Jul-24	€409m	0.7x	€350m	11.8%	1.7
Harvest CLO V	Apr-07	May-14	May-24	€632m	0.4x	€590m	6.4%	3.7
Garda CLO	Feb-07	Apr-13	Apr-22	€358m	1.0x	€291m	14.3%	1.7
Harvest CLO IV	Jun-06	Jul-13	Jul-21	€750m	0.9x	€668m	12.1%	2.4
Harvest CLO III	Apr-06	Jun-13	Jun-21	€650m	0.8x	€550m	10.3%	3.3
Harvest CLO II	Apr-05	May-12	May-20	€540m	1.2x	€323m	13.6%	2.4
Alzette CLO	Dec-04	Dec-10	Dec-20	€362m	0.7x	€86m	7.2%	0.8
Petrusse CLO	Jun-04	Sep-09	Dec-17	€295m	0.4x	€41m	4.3%	0.1
Harvest CLO I	Apr-04	Mar-09	Mar-17	€514m	0.7x	€89m	7.0%	0.2
						£3,741m	**Average: 8.9%**	
US CLO funds								
COA Summit	Mar-14	Apr-15	Apr-23	US$416m	n/a	US$401m	n/a	–
Jamestown CLO III	Dec-13	Jan-18	Jan-26	US$516m	n/a	US$499m	n/a	0.4
Jamestown CLO II	Feb-13	Jan-17	Jan-25	US$510m	0.2x	US$503m	18.2%	1.7
Jamestown CLO I	Nov-12	Nov-16	Nov-24	US$461m	0.2x	US$454m	18.8%	1.4
Fraser Sullivan CLO VII	Apr-12	Apr-15	Apr-23	US$459m	0.4x	US$454m	21.3%	n/a
Fraser Sullivan CLO VI	Nov-11	Nov-14	Nov-22	US$409m	0.4x	US$403m	17.5%	n/a
COA Caerus CLO	Dec-07	Jan-15	Dec-19	US$240m	1.4x	US$242m	24.0%	n/a
Fraser Sullivan CLO II	Dec-06	Dec-12	Dec-20	US$500m	1.7x	US$323m	22.9%	1.6
Fraser Sullivan CLO I	Mar-06	Mar-12	Mar-20	US$500m	1.5x	US$221m	19.3%	1.2
						£2,104m	**Average: 20.3%**	
Other funds								
Vintage II	Nov-11	Sept-13	n/a	US$400m	n/a	US$235m	1.4x	1.1
Palace Street I	Aug-11	n/a	n/a	n/a	n/a	€50m	11.1%	n/a
Senior Loan Fund	Jul-09	n/a	n/a	n/a	n/a	US$79m	9.1%	0.2
COA Fund	Nov-07	n/a	n/a	n/a	n/a	US$38m [6]	(1.5)%	0.8
Vintage I	Mar-07	Mar-09	Jan-22	€500m	5.0x	€333m	5.1x [4]	3.6
Friday Street	Aug-06	Aug-08	Aug-14	€300m	0.3x	€62m	3.2%	0.3
European Warehouse vehicles	n/a	n/a	n/a	n/a	n/a	€35m	n/a	n/a
US Warehouse vehicles	n/a	n/a	n/a	n/a	n/a	US$50m	n/a	n/a
						£640m [6]		
Total						**£6,485m**		

1 Includes par value of assets and principal cash amount.
2 Multiple of total equity distributions over par value of equity at launch.
3 Average annualised returns since inception of CLOs calculated as annualised cash distributions over par value of equity. Excludes unrealised equity remaining in CLO.
4 Vintage I & II returns is shown as gross money multiple which is cash returned to the Fund plus value as at 31 March 2014, as a multiple of cash invested.
5 The annualised returns for the COA Fund and Senior Loan Fund are the annualised net returns of the Funds since inception.
6 The COA Fund AUM excludes the market value of investments the fund has made in 3i Debt Management US CLO funds (US$173 million as at 31 March 2014).

Financial review

Basis

Since the adoption of IFRS by the Group in the year ended 31 March 2006, there has been discussion about whether investment companies, such as 3i, should be exempt from consolidation for its portfolio investments. The introduction of the accounting standard, IFRS 10, has resolved this point with the introduction of an investment entity exception, which is an excellent outcome as consolidation of our portfolio investments would both be impractical and limit the usefulness of our statutory accounts. We have therefore decided to adopt this standard early to benefit from the exception. However, the detailed application of the standard has reduced the transparency of the Group's underlying operating performance because we are now required 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. As a result, we have introduced separate "Investment basis" Statements of comprehensive income, financial position and cash flow for the first time to aid users of our report. The numbers presented in the Overview and Strategic report refer to this Investment basis. A more detailed discussion of the impact of IFRS 10 is included at the end of this section.

The commentary in this section refers to the Investment basis financial statements because we believe they provide a more understandable view of our performance. We have presented a reconciliation of our Investment basis financial statements to the audited IFRS statements which are presented at the end of this section. Total return and net assets are equal under each basis; the Investment basis is simply a "look through" of IFRS 10 to present the underlying investment performance.

We have also taken the opportunity to align our Investment basis total return statement more closely to how the business is managed on a day-to-day basis. Specifically, following the reduction in foreign exchange hedging and, instead, the consideration of foreign currency risks as part of the investment process, we have included net foreign exchange movements relating to the portfolio in a new subtotal, gross investment return, as the key measure of investment performance. The previous measure, gross portfolio return, excluded net foreign exchange movements. We have also separately analysed the impact of acquisition accounting as "Acquisition related earn-out charges", which was previously included in carry payable.

Table 16: Total return for the year to 31 March

Investment basis	**2014 £m**	2013 £m
Realised profits over value on disposal of investments	**202**	190
Unrealised profits on revaluation of investments	**475**	253
Portfolio income		
Dividends	**44**	46
Income from loans and receivables	**50**	53
Fees receivable	**7**	4
Foreign exchange on investments	**(113)**	52
Gross investment return	**665**	**598**
Fees receivable from external funds	**73**	71
Operating expenses	**(136)**	(170)
Interest receivable	**3**	6
Interest payable	**(54)**	(101)
Movement in the fair value of derivatives	**10**	(6)
Exchange movements	**(3)**	(22)
Other (loss)/income	**–**	(3)
Carried interest receivable from external funds	**3**	4
Carried interest and performance fees payable	**(85)**	(12)
Acquisition related earn-out charges	**(6)**	(7)
Operating profit	**470**	**358**
Income taxes	**(3)**	(6)
Re-measurements of defined benefit plans	**11**	21
Total comprehensive income ("Total return")	**478**	373
Total return on opening shareholders' funds	**16.3%**	**14.2%**

Operating profit includes gross investment return, management fee income generated from managing external funds, the costs of running our business, net interest payable, movements in the fair value of derivatives, other losses and carried interest receivable or payable. Finally, total return comprises operating profit less any tax charge and movement in the actuarial valuation of the historic defined benefit pension scheme.

Each of these aspects of our returns is considered in greater detail in this review.

The Group generated a total return of £478 million, or a profit on opening shareholders' funds of 16.3% (2013: £373 million or 14.2%). This reflects further progress and achievement in the implementation of our strategic priorities, with good realisations at strong uplifts to opening value, an improvement in our cost and income balance, and a further reduction in gross debt. However, continuing strength in sterling had a negative impact on the results for the year in respect of foreign exchange translation.

The operating profits of the Proprietary Capital and Fund Management business and the remaining items that contribute to total return are analysed in this Financial review.

Total operating expenses

Operating expenses of the Group were £136 million in the year (2013: £170 million) and included restructuring costs of £9 million (2013: £30 million) in respect of redundancy, office closures and organisational changes. Operating expenses as a percentage of weighted average AUM decreased to 1.0% (2013: 1.3%) as a result of the further reduction in like-for-like costs combined with the BIFM acquisition and new CLO fund launches in the year which increased the cost efficiency of the Group (excluding restructuring costs).

We achieved annualised like-for-like run-rate operating cost savings of £70 million at 31 March 2014 against our run-rate of £185 million at 31 March 2012. This represents a reduction of 38% and exceeds our revised target to achieve cost savings of £60 million by 31 March 2014. Of this total, £19 million of run-rate savings were achieved during the year ended 31 March 2014.

The main savings in operating costs since 31 March 2012 have come from headcount reductions, with average headcount of 277 in 2014 compared to 358 in the prior year. The majority of the staff changes were implemented in the year ended 31 March 2013. As at 31 March 2014, headcount was 266, compared to 282 at 31 March 2013 and 435 at 31 March 2012. The addition of 21 staff as a result of the BIFM acquisition was offset by a net reduction of 37 staff across the remainder of the Group during the year. The next most significant saving related to property costs, as a direct consequence of headcount changes.

Restructuring costs of £9 million were incurred during the year in order to effect further changes to staff, offices and other cost savings. This total was higher than the £7 million originally estimated, reflecting the costs of reducing the level of resource applied to Brazil and, in particular, the severance costs of the team, which were not anticipated in the original target. However, the ratio of run-rate cost savings to restructuring costs is better than originally targeted, with £70 million of run-rate cost savings achieved at a cost of £39 million, representing a 1.8x ratio, compared with the original target of £45 million savings and £30 million restructuring costs (1.5x).

The cost reduction initiatives outlined in the strategic announcement in June 2012 are largely complete and we will no longer report operating expenses on a run-rate basis as we expect it to converge and to be in line with the actuals in all material respects.

Table 17: Operating expenses for the year to 31 March

	2014 £m	2013 £m
Operating expenses	**136**	170
Operating expenses excluding restructuring costs	**127**	140
Operating expenses/AUM [1] (excluding restructuring costs)	**1.0%**	1.3%
Run-rate operating expenses at 31 March	**129**	140
Run-rate operating expenses/AUM [1]	**1.0%**	1.1%

1 Actual operating expenses measured as a percentage of weighted average AUM. Run-rate operating expenses measured as a percentage of closing AUM.

Annual operating cash profit

Table 18: Annual operating cash profit for the year to 31 March

	2014 £m	2013 £m
Third-party capital fees	**75**	70
Cash portfolio fees	**4**	4
Cash portfolio dividends and interest	**53**	58
Cash income	**132**	**132**
Operating expenses[1]	**136**	170
Less: Restructuring costs	**(9)**	(30)
	127	140
Annual operating cash profit/(loss)	**5**	**(8)**

1 Operating expenses include accruals, the effect of which is not considered material.

In June 2012, the Group set an objective of generating cash income, from third-party fees and portfolio income, sufficient to cover the operating expenses incurred in the year, prior to restructuring costs. We call this “annual operating cash profit”.

The annual operating cash profit position improved from a loss of £(8) million in the year to 31 March 2013 to a profit of £5 million in the year to 31 March 2014. This is the first year the Group achieved an operating cash profit in more than a decade. This is a significant step in improving the profitability of the Group’s operating model.

Third-party AUM increased during the year following the acquisition of BIFM and the launch of four Debt Management funds. The growth in third-party AUM, and a focus on generating cash income from the portfolio, has meant the Group has been able to maintain its cash income despite net divestment activity in Private Equity. Cash income was stable at £132 million (2013: £132 million), with a £5 million increase in third-party fees and a £5 million decrease in portfolio income.

The benefits of the cost reduction programme are now being seen with actual costs (excluding restructuring costs) incurred during the year of £127 million (2013: £140 million) including £6 million of additional costs relating to acquisitions. The cost reduction programme has delivered £70 million of run-rate operating cost savings from the initial £185 million cost base, a reduction of 38%, before adding costs relating to acquired businesses.

Proprietary Capital returns

Our Proprietary Capital business is assessed on operating profit before carry, which comprises gross investment return, operating expenses, a fee paid to the Fund Management business and balance sheet funding expenses such as interest payable. Overall operating profit before carry of £539 million (2013: £386 million) was £153 million higher than the prior year and this was underpinned by strong gross investment return and a reduction in costs.

By business line, the gross investment return on the opening portfolio was 24% from Private Equity (2013: 21%), 0% from Infrastructure (2013: 4%) and 20% from Debt Management (2013: 33%). Private Equity accounts for 82% of the Proprietary Capital portfolio at 31 March 2014 (2013: 83%) and remains the primary driver of performance for the Proprietary Capital segment. Business line performance is discussed in more detail in the relevant Business line sections.

Realised profits

Realised profits at £202 million in the year to 31 March 2014 (2013: £190 million) demonstrated a second consecutive year of strong exits and were achieved at an uplift over opening value of 43% (2013: 46%). We continue to pursue exits through careful exit planning, particularly for our older, smaller and non-core geography assets.

The majority of the realisations were from the Private Equity portfolio, which contributed £669 million of the £677 million proceeds. Table 4 details the Private Equity realisations in the period and sets out the accounting uplift reflected in the annual total return and the longer-term cash-to-cash results. The Private Equity realisations completed in the year produced a money multiple of 1.8x over their investment life.

Table 19: Proprietary Capital operating profit for the year to 31 March

	2014 £m	2013 £m
Realised profits over value on disposal of investments	**202**	190
Unrealised profits on revaluation of investments	**475**	253
Portfolio income		
Dividends	**44**	46
Income from loans and receivables	**50**	53
Fees receivable[1]	**4**	4
Foreign exchange on investments[2]	**(113)**	52
Gross investment return [1,2]	**662**	**598**
Synthetic fee paid to Fund Management business	**(51)**	(56)
Operating expenses	**(28)**	(30)
Interest receivable	**3**	6
Interest payable	**(54)**	(101)
Movement in the fair value of derivatives	**10**	(6)
Exchange movements [2]	**(3)**	(22)
Other (loss)/income	**–**	(3)
Operating profit before carry	**539**	**386**

1 Fees receivable exclude £3 million allocated to Fund Management.
2 Following a change in presentation to align to strategy, foreign exchange revaluation movements on the portfolio are being shown as part of the gross investment return. Comparatives have been restated accordingly.

Unrealised value movements

Table 20: Unrealised profits/(losses) on revaluation of investments for the year to 31 March

	2014 £m	2013 £m
Private Equity		
Earnings based valuations		
Performance	**182**	141
Multiple movements	**216**	36
Other bases		
Provisions	**–**	4
Uplift to imminent sale	**9**	24
Discounted Cash Flow	**11**	(28)
Other movements on unquoted investments	**(10)**	73
Quoted portfolio	**70**	–
Infrastructure		
Quoted portfolio	**6**	11
Discounted Cash Flow	**(19)**	(13)
Other movements on unquoted valuations	**–**	–
Debt Management[1]	**10**	5
Total	**475**	**253**

1 Debt Management includes value movement on equity stakes in CLO vehicles, direct holdings in warehouse vehicles, and the net asset value movement on Palace Street I. Unrealised profits/(losses) in the year to 31 March 2013 have been restated for the change in treatment of Palace Street I under the Investment basis.

Performance

The performance category measures the impact of earnings and net debt movements for the portfolio companies valued on an earnings basis. In general, when valuing a portfolio investment on an earnings basis, the earnings used in the March valuations are the last 12 months' management accounts data to December, unless the current year forecast indicates a lower maintainable earnings level. Where appropriate, adjustments are made to earnings on a pro forma basis for acquisitions, disposals and non-recurring items. In the case of one company, Action, which is experiencing significant growth due to its store roll-out programme, a run-rate adjustment is made to its earnings to reflect profitability of opened stores for valuation purposes.

Improvements in the performance of the portfolio valued on an earnings basis resulted in an increase in value of £182 million (2013: £141 million). Value weighted earnings, the most relevant measure of NAV impact, increased by 19% in the year, demonstrating that the portfolio's largest assets are delivering strong improvements in performance, while net debt in the portfolio reduced marginally to 3.1x (2013: 3.2x).

Multiple movements

Increases in quoted prices for comparable businesses over the year, together with a re-rating of a small number of assets (most notably Action), have led to an increase in the weighted average EBITDA multiple of the portfolio to 10.6x before marketability discount (2013: 8.8x) and 9.9x after marketability discount (2013: 7.9x). Excluding Action, the largest asset by value and the asset with the highest multiple applied to earnings, the weighted average EBITDA multiple of the portfolio has increased to 9.8x before marketability discount (2013: 8.7x) and 9.0x after marketability discount (2013: 7.8x). The increase in the year has generated an increase in value of £216 million (2013: £36 million).

Provisions

A provision is recognised where we anticipate that there is a 50% or greater chance that the Group's investment in the portfolio company will fail within the next 12 months. No new provisions or reversals were made during the year.

Imminent sale

Portfolio companies which are well advanced in a negotiated sales process are valued on an imminent sale basis. At 31 March 2014, while there are a number of ongoing sales processes, only two were sufficiently progressed to value on this basis and the uplift to imminent sale was £9 million (2013: £24 million).

Discounted Cash Flow

The Discounted Cash Flow (DCF) valuation basis is used to value portfolio companies with predictable and stable cash flows. This is typically used for investments in our Infrastructure business, however one significant Private Equity investment, Scandlines is now valued on a DCF basis as it has a number of similar characteristics to an infrastructure investment. As at 31 March 2014, there were eight portfolio companies valued using the DCF valuation basis, the majority of which relate to the Group's Indian Infrastructure portfolio. Value growth in Scandlines was offset by unrealised losses as a result of the continued challenging environment in India, leading to a net loss on cases valued using DCF models of £(8) million in the year (2013: £(41) million).

Other

Where a different valuation basis is more appropriate for a portfolio company, the "other" category is used to determine fair value, for example, the sum of the parts of the business or industry specific methods. Unrealised losses of £10 million were incurred in the year to 31 March 2014 (2013: gains of £73 million).

Quoted portfolio

The quoted portfolio was valued at £554 million at 31 March 2014 and now represents 16% (2013: £431 million, 13%) of the Group's total portfolio. The Group's 34% investment in 3i Infrastructure plc represents the majority of the quoted portfolio at £404 million. 3i Infrastructure plc's share price increased by 1% in the year, resulting in value growth of £5 million. The IPO of Quintiles was completed in May 2013 and following sales of the Group's holding in the business, the value of Quintiles at 31 March 2014 was £122 million. The total investment return from Quintiles in the period, including realised profits, unrealised profits and income was £87 million. The IPO of Phibro was completed after the end of the period. At 31 March 2014 this continued to be valued on an earnings basis so is not included in the quoted portfolio.

Table 21: Proportion of portfolio value by valuation basis for the year to 31 March

	2014 %	2013 %
Earnings	**65**	67
Imminent sale	**1**	2
Quoted	**16**	13
Discounted Cash Flow	**8**	7
Other	**6**	9
Debt Management	**4**	2

Debt Management

The Debt Management business line has investments in a number of the CLOs which the Group manages, as well as in the Credit Opportunities Fund, Palace Street I and the 3i Senior Loan Fund. The Group also invests in Warehouse facilities to support the creation of portfolios for future fund launches.

The CLOs are valued on the basis, where possible, of quotes from the arranging brokers, substantiated by internal modelling of the future returns of the investment and third-party databases of prices. At 31 March 2014 the value of the equity stakes in CLOs was £67 million (2013: £26 million). Warehouse facilities are valued directly on the mark-to-market of the underlying debt held, and at 31 March 2014 these totalled £17 million (2013: £nil). The NAV of Palace Street I at 31 March 2014 was £53 million (2013: £48 million) and the value of the equity held in the US Senior Loan Fund was £6 million (2013: £7 million).

Portfolio income

Table 22: Portfolio income for the year to 31 March

	2014 £m	2013 £m
Dividends	**44**	46
Income from loans and receivables	**50**	53
Net fees receivable	**7**	4
Portfolio income	**101**	**103**
Received as cash	**57**	**62**
Cash income/opening portfolio	**1.7%**	1.9%

Income from the portfolio was £101 million in the year to 31 March 2014 (2013: £103 million). Dividends of £44 million were received (2013: £46 million), including £21 million from 3i Infrastructure plc, £5 million from Phibro, a US Private Equity healthcare investment, and £8 million from Debt Management investments. Interest income totalled £50 million (2013: £53 million).

A further £7 million in net deal fees was received in the year (2013: £4 million), principally relating to fees received on completing new investments and annual monitoring fees paid by portfolio companies. Of the total, £4 million was allocated to the Proprietary Capital business and £3 million to the Fund Management business, in line with the split of investment between proprietary capital and third-party funds.

Portfolio income received as cash during the year was £57 million (2013: £62 million).

Net foreign exchange movements

The total net foreign exchange loss of £116 million (2013: £30 million gain) was driven by the strengthening of sterling against the euro (1.9%), US dollar (8.8%), Indian rupee (17.3%), Brazilian real (18.8%) and Swedish krona (8.4%) resulting in losses of £17 million, £61 million, £14 million, £8 million and £8 million respectively. The net foreign exchange loss also reflects the translation of non-portfolio net assets, including non-sterling cash held at the balance sheet date.

As at 31 March 2014, a 1% movement in the euro, US dollar and the rupee would give rise to a £13 million, £6 million and £1 million movement in total return respectively.

Proprietary Capital costs

Synthetic fees are included in the operating profit of the Proprietary Capital business to reflect the fees that this business would have to pay if the assets were managed externally at market rates. The fall in synthetic fees to £51 million (2013: £56 million) reflects the lower level of Proprietary Capital being managed as a result of net divestment during the period.

A proportion of the Group's total operating expenses is allocated to Proprietary Capital, being those costs assessed as having been incurred in running a listed investment trust. These include 100% of costs in relation to the CEO and Group Finance Director and elements of finance, IT, property and compliance. Operating expenses of £28 million were broadly flat compared to last year (2013: £30 million) as the substantial cost reductions in the Proprietary Capital business, made as part of the cost reduction programme, were implemented early in FY2013. A more detailed analysis of the Group's total operating expenses is provided earlier in this Financial review.

Net interest payable

Gross interest payable for the year was £54 million (2013: £101 million), 10% below the target of £60 million. During the year we further reduced gross debt, repaying £164 million of drawings under a revolving credit facility. The current gross debt position is detailed further in this Financial review and in Note 7.

Interest receivable reduced to £3 million (2013: £6 million) in the year, as a result of the lower level of cash and deposits held by the Group and lower levels of interest received on that cash.

Derivative movements

The Group historically used foreign exchange and interest rate derivative contracts as part of its hedging programmes. The £10 million gain recognised from the fair value movement of the derivatives during the year (2013: £6 million loss), principally related to a long-term legacy interest rate swap, which has now been closed out.

Consistent with the strategic focus on cash-to-cash returns, the residual foreign exchange derivatives will be closed out early if appropriate, depending on the balance of currency cash flows, or else allowed to expire and not be replaced. We will continue to consider foreign exchange risk at the point of investment and divestment and occasionally hedge these transactions with short-term derivatives.

Fund Management returns

Table 23: Fund Management operating profit for the year to 31 March

	2014 £m	2013 £m
Portfolio fee income	**3**	–
Fees receivable from external funds	**73**	71
Synthetic fee receivable from Proprietary Capital business	**51**	56
Operating expenses	**(108)**	(140)
Operating profit before carry	**19**	**(13)**
Restructuring costs	**8**	24
Amortisation costs	**6**	6
Underlying Fund Management profit	**33**	**17**

Our Fund Management business comprises the investment teams of our Private Equity, Infrastructure and Debt Management businesses.

It is assessed on operating profit before carry which comprises fee income from third parties as well as a synthetic fee received from the Proprietary Capital business, less operating expenses. Overall operating profit before carry of £19 million for the period was £32 million higher than the prior year, as fee income remained stable and the benefits of the cost reduction programme became apparent.

The Group's Fund Management income is driven by total assets under management ("AUM"), which were £12.9 billion at 31 March 2014 (2013: £12.9 billion). The acquisition of BIFM and the launch of four Debt Management funds offset a fall in AUM from the net divestment activity in Private Equity. The proportion of third-party assets under management grew to 74% from 71% during the year.

For the Fund Management business to be profitable, costs have to be managed closely to ensure they remain appropriate and consistent with third-party benchmarks, where available. The positive impact of the cost reduction programme initiated in June 2012 is now clear. Fund Management operating expenses fell by 23% in the period to £108 million (2013: £140 million), including £8 million of restructuring costs (2013: £24 million) and the addition of £6 million of costs relating to acquisitions in the period.

Consequently, Fund Management improved both its absolute profit and profit margin in the period. Fund Management operating profit at £19 million represented a margin of 15% (2013: £13 million loss and (10)%). On an underlying basis, excluding restructuring and amortisation costs, operating profit was £33 million (2013: £17 million) at a margin of 26% (2013: 13%).

Fees receivable from external funds

Fees earned from external funds of £73 million in the period were marginally higher than the prior year (2013: £71 million).

Our Debt Management business line continued to generate strong fund fee income of £32 million, in line with the prior year (2013: £31 million). In the year ended 31 March 2013, catch-up fees relating to earlier periods of £6 million were received in relation to improved fund performance, as accrued subordinated fees became payable once funds had met their performance hurdles. In the year ended 31 March 2014, no such fees were received. Therefore, on a like-for-like basis, fee income has increased by £7 million in the year, underpinned by the launch of four new funds.

Advisory and management services to 3i Infrastructure plc and the 3i India Infrastructure Fund generated £22 million of fee income in the year (2013: £21 million). The acquisition of the BIFM platform further supplemented fee income from the Infrastructure business line by £2 million.

Our managed Private Equity funds generated fee income of £17 million (2013: £19 million), the decline reflecting the full year impact of the Growth Capital Fund coming to the end of its investment period in December 2012 and net divestment activity.

Fees receivable from Proprietary Capital

A synthetic fee is included in the operating profit of the Fund Management business to reflect the fees that would be received on proprietary investments if managed on behalf of third parties at market rates. A fee of 1.5% is charged on Private Equity and Infrastructure Proprietary Capital and 0.5% on Debt Management. The fall in synthetic fees to £51 million (2013: £56 million) reflects the lower level of Proprietary Capital being managed as a result of net divestment in Private Equity during the period.

Fund Management costs

A proportion of the Group's total operating expenses is allocated to the Fund Management activity. This includes all costs in relation to investment management and advisory activity as well as an allocation in relation to direct and indirect support functions, such as finance, IT, human resources, compliance, and property costs. Fund Management operating expenses fell by 23% in the period to £108 million (2013: £140 million). A more detailed analysis of the Group's total operating expenses is provided in this Financial review.

Total return

Table 24: Total return for the year to 31 March

	2014 £m	2013 £m
Proprietary Capital operating profit before carry	**539**	386
Fund Management operating profit before carry	**19**	(13)
Operating profit before carry	**558**	**373**
Carried interest receivable from external funds	**3**	4
Carried interest and performance fees payable	**(85)**	(12)
Acquisition related earn-out charges	**(6)**	(7)
Operating profit	**470**	**358**
Tax	**(3)**	(6)
Re-measurement of defined benefit plans	**11**	21
Total comprehensive income ("Total return")	**478**	**373**
Total return on opening shareholders' funds	**16.3%**	**14.2%**

The Group's total return comprises the operating profit of both the Proprietary Capital and Fund Management businesses, net carried interest, tax and charges relating to defined benefit pension schemes.

Net carried interest and performance fees payable

Net carried interest and performance fees payable in the year increased in line with the improved portfolio performance and realisations, with a net payable of £82 million (2013: £8 million payable).

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

Carry receivable is generated on third-party capital over the life of the relevant fund when relevant performance criteria are met.

Our largest Private Equity fund, Eurofund V, which includes assets purchased in 2007–12, has not yet met the performance hurdle due to the weak performance of the 2007–09 vintages. Although we have seen a strong recovery in that fund's multiple to 1.13x invested capital, the drag from these earlier investments means that we have not yet recognised carry receivable from this fund.

We pay carry to our investment teams on proprietary capital invested and share a proportion of carry receivable from third-party funds. This total carry payable is provided through schemes which have been structured historically over two year vintages to maximise flexibility in resource planning.

The improved performance of the portfolio over the last two years means that the majority of assets by value are now held in carry payable schemes that have met their performance hurdles, assuming the portfolio was realised at its 31 March 2014 valuation. Of the accrual of £85 million, £18 million relates to the catch up in accrual on schemes that hit the hurdle this year. Hereafter, carry payable will increase or decrease broadly in line with the performance of the portfolio at rates of between 10% and 15%.

Pensions

The IAS 19 valuation of the Group's UK defined benefit pension scheme was positively impacted by an increase in the discount rate, driven by an increase in AA corporate bond yields, and a decrease in inflation rates, resulting in a decrease in the value of the scheme's liabilities. This resulted in a re-measurement gain of £11 million (2013: £21 million) for the year.

The 2013 triennial valuation was completed in March 2014. It resulted in a very small surplus and consequently no further contributions were made or are planned as a result of this valuation.

Balance sheet

Portfolio value

Table 25: Portfolio value movement by business line

Business lines	Opening portfolio value 1 April 2013 £m	Investment[1] £m	Value disposed £m	Unrealised value movement £m	Other Movement[2] £m	**Closing portfolio value 31 March 2014 £m**
Private Equity	2,707	443	(467)	478	(226)	**2,935**
Debt Management	81	61	(6)	10	(3)	**143**
Infrastructure	507	–	(1)	(13)	(6)	**487**
Total	**3,295**	**504**	**(474)**	**475**	**(235)**	**3,565**

1 Includes capitalised interest and other non-cash investment.
2 Other relates to foreign exchange and the provisioning of capitalised interest.

Strong realisations in the year and the negative impact of foreign exchange movements were offset by investment of £504 million and unrealised value growth of £475 million, resulting in an increase in the total Proprietary Capital portfolio value to £3,565 million at 31 March 2014 (2013: £3,295 million).

The weighting of Private Equity in the portfolio reduced marginally to 82% (2013: 83%) while Debt Management increased to 4% (2013: 2%). This reflects both the net divestment in Private Equity and the increase in funding of the Debt Management business to purchase equity stakes of CLOs launched in the year. The weighting of the Infrastructure portfolio remained relatively stable at 14% (2013: 15%).

Cash flow

Investment and realisations

Table 26: Investment activity – Proprietary Capital and third-party capital for the year to 31 March

	Proprietary Capital		Proprietary and third-party capital	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Realisations	**677**	606	**1,129**	792
Cash investment	**(337)**	(149)	**(517)**	(240)
Net cash divestment/(investment)	**340**	457	**612**	552
Non-cash investment	**(167)**	(113)	**(279)**	(186)
Net divestment/(investment)	**173**	344	**333**	366

Realisations in the year generated cash proceeds of £677 million (2013: £606 million), offset by cash investment of £337 million (2013: £149 million), resulting in net cash inflow of £340 million (2013: £457 million). A further £167 million of investment was in non-cash form (2013: £113 million) and total investment was £504 million (2013: £262 million).

A summary of Proprietary Capital investment and realisations by business line is provided below. Further detail on investment and realisations is included in the relevant business line sections.

Table 27: Proprietary Capital investment by business line for the year to 31 March

	2014 £m	2013 £m
Private Equity	**443**	234
of which non-cash	**167**	113
Infrastructure	**–**	5
of which non-cash	**–**	–
Debt Management	**61**	23
of which non-cash	**–**	–
Total gross investment	**504**	**262**

Table 28: Proprietary Capital realisations by business line for the year to 31 March

	2014 £m	2013 £m
Private Equity	**669**	575
Infrastructure	**2**	31
Debt Management	**6**	–
Total gross realisations	**677**	**606**

Non-investment cash flows

Cash income from third-party fees and the portfolio of £132 million (2013: £132 million) was offset by cash operating expenses of £148 million (2013: £198 million) which, in addition to running costs and restructuring costs, includes carry paid and cash pension costs.

Net cash interest of £54 million was paid in the year, significantly below the £111 million paid last year.

Gearing and borrowings

Table 29: Gearing and borrowings as at 31 March

	2014	2013
Gross debt	**£857m**	£1,081m
Net debt	**£160m**	£335m
Gearing	**5%**	11%

The Group further reinforced its conservative balance sheet approach, with gross debt reducing by 21% in the year to £857 million (2013: £1,081 million). A further £164 million drawn under the 2016 revolving credit facility was repaid in April 2013. This was funded by cash from realisation proceeds generated in the prior year.

Net debt reduced following net divestment to £160 million (2013: £335 million). Gearing consequently reduced to 5% at 31 March 2014 (2013: 11%) as a result of both the decrease in net debt and the increase in shareholders' funds to £3,308 million (2013: £2,934 million) following the total return of £478 million in the year to 31 March 2014.

Liquidity

Liquidity increased in the year to £1,197 million (2013: £1,082 million). This comprised cash and deposits of £697 million (2013: £746 million) and undrawn facilities of £500 million (2013: £336 million). The cash balance reduced primarily as a result of the repayment of debt in the year, with cash inflows from divestment activity being offset by investment and other operating cash flows.

Foreign exchange hedging

As a result of the reduction in gross debt, and the increased concentration of the portfolio into a smaller number of individually significant assets, the Board decided to change its hedging policy in March 2013 and no longer to use derivatives for portfolio hedging purposes. As a result, the use of derivatives to hedge currency movements on a portfolio basis will be reduced over time and foreign exchange risk will now be considered as an integral part of the investment process rather than managed at the Group level. Specific short-term hedging on entry or exit of an investment may be used as appropriate.

Diluted NAV

The diluted NAV per share at 31 March 2014 was 348 pence (2013: 311 pence). This was driven by the total return in the year of £478 million (2013: £373 million), and partially offset by dividend payments in the year of £114 million (2013: £76 million).

Investment basis
Statement of comprehensive income

	Total 2014 £m	Total 2013 £m
Realised profits over value on the disposal of investments	**202**	190
Unrealised profits on the revaluation of investments	**475**	253
Portfolio income		
Dividends	**44**	46
Income from loans and receivables	**50**	53
Fees receivable	**7**	4
Foreign exchange on investments	**(113)**	52
Gross investment return	**665**	**598**
Fees receivable from external funds	**73**	71
Operating expenses	**(136)**	(170)
Interest receivable	**3**	6
Interest payable	**(54)**	(101)
Movement in the fair value of derivatives	**10**	(6)
Exchange movements	**(3)**	(22)
Other (loss)/income	**–**	(3)
Operating profit before carry	**558**	**373**
Carried interest		
Carried interest receivable from external funds	**3**	4
Carried interest and performance fees payable	**(85)**	(12)
Acquisition related earn-out charges	**(6)**	(7)
Operating profit	**470**	**358**
Income taxes	**(3)**	(6)
Profit for the year	**467**	**352**
Other comprehensive income		
Re-measurements of defined benefit plans	**11**	21
Total comprehensive income for the year (“Total return”)	**478**	**373**

Investment basis
Statement of financial position

	2014 £m	2013 £m
Assets		
Non-current assets		
Investments		
Quoted investments	**554**	431
Unquoted investments	**3,011**	2,864
Investment portfolio	**3,565**	**3,295**
Carried interest receivable	**17**	20
Intangible assets	**26**	32
Retirement benefit surplus	**137**	120
Property, plant and equipment	**5**	7
Derivative financial instruments	**–**	–
Deferred income taxes	**3**	3
Total non-current assets	**3,753**	**3,477**
Current assets		
Other current assets	**92**	85
Derivative financial instruments	**2**	4
Deposits	**–**	90
Cash and cash equivalents	**697**	656
Total current assets	**791**	**835**
Total assets	**4,544**	**4,312**
Liabilities		
Non-current liabilities		
Carried interest and performance fees payable	**(106)**	(31)
Acquisition related earn-out charges payable	**(18)**	(22)
Loans and borrowings	**(849)**	(855)
B shares	**(6)**	(6)
Retirement benefit deficit	**(14)**	(14)
Derivative financial instruments	**–**	(55)
Deferred income taxes	**(2)**	(3)
Provisions	**(5)**	(8)
Total non-current liabilities	**(1,000)**	**(994)**
Current liabilities		
Trade and other payables	**(198)**	(178)
Carried interest and performance fees payable	**(11)**	(29)
Acquisition related earn-out charges payable	**(10)**	–
Loans and borrowings	**–**	(164)
Derivative financial instruments	**(4)**	(5)
Current income taxes	**(4)**	(2)
Deferred income taxes	**(1)**	(1)
Provisions	**(8)**	(5)
Total current liabilities	**(236)**	**(384)**
Total liabilities	**(1,236)**	**(1,378)**
Net assets	**3,308**	**2,934**
Equity		
Issued capital	**718**	718
Share premium	**782**	780
Other reserves	**1,897**	1,540
Own shares	**(89)**	(104)
Total equity	**3,308**	**2,934**

Investment basis
Cash flow statement

	2014 £m	2013 £m
Cash flow from operating activities		
Purchase of investments	**(337)**	(149)
Proceeds from investments	**677**	606
Cash investment/(divestment) into traded portfolio	**14**	(23)
Portfolio interest received	**9**	15
Portfolio dividends received	**44**	43
Portfolio fees received	**4**	4
Fees received from external funds	**75**	70
Carried interest received	**5**	20
Carried interest and performance fees paid	**(25)**	(30)
Acquisition related earn-out charges paid	**–**	(1)
Operating expenses	**(128)**	(188)
Interest received	**3**	7
Interest paid	**(57)**	(118)
Income taxes paid	**(7)**	(8)
Net cash flow from operating activities	**277**	**248**
Cash flow from financing activities		
Purchase of own shares	**–**	–
Dividend paid	**(114)**	(76)
Repayment of short-term borrowings	**(164)**	(304)
Repurchase of long-term borrowings	**–**	(267)
Net cash flow from derivatives	**(32)**	11
Net cash flow from financing activities	**(310)**	**(636)**
Cash flow from investing activities		
Acquisition of management contracts	**2**	(18)
Purchase of property, plant and equipment	**–**	(1)
Proceeds on sale of property, plant and equipment	**–**	1
Net cash flow from deposits	**90**	351
Net cash flow from investing activities	**92**	**333**
Change in cash and cash equivalents	**59**	**(55)**
Cash and cash equivalents at the start of year	**656**	718
Effect of exchange rate fluctuations	**(18)**	(7)
Cash and cash equivalents at the end of year	**697**	**656**

Reconciliation of Investment basis to IFRS

IFRS 10 has resulted in a significant change to the presentation of the Group's financial statements. There has been no change to the total return or net asset position of the Group.

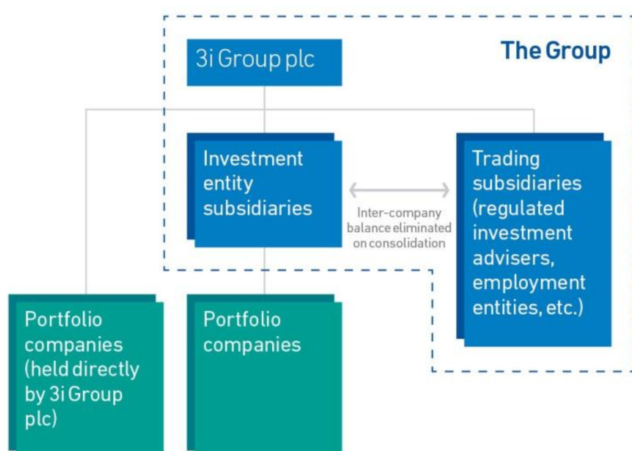
The Group makes investments directly in portfolio companies held by 3i Group plc and indirectly, held through intermediate holding company and partnership structures ("Investment entity subsidiaries"). It also has other operational subsidiaries which provide services and other activities such as employment, regulatory activities, management and advice ("Trading subsidiaries").

Since the adoption of IFRS in the year ended 31 March 2006, there has been discussion about whether investment companies such as 3i should be exempt from consolidation of its investments (the direct and indirectly held portfolio companies). IFRS 10 has resolved this point with the introduction of an investment entity exception confirming that portfolio companies should be accounted for at fair value, which is an excellent outcome. This is why we have decided to adopt the standard early. However, in the detailed application of the standard, investment entity subsidiaries are now also accounted for on a fair value basis, which means that the financial effect of the underlying portfolio companies and fee income, operating expenses and carried interest incurred in investment entity subsidiaries are aggregated into a single value shown as Investments in investment entities. Other items which were previously eliminated on consolidation are now included separately. The two diagrams below illustrate these changes, together with an illustrative example to show how information can be aggregated.

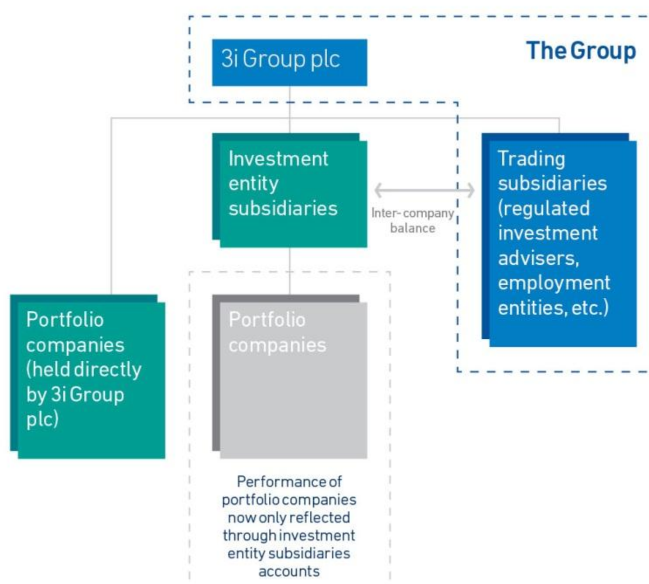
We have therefore introduced an "Investment basis" set of primary financial statements, prepared on a similar basis to the prior year financial statements, fair valuing portfolio companies at the level which we believe provides the most understandable financial information and consolidating associated transactions on a line-by-line basis.

A detailed reconciliation from the Investment basis to IFRS basis of the Statement of comprehensive income, Statement of financial position, and Cash flow statement can be found on the following pages.

Previous basis of consolidation



IFRS 10 / new basis of consolidation



Illustrative example

	Previous basis of consolidation	IFRS 10 consolidation
Realised / unrealised investment returns	170	50
Fair value movements on investment entity subsidiaries	–	90
Portfolio income	20	5
Operating expenses	(50)	(10)
Carry payable	(10)	(5)
	130	130

	Investment entity subsidiary activity
Realised / unrealised investment returns	120
Portfolio income	15
Operating expenses	(40)
Carry payable	(5)
	90

Reconciliation of Statement of comprehensive income

	Note	**Investment basis 2014 £m**	IFRS adjustments 2014 £m	IFRS basis 2014 £m	**Investment basis 2013 £m**	IFRS adjustments 2013 £m	IFRS basis 2013 £m
Realised profits over value on the disposal of investments	2	**202**	(56)	146	**190**	(135)	55
Unrealised profits on the revaluation of investments	2	**475**	(398)	77	**253**	(97)	156
Fair value movements on investment entity subsidiaries	1	**–**	454	454	**–**	491	491
Portfolio income							
Dividends	2	**44**	(19)	25	**46**	(16)	30
Income from loans and receivables	2	**50**	(21)	29	**53**	(34)	19
Fees receivable		**7**	–	7	**4**	–	4
Foreign exchange on investments		**(113)**	68	(45)	**52**	(38)	14
Gross investment return		**665**	28	693	**598**	171	769
Fees receivable from external funds	3	**73**	(23)	50	**71**	(27)	44
Operating expenses	3	**(136)**	18	(118)	**(170)**	23	(147)
Interest receivable	3	**3**	(1)	2	**6**	(1)	5
Interest payable		**(54)**	–	(54)	**(101)**	–	(101)
Movement in the fair value of derivatives		**10**	–	10	**(6)**	–	(6)
Exchange movements		**(3)**	(39)	(42)	**(22)**	(56)	(78)
Income/(expense) from fair value subsidiaries	1	**–**	(5)	(5)	**–**	(109)	(109)
Other (loss)/income		**–**	–	–	**(3)**	–	(3)
Operating profit before carry		**558**	(22)	536	**373**	1	374
Carried interest							
Carried interest receivable from external funds	3	**3**	(4)	(1)	**4**	2	6
Carried interest and performance fees payable	3	**(85)**	69	(16)	**(12)**	(5)	(17)
Acquisition related earn-out charges		**(6)**	6	–	**(7)**	7	–
Operating profit		**470**	49	519	**358**	5	363
Income taxes	3	**(3)**	1	(2)	**(6)**	3	(3)
Profit for the year		**467**	50	517	**352**	8	360
Other comprehensive income							
Exchange differences on translation of foreign operations		**–**	(50)	(50)	**–**	(8)	(8)
Re-measurements of defined benefit plans		**11**	–	11	**21**	–	21
Total comprehensive income for the year ("Total return")	1	**478**	–	478	**373**	–	373

Notes:

1. Applying IFRS 10 to the 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 periods. The adjustments simply reclassify the Statement of comprehensive income of the Group, and the total return is equal under the investment basis and the IFRS basis.
2. Realised profits, unrealised profits, 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. Other items also aggregated into the "Fair value movements on investment entity subsidiaries" line include fees receivable from external funds, audit fees, custodian fees, bank charges, other general and administration expenses, carried interest and tax.
4. Foreign exchange on investments has been reclassified as a result of IFRS 10. This is because the revaluation of assets held by investment entity subsidiaries will now be reflected in the fair value movements on investment entity subsidiaries rather than being reflected as exchange movements. Exchange differences on translation of foreign operations has reduced given that many foreign operations are now treated as investment entities held at fair value rather than consolidated subsidiaries.
5. We have also taken this opportunity to re-present the impact of foreign exchange movements on our returns to be consistent with the current hedging policy. "Foreign exchange on investments" is now included in our gross investment return to show the currency risk relating to the portfolio more directly.
6. The Credit Opportunities Fund (Palace Street I) was previously consolidated on a line-by-line basis and is now recognised as a fair value investment entity subsidiary under IFRS 10. We believe this is the appropriate treatment that effectively shows the performance of the Fund and have applied the same basis to the investment basis statements in a change to previous presentation.

Reconciliation of Statement of financial position

	Note	**Investment basis 2014 £m**	IFRS adjustments 2014 £m	IFRS basis 2014 £m	**Investment basis 2013 £m**	IFRS adjustments 2013 £m	IFRS basis 2013 £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	**554**	(296)	258	**431**	(188)	243
Unquoted investments	1	**3,011**	(1,732)	1,279	**2,864**	(1,427)	1,437
Investments in investment entities	1,3	**–**	1,973	1,973	**–**	1,630	1,630
Investment portfolio		**3,565**	(55)	3,510	**3,295**	15	3,310
Carried interest receivable	1	**17**	(9)	8	**20**	(10)	10
Intangible assets	1	**26**	(16)	10	**32**	(22)	10
Retirement benefit surplus		**137**	–	137	**120**	–	120
Property, plant and equipment		**5**	–	5	**7**	–	7
Deferred income taxes	1	**3**	(2)	1	**3**	(2)	1
Total non-current assets		**3,753**	(82)	3,671	**3,477**	(19)	3,458
Current assets							
Other current assets	1	**92**	(20)	72	**85**	(20)	65
Derivative financial instruments		**2**	–	2	**4**	–	4
Deposits		**–**	–	–	**90**	–	90
Cash and cash equivalents	1,2	**697**	(54)	643	**656**	(46)	610
Total current assets		**791**	(74)	717	**835**	(66)	769
Total assets		**4,544**	(156)	4,388	**4,312**	(85)	4,227
Liabilities							
Non-current liabilities							
Carried interest and performance fees payable	1	**(106)**	80	(26)	**(31)**	11	(20)
Acquisition related earn-out charges payable		**(18)**	16	(2)	**(22)**	20	(2)
Loans and borrowings		**(849)**	–	(849)	**(855)**	–	(855)
B shares		**(6)**	–	(6)	**(6)**	–	(6)
Retirement benefit deficit		**(14)**	–	(14)	**(14)**	–	(14)
Derivative financial instruments		**–**	–	–	**(55)**	–	(55)
Deferred income taxes		**(2)**	2	–	**(3)**	1	(2)
Provisions	1	**(5)**	1	(4)	**(8)**	5	(3)
Total non-current liabilities		**(1,000)**	99	(901)	**(994)**	37	(957)
Current liabilities							
Trade and other payables	1	**(198)**	40	(158)	**(178)**	36	(142)
Carried interest and performance fees payable	1	**(11)**	5	(6)	**(29)**	13	(16)
Acquisition related earn-out charges payable		**(10)**	10	–	**–**	–	–
Loans and borrowings		**–**	–	–	**(164)**	–	(164)
Derivative financial instruments		**(4)**	–	(4)	**(5)**	–	(5)
Current income taxes	1	**(4)**	2	(2)	**(2)**	2	–
Deferred income taxes	1	**(1)**	–	(1)	**(1)**	1	–
Provisions	1	**(8)**	–	(8)	**(5)**	(4)	(9)
Total current liabilities		**(236)**	57	(179)	**(384)**	48	(336)
Total liabilities		**(1,236)**	156	(1,080)	**(1,378)**	85	(1,293)
Net assets		**3,308**	–	3,308	**2,934**	–	2,934
Equity							
Issued capital		**718**	–	718	**718**	–	718
Share premium		**782**	–	782	**780**	–	780
Other reserves		**1,897**	–	1,897	**1,540**	–	1,540
Own shares		**(89)**	–	(89)	**(104)**	–	(104)
Total equity		**3,308**	–	3,308	**2,934**	–	2,934

The notes relating to the table above are on the next page.

Notes:

1 Applying IFRS 10 to the Statement of financial position aggregates the line items of a number of previously consolidated subsidiaries into the single line item “Investment in investment entities”. In the Investment basis we have disaggregated these items to analyse our net assets as if the investment entity subsidiaries were consolidated, consistent with prior periods. The adjustment reclassifies items in the 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 entities” line. We have disaggregated this fair value and disclosed the underlying portfolio holding in the relevant line item, ie, quoted equity investments, unquoted equity investments or loans and receivables.

   Other items which may be aggregated are carried interest and other payables, and the investment basis presentation again disaggregates these items.

2 Cash balances held in investment entity subsidiaries are also aggregated into the “Investment in investment entities” line. At 31 March 2014, £36 million of cash was held in subsidiaries that are now classified as investment entity subsidiaries and is therefore included in the “Investment in investment entities” line.

3 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 statement of financial position of the Group. Prior to the adoption of IFRS 10, these balances would have been eliminated on consolidation.

4 The Credit Opportunities Fund (Palace Street I) was previously classified as a current asset and, following the adoption of IFRS 10, has been reclassified as non-current in both the investment basis and IFRS statements.

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

Reconciliation of Cash flow statement

	Note	**Investment basis 2014 £m**	IFRS adjustments 2014 £m	IFRS basis 2014 £m	**Investment basis 2013 £m**	IFRS adjustments 2013 £m	IFRS basis 2013 £m
Cash flow from operating activities							
Purchase of investments	1	**(337)**	223	(114)	**(149)**	67	(82)
Proceeds from investments	1	**677**	(225)	452	**606**	(253)	353
Cash investment/(divestment) into traded portfolio	1	**14**	(14)	–	**(23)**	23	–
Investment/(divestment) into fair value subsidiaries	1	**–**	46	46	**–**	197	197
Portfolio interest received	1	**9**	(3)	6	**15**	(10)	5
Portfolio dividends received	1	**44**	(19)	25	**43**	(21)	22
Portfolio fees received		**4**	–	4	**4**	–	4
Fees received from external funds	1	**75**	(23)	52	**70**	(28)	42
Carried interest received	1	**5**	(4)	1	**20**	–	20
Carried interest and performance fees paid	1	**(25)**	5	(20)	**(30)**	8	(22)
Acquisition related earn-out charges paid		**–**	–	–	**(1)**	1	–
Operating expenses		**(128)**	3	(125)	**(188)**	33	(155)
Interest received		**3**	–	3	**7**	–	7
Interest paid		**(57)**	–	(57)	**(118)**	–	(118)
Income taxes paid	1	**(7)**	4	(3)	**(8)**	5	(3)
Net cash flow from operating activities		**277**	(7)	270	**248**	22	270
Cash flow from financing activities							
Dividend paid		**(114)**	–	(114)	**(76)**	–	(76)
Repayment of short–term borrowings		**(164)**	–	(164)	**(304)**	–	(304)
Repurchase of long–term borrowings		**–**	–	–	**(267)**	–	(267)
Net cash flow from derivatives		**(32)**	–	(32)	**11**	–	11
Net cash flow from financing activities		**(310)**	–	(310)	**(636)**	–	(636)
Cash flow from investing activities							
Acquisition of management contracts	1	**2**	(2)	–	**(18)**	10	(8)
Purchase of property, plant and equipment	1	**–**	–	–	**(1)**	–	(1)
Proceeds on sale of property, plant and equipment		**–**	–	–	**1**	–	1
Net cash flow from deposits		**90**	–	90	**351**	–	351
Net cash flow from investing activities		**92**	(2)	90	**333**	10	343
Change in cash and cash equivalents	2	**59**	(9)	50	**(55)**	32	(23)
Cash and cash equivalents at the start of year	2	**656**	(46)	610	**718**	(78)	640
Effect of exchange rate fluctuations	1	**(18)**	1	(17)	**(7)**	–	(7)
Cash and cash equivalents at the end of year	2	**697**	(54)	643	**656**	(46)	610

Notes:

1 The 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 subsidiary vehicles. Cash held within investment entity subsidiaries will not be shown in the IFRS statements but will be seen in the Investment basis statements.

Risk

Principal risks and risk management

The Group faces a range of risks and uncertainties which could materially affect the achievement of its strategic objectives and, in turn, its financial performance.

This section describes our approach to risk management, and the process and governance framework that we have in place to identify, assess, manage and monitor risks. This is followed by a summary description of the principal risks facing the Group and the corresponding mitigating actions that are in place.

Approach to risk management

The Board is responsible for setting the overall strategic direction of the Group. As part of the strategic decision-making process, the Board seeks to achieve an appropriate balance between taking risk and generating returns for our shareholders. The evaluation of strategic choices and new opportunities requires a detailed risk assessment, which takes into account the Board's overall risk appetite.

The Group's risk management framework is designed to support the delivery of the strategic objectives determined by the Board. This framework includes the periodic assessment of changes and developments which potentially impact the Group's overall risk profile, as well as the identification and assessment of key risks and the review of the effectiveness of the risk mitigation plans which have been put in place.

Risk management framework and governance structure

3i's risk management framework and associated governance structure are designed to ensure that there is an effective process and a clear organisational structure with well defined responsibilities to identify, assess, manage and monitor risk and operate at a number of levels throughout the Group.

The Board is responsible for overall risk management, which includes the Group's risk governance or oversight structure, and for maintaining an appropriate internal control framework.

Responsibility for oversight of risk management is delegated to the **Chief Executive** who has established the **Group Risk Committee** to assist him to discharge this responsibility. They are guided by the Board's appetite for risk and any specific limits set. The Group Risk Committee maintains the Group risk review, which summarises the Group's principal risks and associated mitigating actions.

The **Audit and Compliance Committee** is updated by the Chief Executive, as Chairman of the Group Risk Committee, at each meeting on the outputs of the latest Group Risk Committee meeting and has the opportunity to contribute views or raise questions.

The outputs of the latest Group Risk Committee meeting are also considered by the Board as a whole, with a particular focus on the potential impact on the setting and execution of the Group's strategy.

The Group's reporting cycle and dates of key meetings are co-ordinated to ensure that appropriate risk and strategic reviews are performed in alignment with the scheduled Board and Audit and Compliance Committee meetings. The Group Risk Committee typically reviews risks over a rolling 12-month time horizon. Longer-term risks are considered by the Board, as part of its annual strategic review, and then reflected in the Group risk review.

In addition to the above, a number of other committees contribute to the Group's overall risk governance structure.

The **Investment Committee** meets as required to consider risk in relation to the acquisition, management and disposal of investments, within the authority limits delegated by the Board.

The **Conflicts Committee** reviews the Group's conflict policies and processes and meets periodically and as required to review any specific issues which may arise.

The **Treasury Transactions Committee** provides formal approval for specific treasury related transactions, taking into consideration any risk management implications, subject to specific limits or delegated authority from the Board.

The Group's **Brand and Values Committee** considers risks which could potentially impact the Group's brand and reputation, drawing upon the outputs of the Group's risk review.

The roles and membership of the above committees are described in more detail in the Governance section of this report. Further details on the risk management framework can also be found in 3i's Pillar 3 disclosures at www.3i.com.

Assurance to the Audit and Compliance Committee on the robustness and effectiveness of the Group's risk management processes is provided through the independent assessments by Internal Audit and the work of Group Compliance on regulatory risks. Management is also required to certify annually that risk mitigation controls have operated effectively throughout the year, that the Group's policies have been complied with and any exceptions reported

Risk review process

The Group Risk Committee is responsible for carrying out a detailed risk review of the Group and meets at least four times a year, to coincide with meetings of the Executive Committee and the Audit and Compliance Committee. The Group risk review process was enhanced in the prior financial year to include improved monitoring of key strategic and financial metrics, which are indicators of changes to the Group's risk profile. The review includes the following reference data:

- Financial performance and strategic dashboards;
- Portfolio performance reports for Private Equity, Infrastructure and Debt Management;
- Vintage control and asset allocation analysis;
- Macroeconomic and M&A market overview;
- Liquidity management and ICAAP review;
- Operating expenses;
- Responsible investment review;
- Risk reports for managed Alternative Investment Funds; and
- Quarterly Group risk log.

Drawing upon the above, the Committee considers changes and developments since its last review and the potential for these to impact the Group's overall risk profile and, therefore, its strategic delivery. The Committee evaluates the impact and likelihood of each key risk, with reference to associated measures and key performance indicators. The adequacy of current mitigation plans is assessed and, where necessary, additional actions agreed and reviewed at the subsequent meeting.

A number of focus topics are agreed in advance of each meeting, which involve a more in-depth analysis. Further details are set out under the Review of principal risks.

Changes and improvements

Following the implementation of the European AIFM Directive in July 2013, the Group has put in place a risk framework for each of its managed Alternative Investment Funds in line with the regulatory requirements. As part of this change, the Group Risk Committee receives and reviews risk reports for each AIF, which consider risks at the individual fund level, with reference to any risk limits applicable to the fund.

Management completed a review of our Responsible Investing ("RI")/Environmental, Social and Governance ("ESG") reporting framework in early 2014. As a result of the recommendations made, dedicated resource has been allocated to co-ordinate and manage 3i's approach to RI and ESG risk management and detailed updates are now being provided to the Group Risk Committee with streamlined reporting to both the Audit and Compliance Committee and Brand and Values Committee. Further details on 3i's approach to RI and ESG risk management can be found in the Corporate responsibility section of our website at www.3i.com.

Review of principal risks

The disclosures on the following pages are not an exhaustive list of risks and uncertainties faced by the Group, but rather a summary of those principal risks which have the potential to impact materially the Group's financial performance and/or the achievement of its strategic objectives, and which are under active review by the Group Risk Committee and the Board.

Strategic

The preceding sections provide an overview of 3i's strategic priorities and progress against these. There were no fundamental changes in the Group's strategy in the prior year and delivery remains on target. Accordingly, the Group's risk profile has not been impacted by any significant changes in strategic direction.

External

The key external risks affecting 3i over the course of the financial year remained centred on the continuing challenging macroeconomic and market conditions and factors impacting these. There was also a significant increase in new regulatory requirements.

Economic stability, and confidence more generally, is vulnerable to weakening growth in developing markets, the pace and sustainability of economic recovery in Europe, and recent increases in geopolitical risk. The last includes developments in Eastern Europe and uncertainty around the outcome and impact of key elections, for example in Europe and India.

The Group is subject to a number of new regulatory requirements which are already in force or will come into force shortly. A key development is the European AIFM Directive, which came into force in July 2013. The Group is also affected by regulations under the European Market Infrastructure Regulation ("EMIR") and Capital Requirements Directive IV ("CRDIV"). These changes will result in a significant increase in reporting requirements and additional costs to the business, and may potentially restrict some future activities.

The detailed application of IFRS 10 has led to wide debate across the investment management industry and accounting firms, and standard setting bodies continue to refine guidance. The Group has applied IFRS 10 in line with the guidance from the IFRIC meeting in January 2014 which was marginally supported, but not approved, by the IASB in March 2014. There is a risk that the interpretation of the standard will evolve further, for better or worse, resulting in future restatements of our statutory accounts.

Investment

Detailed commentaries on the performance of each of 3i's business lines can be found in the Business review section. The Group's key investment risks remain closely linked to the economic and market conditions, referred to above.

The **Private Equity** business is the largest in terms of proprietary capital investment. Specific risks include the pricing of new investment opportunities; the potential operational underperformance of portfolio companies impacting earnings growth and valuations; and the timing of exits and cash returns.

A cautious and selective approach has continued to be applied to new investment over the year. The overall health and performance of the Private Equity investment portfolio has continued to improve, with the Group's larger investments growing strongly. The Group's Private Equity investment portfolio has become relatively more concentrated over time, with increasing exposure to the performance of a smaller number of larger investments. As expected, the pace of realisations has slowed in the second part of the financial year. In this context, exit strategies and the divestment pipeline continue to be monitored closely.

Specific risks to the **Infrastructure** business include the ability to maintain investment rates in a competitive market, where there is strong demand for infrastructure assets as investors seek yield. 3i completed the acquisition of Barclays Infrastructure Funds Management Limited ("BIFM"), a European infrastructure fund management business, in November 2013, and remains focused on increasing third-party AUM through new investments, fund raising and other potential inorganic opportunities. The 3i India Infrastructure Fund has been affected by the depreciation in the Indian rupee against sterling and the US dollar as well as the broader macroeconomic challenges in India. The current focus is on managing the value of the existing Indian portfolio with no plans for further investment or fundraising in the region.

The principal risk to the **Debt Management** business is the ability to grow AUM profitably in line with its business plan. The European CLO market has now re-opened and in September 2013 Debt Management launched its first European CLO (Harvest VII) since the establishment of the Debt Management platform in 2011. A further European CLO (Harvest VIII) was launched in February 2014. The level of new CLO issuance in the US initially slowed following the introduction of the Volcker Rule but the business launched two further CLOs, Jamestown III, in December 2013 and the COA Summit CLO in March 2014. The CLO market is likely to remain somewhat disrupted until the US regulatory agencies provide further guidance on the implementation of the Volcker Rule. The business has put in place new warehousing vehicles in both Europe and the US to seed future CLO launches and the business is seeking to expand and diversify its product offering beyond its core CLO funds. Whilst in the warehouse phase, 3i is at risk of margin calls in the event of market falls. In extreme market conditions, it may not be possible to convert the warehouse to a CLO and it may be necessary to liquidate the warehouse at a financial loss. Stress tests are performed when a warehouse is set up, and monitored on a weekly basis thereafter. More detail is included in Note 10.

Treasury and funding

Details of the Group's approach to the management of treasury and funding risks can be found in the Financial review section.

The main risk management priorities have been the continued reduction of the Group's funding costs, through lower levels of gross debt, and the monitoring of progress with the triennial valuation of the Group's UK defined benefit pension scheme. Following the reduction of gross debt to below the £1 billion target ahead of schedule, and conclusion of the 2013 triennial pension fund valuation, the focus continues to be on monitoring liquidity and capital management in the context of the Group's investment strategy.

Operational

The key areas of operational risk include the exposure to the loss of key people, and ensuring that investor skill sets and business development capabilities support the achievement of the strategic plan. Detailed resource plans are in place at the business line level and a Group organisational capability and succession review was presented to, and reviewed by, the Board in November 2013.

Organisational developments have included progress with the implementation of a new asset accounting IT system (eFront), which has been closely monitored. The implementation of processes and controls to meet new regulatory, accounting and tax reporting requirements affecting the Group has been subject to detailed project planning, input from external advisers and regular updates to senior management and the Board.

Group Risk Committee focus topics

In the course of the financial year, the Group Risk Committee has carried out a number of in-depth reviews. Topics covered have included integration planning for the BIFM acquisition; regulatory developments; and information security with a focus on cyber risk.

Key risk factors and risk mitigation

The Group faces a range of other risks which are managed through similar risk mitigation plans at the operational level, and are subject to regular management reporting and appropriate oversight. Examples include currency, counterparty and interest rate exposures; people risks; business continuity; potential exposure to litigation; and changes to tax regulations. This broader range of risks is considered by the Committee as part of its determination and evaluation of the Group's key risks.

Changes to the Group's risk profile during the financial year

The overall risk profile of the Group has been comparatively stable over the year, as the strategic plan moved from the "restructuring" phase, which involved extensive organisational changes and cost reductions in FY2013, to the "transition and delivery" phase in FY2014 and FY2015.

The main factors which have impacted the risk profile during the year include:

- Successful implementation of the first phase of the strategic plan underpinning increased shareholder confidence;
- Strong performance of the Private Equity investment portfolio, including realisations;
- No significant individual portfolio write-downs since March 2012 and 18 months of improved portfolio monitoring;
- Reduction of gross debt and funding costs, and a shift of focus to liquidity and capital management;
- Met objective to cover annual operating expenses with cash income, improving the financial profile of the Group;
- Some key people changes, which have been carefully managed;
- New regulatory, accounting and tax reporting requirements, which require some operational changes and additional costs to ensure ongoing compliance;
- Implementation of new Private Equity IT system substantially complete;
- Successful integration of the activities of the Barclays European Infrastructure team; and
- Winding down of our operations in Brazil.

Although some risk categories remain stable overall, the underlying risks may have changed over the course of the year. An example includes people risk. While the restructuring phase is largely complete, and the level of people change reduced, there continues to be ongoing management of the organisational capability in line with delivering the strategic plan.

List of Directors and their functions

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

Sir Adrian Montague, Chairman
Simon Borrows, Chief Executive and executive Director
Julia Wilson, Group Finance Director and executive Director
Jonathan Asquith, Non-executive Director
Alistair Cox, Non-executive Director
David Hutchison, Non-executive Director
Richard Meddings, Non-executive Director and Senior Independent Director
Martine Verluyten, Non-executive Director

By order of the Board
K J Dunn
Company Secretary
13 May 2014
Registered Office: 16 Palace Street, London SW1E 5JD

Audited financial statements

Statement of comprehensive income

for the year to 31 March

	Notes	**2014 £m**	2013 (restated) £m
Realised profits over value on the disposal of investments	2	**146**	55
Unrealised profits on the revaluation of investments	3	**77**	156
Fair value movements on investment entity subsidiaries		**454**	491
		677	702
Portfolio income			
Dividends		**25**	30
Income from loans and receivables		**29**	19
Fees receivable		**7**	4
Foreign exchange on investments		**(45)**	14
Gross investment return		**693**	**769**
Fees receivable from external funds		**50**	44
Operating expenses		**(118)**	(147)
Interest receivable	4	**2**	5
Interest payable	4	**(54)**	(101)
Movement in the fair value of derivatives	5	**10**	(6)
Exchange movements		**(42)**	(78)
Income/(expense) from fair value subsidiaries		**(5)**	(109)
Other (loss)/income		**-**	(3)
Carried interest			
Carried interest receivable from external funds		**(1)**	6
Carried interest and performance fees payable		**(16)**	(17)
Operating profit		**519**	363
Income taxes	6	**(2)**	(3)
Profit for the year		**517**	**360**
Other comprehensive income			
Exchange differences on translation of foreign operations		**(50)**	(8)
Re-measurements of defined benefit plans		**11**	21
Other comprehensive income for the year		**(39)**	13
Total comprehensive income for the year (“Total return”)		**478**	**373**
Earnings per share			
Basic (pence)	8	**54.8**	38.3
Diluted (pence)	8	**54.5**	38.2

Consolidated statement of changes in equity

for the year to 31 March

2014 Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Other reserves £m	Own shares £m	Total equity £m
Total equity at the start of the year	**718**	**780**	**43**	**17**	**292**	**701**	**487**	**-**	**(104)**	**2,934**
Income for the year						**392**	**125**			**517**
Exchange differences on translation of foreign operations					**(50)**					**(50)**
Re-measurements of defined benefit plans						**11**				**11**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(50)**	**403**	**125**	**-**	**-**	**478**
Share-based payments				**8**						**8**
Release on forfeiture of share options				**(6)**			**6**			**-**
Loss on sale of own shares						**(15)**			**15**	**-**
Ordinary dividends							**(76)**			**(76)**
Additional dividends						**(38)**				**(38)**
Issue of ordinary shares		**2**								**2**
Total equity at the end of the year	**718**	**782**	**43**	**19**	**242**	**1,051**	**542**	**-**	**(89)**	**3,308**

2013 Group (restated)	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Other reserves £m	Own shares £m	Total equity £m
Total equity at the start of the year	717	780	43	11	300	397	484	-	(105)	2,627
Income for the year						284	76			360
Exchange differences on translation of foreign operations					(8)					(8)
Re-measurements of defined benefit plans						21				21
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(8)**	**305**	**76**	**–**	**–**	**373**
Share-based payments				9						9
Release on forfeiture of share options				(3)			3			-
Loss on sale of own shares						(1)			1	-
Ordinary dividends							(76)			(76)
Issue of ordinary shares	1									1
Total equity at the end of the year	**718**	**780**	**43**	**17**	**292**	**701**	**487**	**–**	**(104)**	**2,934**

Company statement of changes in equity

for the year to 31 March

2014 Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Other reserves £m	Total equity £m
Total equity at the start of the year	**718**	**780**	**43**	**17**	**1,336**	**144**	**-**	**3,038**
Profit for the year					**70**	**11**		**81**
Total comprehensive income for the year					**70**	**11**		**81**
Share-based payments				**8**				**8**
Release on forfeiture of share options				**(6)**		**6**		**-**
Ordinary dividends						**(76)**		**(76)**
Additional dividends					**(38)**			**(38)**
Issue of ordinary shares		**2**						**2**
Total equity at the end of the year	**718**	**782**	**43**	**19**	**1,368**	**85**	**-**	**3,015**

2013 Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Other reserves £m	Total equity £m
Total equity at the start of the year	717	780	43	11	936	232	–	2,719
Profit for the year					400	(15)		385
Total comprehensive income for the year	–	–	–	–	400	(15)	–	385
Share-based payments				9				9
Release on forfeiture of share options				(3)		3		-
Ordinary dividends						(76)		(76)
Issue of ordinary shares	1							1
Total equity at the end of the year	718	780	43	17	1,336	144	–	3,038

Statement of financial position

as at 31 March

	Notes	Group 2014 £m	Group (restated) 2013 £m	Group (restated) 2012 £m	Company 2014 £m	Company (restated) 2013 £m	Company (restated) 2012 £m
Assets							
Non-current assets							
Investments							
Quoted investments		**258**	243	393	**258**	243	392
Unquoted investments		**1,279**	1,437	475	**1,283**	1,443	478
Investments in Investment Entities		**1,973**	1,630	2,360	**-**	-	-
Investment portfolio		**3,510**	**3,310**	**3,228**	**1,541**	**1,686**	**870**
Carried interest receivable		**8**	10	25	**8**	9	24
Interests in Group and fair value entities		**-**	-	-	**1,735**	1,681	2,324
Intangible assets		**10**	10	-	**-**	-	-
Retirement benefit surplus		**137**	120	56	**-**	-	-
Property, plant and equipment		**5**	7	13	**-**	-	4
Derivative financial instruments		**-**	-	6	**-**	-	6
Deferred income taxes	6	**1**	1	2	**-**	-	-
Total non-current assets		**3,671**	**3,458**	**3,330**	**3,284**	**3,376**	**3,228**
Current assets							
Other current assets		**72**	65	96	**303**	118	105
Derivative financial instruments		**2**	4	7	**2**	4	7
Deposits		**-**	90	441	**-**	90	441
Cash and cash equivalents		**643**	610	640	**605**	573	541
Total current assets		**717**	**769**	**1,184**	**910**	**785**	**1,094**
Total assets		**4,388**	**4,227**	**4,514**	**4,194**	**4,161**	**4,322**
Liabilities							
Non-current liabilities							
Carried interest and performance fees payable		**(26)**	(20)	(14)	**(2)**	(1)	-
Acquisition related earn-out charges payable		**(2)**	(2)	(2)	**(16)**	(20)	(12)
Loans and borrowings	7	**(849)**	(855)	(1,358)	**(849)**	(855)	(1,152)
B shares		**(6)**	(6)	(6)	**(6)**	(6)	(6)
Retirement benefit deficit		**(14)**	(14)	(10)	**-**	-	-
Derivative financial instruments		**-**	(55)	(41)	**-**	(55)	(41)
Deferred income taxes	6	**-**	(2)	(2)	**-**	-	-
Provisions		**(4)**	(3)	(1)	**-**	-	-
Total non-current liabilities		**(901)**	**(957)**	**(1,434)**	**(873)**	**(937)**	**(1,211)**
Current liabilities							
Trade and other payables		**(158)**	(142)	(181)	**(292)**	(181)	(161)
Carried interest and performance fees payable		**(6)**	(16)	(33)	**-**	-	-
Acquisition related earn-out charges payable		**-**	-	-	**(10)**	-	-
Loans and borrowings	7	**-**	(164)	(231)	**-**	-	(231)
Derivative financial instruments		**(4)**	(5)	(1)	**(4)**	(5)	-
Current income taxes	6	**(2)**	-	(1)	**-**	-	-
Deferred income taxes	6	**(1)**	-	-	**-**	-	-
Provisions		**(8)**	(9)	(6)	**-**	-	-
Total current liabilities		**(179)**	**(336)**	**(453)**	**(306)**	**(186)**	**(392)**
Total liabilities		**(1,080)**	**(1,293)**	**(1,887)**	**(1,179)**	**(1,123)**	**(1,603)**
Net assets		**3,308**	**2,934**	**2,627**	**3,015**	**3,038**	**2,719**
Equity							
Issued capital		**718**	718	717	**718**	718	717
Share premium		**782**	780	780	**782**	780	780
Capital redemption reserve		**43**	43	43	**43**	43	43
Share-based payment reserve		**19**	17	11	**19**	17	11
Translation reserve		**242**	292	300	**-**	-	-
Capital reserve		**1,051**	701	397	**1,368**	1,336	936
Revenue reserve		**542**	487	484	**85**	144	232
Own shares		**(89)**	(104)	(105)	**-**	-	-
Total equity		**3,308**	**2,934**	**2,627**	**3,015**	**3,038**	**2,719**

Sir Adrian Montague
Chairman
13 May 2014

Cash flow statement

for the year to 31 March

	Group 2014 £m	Group (restated) 2013 £m	Company 2014 £m	Company 2013 £m
Cash flow from operating activities				
Purchase of investments	**(114)**	(82)	**(575)**	(259)
Proceeds from investments	**452**	353	**704**	639
Cash inflow/(outflow) from fair value subsidiaries	**46**	197	**-**	-
Portfolio interest received	**6**	5	**6**	5
Portfolio dividends received	**25**	22	**25**	30
Portfolio fees received	**4**	4	**(2)**	(1)
Fees received from external funds	**52**	42	**-**	-
Carried interest received	**1**	20	**-**	19
Carried interest and performance fees paid	**(20)**	(22)	**-**	-
Operating expenses	**(125)**	(155)	**-**	(53)
Interest received	**3**	7	**3**	7
Interest paid	**(57)**	(118)	**(57)**	(114)
Income taxes paid	**(3)**	(3)	**-**	-
Net cash flow from operating activities	**270**	**270**	**104**	**273**
Cash flow from financing activities				
Dividend paid	**(114)**	(76)	**(114)**	(76)
Repayment of short-term borrowings	**(164)**	(304)	**-**	(253)
Repurchase of long-term borrowings	**-**	(267)	**-**	(267)
Net cash flow from derivatives	**(32)**	11	**(32)**	11
Net cash flow from financing activities	**(310)**	**(636)**	**(146)**	**(585)**
Cash flow from investing activities				
Acquisition of management contracts	**-**	(8)	**-**	-
Purchase of property, plant and equipment	**-**	(1)	**-**	-
Proceeds on sale of property, plant and equipment	**-**	1	**-**	1
Net cash flow from deposits	**90**	351	**90**	351
Net cash flow from investing activities	**90**	**343**	**90**	**352**
Change in cash and cash equivalents	**50**	**(23)**	**48**	**40**
Cash and cash equivalents at the start of year	**610**	640	**573**	541
Effect of exchange rate fluctuations	**(17)**	(7)	**(16)**	(8)
Cash and cash equivalents at the end of year	**643**	**610**	**605**	**573**

Significant accounting policies

3i Group plc (the "Company") is a company registered in England and Wales. The Consolidated financial statements for the year to 31 March 2014 comprise the Financial statements of the Company and its consolidated subsidiaries (together referred to as the "Group"). Separate financial statements of the Company are also presented.

The accounting policies of the Company are the same as for the Group except where separately disclosed.

A number of key accounting policies are disclosed below, but where possible, accounting policies have been shown as part of the Note that they specifically relate to in order to assist in understanding.

The financial statements were authorised for issue by the Directors on 14 May 2014.

A Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted for use in the European Union ("IFRS") and in accordance and compliance with the Companies Act 2006.

New standards and interpretations not applied

The IASB has issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

		Effective for period beginning on or after
IFRS 9	Financial instruments	1 January 2018
IAS 32	Amendment to offsetting financial assets and financial liabilities	1 January 2014
IAS 36	Recoverable amount disclosures for non financial assets – amendments to IAS 36	1 January 2014
IAS 39	Novation of derivatives and continuation of hedge accounting – amendments to IAS 39	1 January 2014

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.

The Group has applied IFRS 10 in line with the guidance given at the IFRIC meeting in January 2014 and supported by the IASB in March 2014.

Impact of the application of IFRS 10, 11, 12 and 13, and IAS 19

The Group applied, for the first time, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IAS 19 Employee Benefits (Revised 2011) that require restatement of previous financial statements. Further, the application of IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement resulted in additional disclosures in the consolidated financial statements.

The nature and the impact of each new standard and amendment are described below.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

Under IFRS 10 a large number of entities within the Group have been classified as investment entities. As a result they are no longer consolidated and are instead held at fair value.

Impact on statement of comprehensive income

As a result of this change in treatment the total return generated by the investment entities is no longer presented on a line-by-line basis but combined and shown as a new line in the Statement of comprehensive income – "Fair value movements on investment entity subsidiaries". This has resulted in a restatement of prior year figures where previously consolidated line items are now aggregated into this line.

The impact of this change by line item is:

Realised profits over value on the disposal of investments (£(140) million); Unrealised profits on the revaluation of investments (£(94) million); Dividends (£(13) million); Income from loans and receivables (£(35) million); Fees receivable from external funds (£(27) million); Operating expenses (£23 million); Interest receivable (£(1) million);

Carried interest receivable from external funds (£2 million); Carried interest and performance fees payable (£2 million); Income taxes (£3 million); Exchange movements (£(102) million); Fair value movements on investment entity subsidiaries (£491 million); and Income/(expense) from fair value subsidiaries (£(109) million). There is no overall change to total return.

This analysis does not concur with the Investment basis to IFRS reconciliation as differences are also caused by the reclassification of the Credit Opportunities Fund and the impact of IAS 19R.

Translation of investment entity subsidiaries which are non-sterling denominated will no longer be shown as part of other comprehensive income "Exchange differences on translation of foreign operations" and will now be included as part of the fair value movement on investment entity subsidiaries held at fair value. Consequently these translation amounts will no longer be shown as a movement in the translation reserve and it will become a movement in capital reserves. IFRS 10 has been retrospectively applied as if IFRS 10 was in effect from 1 April 2012. The translation reserve has been restated to reflect the impact of IFRS 10 for the year to 31 March 2012 by £157 million and for the year to 31 March 2013 by £338 million with corresponding movements in capital reserves.

Basic and diluted earnings per share of the Group have been restated as a result of adopting IFRS 10.

Impact on statement of financial position

The closing fair value of the net assets of the investment entities is now combined and stated in a new line "Investment in investment entities". This has resulted in a restatement of prior year figures where previously consolidated line items are now aggregated into this line.

The impact of this change by line item is:

Quoted investments (£(188) million); Unquoted investments (£(1,427) million); Carried interest receivable (£(10) million); Intangible assets (£(22) million); Other current assets (£(20) million); Cash and cash equivalents (£(46) million); Trade and other payables (£50 million); Carried interest and performance fees payable (£30 million); Current income taxes (£2 million); Provisions (£1 million); and Investment in investment entities (£1,630 million).

Cash balances held in investment entity subsidiaries are aggregated into the "Investment in investment entities" line and not consolidated. Intercompany balances between investment entity subsidiaries and consolidated Group entities which would have previously been eliminated on consolidation are no longer eliminated. There is no change to the net assets presented as a result of the adoption of IFRS 10, albeit that gross assets and gross liabilities have changed as a result of the changes to cash and intercompany balances. An opening balance sheet has also been provided this year to show the effect on the opening balances of the prior year.

Impact on cash flow statement

The cash flow statement is impacted by the adoption of IFRS 10 because the cash held by investment entity subsidiaries is no longer consolidated. It now forms part of the fair value of the investment entity subsidiary. Additionally, the cash flow statement now includes a new line to disclose the cash movements to and from investment entities, "Cash inflow/(outflow) from FV subsidiaries". This has resulted in a restatement of prior year figures where previously consolidated line items are now aggregated and disclosed in these lines.

The impact of this change on cash and cash equivalents at 31 March 2013 is a reduction of £46 million and the change by line item is: Purchase of investments (£67 million); Proceeds from investments (£(253) million); Portfolio interest received (£(10) million); Portfolio dividends received (£(21) million); Fees received from external funds (£(28) million); Carried interest and performance fees paid (£8 million); Operating expenses (£36 million); Income taxes paid (£3 million); Acquisition of management contracts and other Debt Management business development (£10 million); Investment/Divestment into fair value subsidiaries (£197 million); and Cash and cash equivalents at the start of the year (£(78) million).

The above amounts do not concur with the Investment basis to IFRS reconciliation as differences are also caused by the reclassification of the Credit Opportunities Fund and the impact of IAS 19R.

IFRS 11 Joint Arrangements

The application of IFRS 11 had no material effect on the accounts of the Company or Group for the periods presented.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing

disclosure requirements and include additional disclosures for unconsolidated subsidiaries and unconsolidated structured entities. IFRS 12 disclosures and descriptions in relation to unconsolidated subsidiaries are provided in the Annual report and accounts 2014 and structured entities impacted are provided in Note 10.

IFRS 13 Fair Value Measurement

The Group has adopted IFRS 13 which relates to the fair value measurement of assets and liabilities. In the current year, the methodology for calculating the fair value of its investment portfolio has been amended in respect of the loans, bonds and fixed income shares held in the investment portfolio. The Group will now value such instruments at fair value through profit and loss, rather than at amortised cost less impairment. This has no impact on the carrying value in the balance sheet. IFRS 13 requires more comprehensive disclosures around the sensitivities of level 3 Inputs that are not based on observable market data. The relevant additional disclosures are provided in the Annual report and accounts 2014.

IAS 19 Employee Benefits

A description of the impact on the financial statements is included in the Annual report and accounts 2014.

B Basis of preparation

The financial statements are presented in sterling, the functional currency of the Company, rounded to the nearest million pounds (£m) except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to account for most investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit and loss. Subsidiaries that provide investment related services or engage in permitted investment related activities with investees continue to be consolidated unless they are also investment entities. The criteria which define an investment entity are currently as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group's annual and interim accounts clearly state its objective of investing directly into portfolio investments and providing investment management services to investors for the purpose of generating returns in the form of investment income and capital appreciation. The Group has always reported its investment in portfolio investments at fair value. It also produces reports for investors of the funds it manages and its internal management report on a fair value basis. The exit strategy for all investments held by the Group is assessed, initially, at the time of the first investment and this is documented in the investment paper submitted to the Investment Committee for approval. Subsequently it is then reviewed at least twice a year during semi annual portfolio review meetings.

The Board has also concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties. The Board has concluded that the Company therefore meets the definition of an investment entity. These conclusions will be reassessed on an annual basis for changes in any of these criteria or characteristics.

Application and significant judgments

A number of entities which the Group previously consolidated will now be recognised at fair value. The majority of the Group's portfolio is held through intermediate holding entities which are now fair valued at the entity level as opposed to consolidating the intermediate holding entities and fair valuing the underlying portfolio. In addition, the Group is deemed to control a limited partnership, an entity in which it holds 46% of the equity. Consequently this is also fair valued at the entity level with the proportion of value attributable to 3i's equity stake recognised. In coming to these

conclusions a full consideration of the Group's ownership, other shareholder dispersion, the Group's role as agent or principal and other factors that lead to "control" have been considered.

The most significant estimates relate to the fair valuation of the investment portfolio, the fair valuation of each investment entity subsidiary and the IAS 19 valuation of the defined benefit scheme. The valuation methodology for the investment portfolio and details of the valuation of the defined benefit pension scheme are disclosed in the Annual report and accounts 2014. As a result of IFRS 10, we are required to fair value each investment entity subsidiary and have assessed this to be equal to the net asset value of the investment entity subsidiary at the balance sheet date with the exception of one entity which we value on a sum of parts basis. All investment entity subsidiaries are accounted for using accounting policies that are consistent with the Group's, and the primary constituent of net asset value across investment entity subsidiaries is portfolio investments.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The statement of comprehensive income of the Company has been omitted from these financial statements in accordance with section 408 of the Companies Act 2006.

The accounting policies have been consistently applied across all Group entities for the purposes of producing these consolidated financial statements.

C Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (ie existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

3i Group plc, the ultimate parent company of the Group, is an investment entity and, as such, does not consolidate the investment entities it controls. Most of the Group's interests in subsidiaries are recognised as fair value through profit or loss, and measured at fair value. This represents a change in accounting policy in the current year, more details of which are provided in Note 10 and in the Annual report and accounts 2014. Those subsidiaries which provide investment related services, such as advisory, management or employment services are not classified at fair value through profit and loss and continue to be consolidated unless they additionally make investments, in which case they are fair valued.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the statement of financial position at fair value even though the Group may have significant influence over those companies.

(iii) Joint ventures

Interests in joint ventures that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value.

(iv) Composition of the Group

The Group is made up of several different types of subsidiaries. The Group re-assesses the function performed by each type of subsidiary to determine its treatment under the IFRS 10 exemption from consolidation. 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/advisors – 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.

Investment managers/advisors which also hold investments – Fair valued

- These entities provide investment related services through the provision of investment management or advice and also hold investments in assets held for capital appreciation. These entities are classified as investment entities and therefore are held at fair value.

Holding companies of investment managers/advisors – Consolidated

- These entities provide investment related services through their subsidiaries. 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 partnership 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 meet the definition of an investment entity and are classified at fair value through the profit and loss.

Portfolio investments – Fair valued

- Following the introduction of IFRS 10, the test for accounting subsidiaries has been altered to take wider factors of control as well as actual equity ownership into account. This has resulted in 36 investments being classified as accounting subsidiaries. In accordance with the investment entity exception, these entities have been held at fair value with movements in fair value going through the profit and loss account. Further details can be found in the Annual report and accounts 2014. With one exception (Palace Street I) none of these subsidiaries are a UK Companies Act subsidiary.

Structured entities – Fair valued

- The Group has interests in a number of unconsolidated structured entities, their current carrying value and a description of their activities is included in Note 10.

Notes to the financial statements

1 Segmental analysis

Operating segments are the components of the entity whose results are regularly reviewed by the entity's chief-operating-decision-maker to make decisions about resources to be allocated to the segment and assess its performance. The chief-operating-decision-maker for the Group is considered to be the Chief Executive. The Group considers the businesses' activity on two bases. Firstly, as business divisions determined with reference to market focus, geographic focus, investment funding model and the Group's management hierarchy. Secondly, in line with the strategy of the Group, it considers separate Proprietary Capital and Fund Management businesses focused on investment returns and Fund Management profits respectively.

The performance of the business divisions is primarily assessed based on Gross Investment Return.

The Proprietary Capital segment is assessed based on Operating profit before carry which comprises Gross Investment Return, direct costs and a synthetic fee paid to the fund manager and funding expenses.

The Fund Management segment is assessed based on Operating profit before carry which comprises fees receivable from external funds and a synthetic fee paid from the Proprietary Capital segment offset by operating expenses of the investment teams.

In line with IFRS 8, the tables below are presented on the Investment basis which is the basis used by the chief-operating-decision-maker to monitor the performance of the Group. A description of the Investment basis and a reconciliation of the Investment basis to the IFRS financial statements is provided in the Financial review.

Investment basis Year to 31 March 2014	Private Equity £m	Infrastructure £m	Debt Management £m	Total £m	Proprietary Capital £m	Fund Management £m	Total £m
Realised profits over value on the disposal of investments	**201**	**1**	**-**	**202**	**202**	**-**	**202**
Unrealised profits/(losses) on the revaluation of investments	**478**	**(13)**	**10**	**475**	**475**	**-**	**475**
Portfolio income							
Dividends	**13**	**21**	**10**	**44**	**44**	**-**	**44**
Income from loans and receivables	**46**	**-**	**4**	**50**	**50**	**-**	**50**
Fees receivable/(payable)	**9**	**-**	**(2)**	**7**	**4**	**3**	**7**
Foreign exchange on investments	**(100)**	**(7)**	**(6)**	**(113)**	**(113)**	**-**	**(113)**
Gross Investment Return	**647**	**2**	**16**	**665**	**662**	**3**	**665**
Fees receivable from external funds	**17**	**24**	**32**	**73**	**-**	**73**	**73**
Synthetic fees	**-**	**-**	**-**	**-**	**(51)**	**51**	**-**
Operating expenses[1]	**(79)**	**(23)**	**(34)**	**(136)**	**(28)**	**(108)**	**(136)**
Interest receivable				**3**	**3**	**-**	**3**
Interest payable				**(54)**	**(54)**	**-**	**(54)**
Movement in the fair value of derivatives				**10**	**10**	**-**	**10**
Exchange movements				**(3)**	**(3)**	**-**	**(3)**
Other (loss)/income				**-**	**-**	**-**	**-**
Operating profit before carry				**558**	**539**	**19**	**558**
Carried interest							
Carried interest receivable from external funds	**(1)**	**-**	**4**	**3**			**3**
Carried interest and performance fees payable	**(82)**	**-**	**(3)**	**(85)**			**(85)**
Acquisition related earn-out charges	**-**	**-**	**(6)**	**(6)**			**(6)**
Operating profit				**470**			**470**
Income taxes				**(3)**			**(3)**
Other comprehensive income							
Re-measurements of defined benefit plans				**11**			**11**
Total return				**478**			**478**
Net divestment/ (investment)							
Realisations	**669**	**2**	**6**	**677**	**677**		**677**
Cash investment	**(276)**	**-**	**(61)**	**(337)**	**(337)**		**(337)**
	393	**2**	**(55)**	**340**	**340**		**340**
Balance sheet							
Value of investment portfolio at the end of the year	**2,935**	**487**	**143**	**3,565**	**3,565**		**3,565**

1. Includes restructuring costs of £7 million, £1 million and £1 million for Private Equity, Infrastructure and Debt Management, respectively, and £1 million and £8 million for Proprietary Capital and Fund Management, respectively.

Investment basis Year to 31 March 2013	Private Equity £m	Infrastructure £m	Debt Management £m	Total £m	Proprietary Capital £m	Fund Management £m	Total £m
Realised profits over value on the disposal of investments	190	-	-	190	190	-	190
Unrealised profits/(losses) on the revaluation of investments	250	(2)	5	253	253	-	253
Portfolio income							
Dividends	22	18	6	46	46	-	46
Income from loans and receivables	52	-	1	53	53	-	53
Fees receivable/(payable)	4	-	-	4	4	-	4
Foreign exchange on investments	44	6	2	52	52	-	52
Gross Investment Return	**562**	**22**	**14**	**598**	**598**	**-**	**598**
Fees receivable from external funds	19	21	31	71	-	71	71
Synthetic fees	-	-	-	-	(56)	56	-
Operating expenses[1]	(114)	(24)	(32)	(170)	(30)	(140)	(170)
Interest receivable				6	6	-	6
Interest payable				(101)	(101)	-	(101)
Movement in the fair value of derivatives				(6)	(6)	-	(6)
Exchange movements				(22)	(22)	-	(22)
Other (loss)/income				(3)	(3)	-	(3)
Operating profit before carry				**373**	**386**	**(13)**	**373**
Carried interest							
Carried interest receivable from external funds	4	1	(1)	4			4
Carried interest and performance fees payable	(11)	(2)	1	(12)			(12)
Acquisition related earn-out charges	-	-	(7)	(7)			(7)
Operating profit				**358**			**358**
Income taxes				(6)			(6)
Other comprehensive income							
Re-measurements of defined benefit plans				21			21
Total return				**373**			**373**
Net divestment/ (investment)							
Realisations	575	31	-	606	606		606
Cash investment	(121)	(5)	(23)	(149)	(149)		(149)
	454	**26**	**(23)**	**457**	**457**		**457**
Balance sheet							
Value of investment portfolio at the end of the year	2,707	507	81	3,295	3,295		3,295

1. Includes restructuring costs of £23 million, £5 million and £2 million for Private Equity, Infrastructure and Debt Management respectively and £6 million and £24 million for Proprietary Capital and Fund Management respectively.

Investment basis Year to 31 March 2014	UK £m	Continental Europe £m	The Americas £m	Asia £m	Rest of World £m	Total £m
Gross investment return						
Realised profits over value on the disposal of investments	**77**	**89**	**28**	**7**	**1**	**202**
Unrealised profits/(losses) on the revaluation of investments	**33**	**357**	**124**	**(39)**	**-**	**475**
Portfolio income	**47**	**36**	**16**	**2**	**-**	**101**
Foreign exchange on investments	**(1)**	**(38)**	**(36)**	**(38)**	**-**	**(113)**
	156	**444**	**132**	**(68)**	**1**	**665**
Net divestment/(investment)						
Realisations	**218**	**343**	**70**	**43**	**3**	**677**
Cash Investment	**(41)**	**(238)**	**(58)**	**-**	**-**	**(337)**
	177	**105**	**12**	**43**	**3**	**340**
Balance sheet						
Value of investment portfolio at the end of the year	**1,058**	**1,817**	**361**	**325**	**4**	**3,565**

Investment basis Year to 31 March 2013	UK £m	Continental Europe £m	The Americas £m	Asia £m	Rest of World £m	Total £m
Gross investment return						
Realised profits over value on the disposal of investments	56	25	107	3	(1)	190
Unrealised profits/(losses) on the revaluation of investments	89	197	27	(61)	1	253
Portfolio income	48	38	14	2	1	103
Foreign exchange on investments	1	16	10	24	1	52
	194	276	158	(32)	2	598
Net divestment/(investment)						
Realisations	150	231	222	3	-	606
Cash Investment	(4)	(79)	(61)	(5)	-	(149)
	146	152	161	(2)	-	457
Balance sheet						
Value of investment portfolio at the end of the year	1,096	1,494	262	437	6	3,295

2 Realised profits over value on the disposal of investments

	2014 Unquoted investments £m	2014 Quoted investments £m	2014 Total £m
Realisations	**441**	**11**	**452**
Valuation of disposed investments	**(297)**	**(9)**	**(306)**
Investments written off	**-**	**-**	**-**
	144	**2**	**146**
Of which:			
- profit recognised on realisations	**148**	**2**	**150**
- losses recognised on realisations	**(4)**	**-**	**(4)**
	144	**2**	**146**

	2013 Unquoted investments (restated) £m	2013 Quoted investments (restated) £m	2013 Total (restated) £m
Realisations	202	151	353
Valuation of disposed investments	(147)	(151)	(298)
Investments written off	-	-	-
	55	-	55
Of which:			
- profit recognised on realisations	67	-	67
- losses recognised on realisations	(12)	-	(12)
	55	-	55

3 Unrealised profits/(losses) on the revaluation of investments

	2014 Unquoted investments £m	2014 Quoted investments £m	2014 Total £m
Movement in the fair value of investments	**63**	**14**	**77**
	63	**14**	**77**
Of which:			
- unrealised gains	**132**	**14**	**146**
- unrealised losses	**(69)**	**-**	**(69)**
	63	**14**	**77**

	2013 Unquoted investments (restated) £m	2013 Quoted investments (restated) £m	2013 Total (restated) £m
Movement in the fair value of investments	140	16	156
	140	16	156
Of which:			
- unrealised gains	265	16	281
- unrealised losses	(125)	-	(125)
	140	16	156

4 Net interest payable

	2014 £m	2013 (restated) £m
Interest receivable		
Interest on cash and cash equivalents	**2**	5
	2	5
Interest payable		
Interest on loans and borrowings	**(58)**	(103)
Net finance (expense)/income on pension plan	**4**	2
	(54)	(101)
Net interest payable	**(52)**	(96)

5 Movement in the fair value of derivatives

Accounting Policy:

Derivative financial instruments may be used to manage the risk associated with foreign currency fluctuations of the investment portfolio and changes in interest rates on its borrowings. In such circumstances this is achieved by the use of foreign exchange contracts and interest rate swaps. All derivative financial instruments are held at fair value.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently re-measured to the fair value at each reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts for contracts with similar maturity profiles. The valuation technique incorporates foreign exchange spot and forward rates, and interest rates as inputs, and uses present value calculations. The fair value of interest rate swaps is determined with reference to future cash flows and current interest and exchange rates. This represents the replacement cost of the instruments at the balance sheet date.

No contracts are designated as hedging instruments, as defined in IAS 39, and consequently all changes in fair value of financial instruments are taken to the Statement of comprehensive income.

	2014 £m	2013 (restated) £m
Interest rate swaps	**11**	(8)
Forward foreign exchange contracts	**(1)**	2
	10	(6)

Exchange movements in relation to forward foreign exchange contracts are included within exchange movements in the Statement of comprehensive income. During the year, a £12 million gain (2013: £11 million loss) was recognised in exchange movements in relation to forward foreign exchange contracts. Also during the year, the only residual long-term interest rate swap was closed out.

6 Income taxes

Accounting policy:

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

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Where there are taxable differences arising on investments in subsidiaries, branches and associates, and interests in joint ventures, deferred tax liabilities are recognised except where the Group is able to control reversal of the temporary difference and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, where there are deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that both the temporary differences will reverse in the foreseeable future and taxable profits be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill and other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

	2014 £m	2013 (restated) £m
Current taxes		
Current year	**(4)**	(3)
Deferred taxes		
Deferred income taxes	**2**	-
Total income taxes in the Statement of comprehensive income	**(2)**	(3)

Reconciliation of income taxes in the Statement of comprehensive income

The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 23% (2013: 24%), and the differences are explained below:

	2014 £m	2013 (restated) £m
Profit before tax	**519**	363
Profit before tax multiplied by rate of corporation tax in the UK of 23% (2013: 24%)	**(119)**	(87)
Effects of:		
Utilisation of previously unrecognised deferred tax	**7**	9
Non-taxable dividend income	**6**	7
Foreign tax	**(4)**	(3)
Capital profits	**137**	125
Excess tax losses arising in the period	**(29)**	(54)
Total income taxes in the Statement of comprehensive income	**(2)**	(3)

The Group's realised profits, fair value adjustments and impairment losses are primarily included in the Company, the affairs of which are directed so as to allow it to be approved as an investment trust. An investment trust is exempt from tax on capital gains, therefore the Group's capital return will be largely non-taxable.

Including £3 million of tax charges incurred in fair valued entities, the total tax charge for the Group was £5 million. Under the Investment basis presentation, of the £5 million total tax charge, £1 million has been recognised as a reduction of realised profits and £1 million as a reduction in value growth because these tax charges relate to two specific overseas investments.

Deferred income taxes

	2014 £m	2013 (restated) £m
Opening deferred income tax liability		
Tax losses	**10**	10
Income in accounts taxable in the future	**(12)**	(12)
Other	**1**	1
	(1)	(1)
Recognised through Statement of comprehensive income		
Tax losses utilised	**2**	-
	2	-
Recognised on acquisition		
Income in accounts taxable in the future	**(1)**	-
	(1)	-
Closing deferred income tax liability		
Tax losses	**12**	10
Income in accounts taxable in the future	**(13)**	(12)
Other	**1**	1
	-	(1)

At 31 March 2014 the Group had carried forward tax losses of £1,360 million (2013: £1,242 million), capital losses of £78 million (2013: £68 million) and other temporary differences of £12 million (2013: £8 million). It is unlikely that the Group will generate sufficient taxable profits in the foreseeable future to utilise these amounts and therefore no deferred tax asset has been recognised in respect of these losses. Deferred income taxes are calculated using an expected rate of corporation tax in the UK of 20% (2013: 23%).

7 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.

	Group 2014 £m	Group 2013 (restated) £m	Company 2014 £m	Company 2013 £m
Loans and borrowings are repayable as follows:				
Within one year	**–**	164	**–**	–
In the second year	**–**	–	**–**	–
In the third year	**274**	–	**274**	–
In the fourth year	**–**	280	**–**	280
In the fifth year	**–**	–	**–**	–
After five years	**575**	575	**575**	575
	849	1,019	**849**	855

Principal borrowings include:

	Rate	Maturity	Group 2014 £m	Group 2013 (restated) £m	Company 2014 £m	Company 2013 £m
Issued under the £2,000 million note issuance programme						
Fixed rate						
£200 million notes (public issue)	6.875%	2023	**200**	200	**200**	200
£400 million notes (public issue)	5.750%	2032	**375**	375	**375**	375
€350 million notes (public issue)	5.625%	2017	**274**	280	**274**	280
			849	855	**849**	855
Committed multi-currency facilities						
£50 million	LIBOR+1.50%	2016	**–**	–	**–**	–
£450 million	LIBOR+1.00%	2016	**–**	164	**–**	–
			–	164	**–**	–
Total loans and borrowings			**849**	1,019	**849**	855

The Group is subject to a financial covenant on its committed multi-currency facilities, the Asset Cover Ratio, defined as total assets (including cash) divided by loans and borrowings plus derivative financial liabilities. The Asset Cover Ratio limit is 1.45 at 31 March 2014 (2013: 1.45), the Asset Cover Ratio at 31 March 2014 is 5.33 (2013: 4.00).

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 £942 million (2013: £1,087 million), determined with reference to their published market prices which are included within Level one of the fair value hierarchy.

Gross debt also includes the liabilities relating to the Group's B shares and net liabilities relating to derivative financial instruments.

8 Per share information

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

As at 31 March	2014	2013
Earnings per share (pence)		
Basic	**54.8**	38.3
Diluted	**54.5**	38.2
Earnings (£m)		
Profit/(loss) for the year attributable to equity holders of the Company	**517**	360

As at 31 March	2014	2013
Weighted average number of shares in issue		
Ordinary shares	**971,574,471**	971,257,376
Own shares	**(28,285,335)**	(31,582,481)
	943,289,136	939,674,895
Effect of dilutive potential ordinary shares		
Share options and awards	**5,627,447**	3,253,409
Diluted shares	**948,916,583**	942,928,304

As at 31 March	2014	2013
Net assets per share (£)		
Basic	**3.50**	3.12
Diluted	**3.48**	3.11
Net assets (£m)		
Net assets attributable to equity holders of the Company	**3,308**	2,934

As at 31 March	2014	2013
Number of shares in issue		
Ordinary shares	**971,803,122**	971,405,127
Own shares	**(26,774,318)**	(31,395,645)
	945,028,804	940,009,482
Effect of dilutive potential ordinary shares		
Share options and awards	**6,502,546**	3,613,318
Diluted shares	**951,531,350**	943,622,800

9 Dividends

	2014 pence per share	2014 £m	2013 pence per share	2013 £m
Declared and paid during the year				
Ordinary shares				
Final dividend	**5.4**	**51**	5.4	51
Interim dividend	**6.7**	**63**	2.7	25
	12.1	**114**	8.1	76
Proposed final dividend	**13.3**	**126**	5.4	51

10 Related parties and interests in other entities

The Group has various related parties stemming from relationships with limited partnerships managed by the Group, its investment portfolio (including unconsolidated subsidiaries), its advisory arrangements and its key management personnel. In addition the Company has related parties in respect of its subsidiaries. Some of these subsidiaries are held at fair value (unconsolidated subsidiaries) due to the treatment prescribed in IFRS 10, and disclosure relating to these subsidiaries is shown in the Annual report and accounts 2014.

Related parties

Limited partnerships

The Group manages a number of external funds which invest through limited partnerships. Group companies act as the general partners of these limited partnerships and exert significant influence over them. The following amounts have been included in respect of these limited partnerships:

Statement of comprehensive income	Group 2014 £m	Group 2013 (restated) £m	Company 2014 £m	Company 2013 £m
Carried interest receivable	**(1)**	6	**(1)**	4
Fees receivable from external funds	**33**	25	**-**	-

Statement of financial position	Group 2014 £m	Group 2013 (restated) £m	Company 2014 £m	Company 2013 £m
Carried interest receivable	**8**	10	**8**	9

Investments

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

Statement of comprehensive income	Group 2014 £m	Group 2013 (restated) £m	Company 2014 £m	Company 2013 £m
Realised profit/(loss) over value on the disposal of investments	**12**	87	**12**	(2)
Unrealised profits on the revaluation of investments	**62**	22	**59**	21
Portfolio income	**12**	9	**11**	8

Statement of financial position	Group 2014 £m	Group 2013 (restated) £m	Company 2014 £m	Company 2013 £m
Unquoted investments	**572**	588	**542**	567

From time to time transactions occur between related parties within the investment portfolio that the Group influences to facilitate the reorganisation or recapitalisation of an investee company. These transactions are made on an arm’s length basis.

Advisory arrangements

The Group acts as an adviser to 3i Infrastructure plc, which is listed on the London Stock Exchange. The following amounts have been included in respect of this advisory relationship:

Statement of comprehensive income	Group 2014 £m	Group 2013 (restated) £m	Company 2014 £m	Company 2013 £m
Unrealised profits on the revaluation of investments	**3**	15	**3**	14
Fees receivable from external funds	**10**	10	**-**	-
Dividends	**12**	18	**12**	18

Statement of financial position	Group 2014 £m	Group 2013 (restated) £m	Company 2014 £m	Company 2013 £m
Quoted equity investments	**242**	239	**242**	239

Subsidiaries

Transactions between the Company and its fully consolidated subsidiaries, which are related parties of the Company, are eliminated on consolidation. Details of related party transactions between the Company and its subsidiaries are detailed below, and in the Annual report and accounts 2014.

Management, administrative and secretarial arrangements

The Company has appointed 3i Investments plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, as investment manager of the Group. 3i Investments plc received a fee of £23 million (2013: £23 million) for this service.

The Company has appointed 3i plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, to provide the Company with a range of administrative and secretarial services. 3i plc received a fee of £98 million (2013: £105 million) for this service.

Other subsidiaries

The Company borrows funds from, and lends funds to certain subsidiaries and pays and receives interest on the outstanding balances. The interest income that is included in the Company's Statement of comprehensive income is £2 million (2013: £1 million) and the interest expense included is £1 million (2013: nil).

Key management personnel

The Group's key management personnel comprise the members of the Executive Committee and the Board's non-executive Directors. The following amounts have been included in respect of these individuals:

Statement of comprehensive income	Group 2014 £m	Group 2013 (restated) £m
Salaries, fees, supplements and benefits in kind	**5**	6
Bonuses and deferred share bonuses[1]	**8**	4
Increase in accrued pension	**-**	-
Carried interest and performance fees payable	**10**	-
Share-based payments	**3**	2
Termination benefits[2]	**-**	1

1. For further detail, see Directors' remuneration report.
2. No termination benefits were paid to executive Directors during the year or the prior year.

Statement of financial position	Group 2014 £m	Group 2013 (restated) £m
Bonuses and deferred share bonuses	**7**	7
Carried interest and performance fees payable within one year	**1**	2
Carried interest and performance fees payable after one year	**6**	5

Carried interest paid in the year to key management personnel was £nil (2013: £6 million). Deferred consideration in relation to the acquisition of Mizuho Investment Management Limited is no longer included in the Statement of financial position as a result of the adoption of IFRS 10.

Unconsolidated structured entities

The application of IFRS 12 in the period required additional disclosure on the Group's exposure to unconsolidated structured entities.

The Group has exposure to a number of unconsolidated structured entities as a result of its investment activities across its Private Equity, Infrastructure and Debt Management business lines. These structured entities fall into four categories, namely CLO's, debt management warehouses, closed end limited partnerships (Private Equity and Infrastructure funds) and investments in certain portfolio investments.

The nature, purpose and activities of these entities are detailed below along with the nature of risks associated with these entities and the maximum exposure to loss.

CLO structured entities

The Group manages CLO vehicles as part of its Debt Management business. These funds predominantly invest in senior secured loans and are financed by investors seeking credit rated, structured, investment returns.

The Group manages these funds, in return for a management fee. The Group also typically invests into the equity tranche of these funds. The Group's attributable stakes in these entities are held at fair value, fees receivable are recognised on an accruals basis and performance fees are accrued when relevant performance hurdles are met.

The risk and maximum exposure to loss arising from the Group's involvement with these entities are summarised below:

	Carrying amount			
	Assets	Liabilities	Net	Maximum loss exposure
Balance sheet line item of asset or liability	£m	£m	£m	£m
Unquoted investments	**34**	**-**	**34**	**34**
Fee income receivable	**1**	**-**	**1**	**1**
Total	**35**	**-**	**35**	**35**

The Group earned dividend income of £8 million and fee income of £7 million during the year from CLO structured entities.

Warehouse structured entities

Ahead of future CLO fund launches, warehouse facilities are usually established to support the creation of senior secured debt portfolios. These entities are financed by the Group along with the bank appointed to operate the warehouse facility. The Group makes a commitment to the warehouse, typically taking the first loss position and is at risk for margin calls if the portfolio underperforms. The Group's attributable stakes in these warehouses are held at fair value.

The risk and maximum exposure to loss arising from the Group's involvement with these entities are summarised below:

	Carrying amount			
	Assets	Liabilities	Net	Maximum loss exposure
Balance sheet line item of asset or liability	£m	£m	£m	£m
Unquoted investments	**17**	**-**	**17**	**17**
Total	**17**	**-**	**17**	**17**

The Group earned income of £2 million during the year from warehouse structured entities.

Closed end limited partnerships

The Group manages a number of closed end limited partnerships, which are primarily Private Equity or Infrastructure focused, in return for a management fee. The purpose of these partnerships is to invest in Private Equity or Infrastructure investments for capital appreciation. Limited Partners, which in some cases may include the Group, finance these entities by committing capital to them and cash is drawn down or distributed for financing investment activity.

The Group's attributable stakes in these entities are held at fair value, fees receivable are recognised on an accruals basis and carried interest is accrued when relevant performance hurdles are met.

The risk and maximum exposure to loss arising from the Group's involvement with these entities are summarised below:

	Carrying amount			
	Assets	Liabilities	Net	Maximum loss exposure
Balance sheet line item of asset or liability	£m	£m	£m	£m
Carried interest receivable	**8**	**-**	**8**	**8**
Total	**8**	**-**	**8**	**8**

The Group earned fee income of £33 million and carried interest of £(1) million in the year.

Investments that are structured entities

The Group makes investments on behalf of itself and third party funds that it manages, for capital appreciation purposes. In a small number of cases, these investments fall under the classification of a structured entity as they are funds managed by the General Partner under a limited partnership agreement.

The Group's attributable stakes in these entities are held at fair value.

The risk and maximum exposure to loss arising from the Group's involvement with these entities are summarised below:

	Carrying amount			
	Assets	Liabilities	Net	Maximum loss exposure
Balance sheet line item of asset or liability	£m	£m	£m	£m
Unquoted investments	**4**	**-**	**4**	**4**
Total	**4**	**-**	**4**	**4**

The Group recognised a realised profit of £1 million from investments that are structured entities in the year.

Twenty five large investments

The 25 investments listed below account for 75% of the portfolio at 31 March 2014 (2013: 62%).

For each of our top 25 investments we have assessed 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.

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost March 2013 £m	**Residual cost March 2014 £m**	Valuation March 2013 £m	**Valuation March 2014 £m**	Relevant transactions in the year
Action (AC) Non-food discount retailer	Private Equity Benelux 2011 Earnings	107	**57**	280	**501**	Refinancing returned £59m of proceeds in year
3i Infrastructure plc (AC) Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	302	**302**	398	**404**	£21m dividends paid to 3i Group in year
Scandlines[1] (AC) Ferry operator in Baltic Sea	Private Equity Germany 2007 DCF	39	**108**	104	**193**	Purchase of ACP stake in November 2013 for £77m and return of £7m proceeds
Element Materials Technology (AC) Testing and inspection	Private Equity Benelux 2010 Earnings	70	**78**	112	**124**	
Quintiles Clinical research outsourcing solutions	Private Equity US 2008 Quoted	74	**52**	103	**122**	IPO in May 2013, partial sales throughout year, generating £51m proceeds, dividends of £2m received
Mayborn (AC) Manufacturer and distributor of baby products	Private Equity UK 2006 Earnings	87	**113**	97	**116**	
Foster + Partners[2] Architectural services	Private Equity UK 2007 Other	–[2]	**–[2]**	108	**108**	
ACR Pan-Asian non life reinsurance	Private Equity Singapore 2006 Industry metric	105	**105**	121	**101**	
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	30	**30**	79	**96**	
Phibro Animal Health Corporation Animal healthcare	Private Equity US 2009 Earnings	89	**89**	57	**93**	Value at March 2014 aligned to IPO completed in April 2014, dividends of £5m received during year
Tato Manufacture and sale of speciality chemicals	Private Equity UK 1989 Earnings	2	**2**	63	**85**	
Basic-Fit (AC) Discount fitness operator in Europe	Private Equity Benelux 2013 Earnings	–	**84**	–	**82**	New investment
Amor (AC) Distributor and retailer of affordable jewellery	Private Equity Germany 2010 Earnings	49	**50**	57	**70**	
Eltel Networks (AC) Infrastructure services for electricity and telecoms networks	Private Equity Finland 2007 Earnings	87	**89**	74	**70**	

Twenty five large investments continued

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost March 2013 £m	**Residual cost March 2014 £m**	Valuation March 2013 £m	**Valuation March 2014 £m**	Relevant transactions in the year
Mémora (AC) Funeral service provider	Private Equity Spain 2008 Earnings	128	**141**	90	**67**	
GIF (AC) German headquartered international transmission testing specialist	Private Equity Germany 2013 Earnings	–	**64**	–	**65**	New investment
Geka (AC) Manufacturer of brushes, applicators and packaging systems for the cosmetics industry	Private Equity Germany 2012 Earnings	57	**56**	39	**55**	
Palace Street I (AC) (CA) Debt Management (Credit Opportunities Fund)	Debt Management Europe[3] 2011 Broker quotes	50	**54**	48	**53**	£2 million dividend received in period
OneMed Group (AC) Distributor of consumable medical products, devices and technology	Private Equity Sweden 2011 Earnings	113	**108**	47	**44**	
Etanco (AC) Designer, manufacturer and distributor of fasteners and fixing systems	Private Equity France 2011 Earnings	74	**80**	34	**44**	
JMJ (AC) Global management consultancy	Private Equity US 2013 Earnings	–	**44**	–	**43**	New investment
Refresco Manufacturer of private label juices and soft drinks	Private Equity Benelux 2010 Earnings	46	**46**	27	**42**	Merger completed with Gerber Emig
Labco Diagnostics laboratories	Private Equity France 2008 Earnings	66	**66**	37	**36**	
Agent Provocateur (AC) Women's lingerie and associated products	Private Equity UK 2007 Earnings	49	**49**	24	**35**	
Inspecta (AC) Supplier of testing, inspection and certification (TIC) services	Private Equity Finland 2007 Earnings	63	**73**	31	**34**	
		1,687	**1,940**	2,030	**2,683**	

1 3i's original investment in Scandlines was valued at €116 million (£96 million) at 31 March 2014 (€123 million (£104 million) at 31 March 2013) following a partial realisation generating £7 million proceeds (€8 million) on reorganisation.
2 The residual cost of this investment cannot be disclosed per a confidentiality agreement in place at investment.
3 Managed in the UK, but has investments in Europe, North America and the UK.

(AC) IFRS accounting subsidiary
(CA) UK Companies Act subsidiary

Portfolio information

3i direct portfolio value by business line and geography (£m)

	Year to 31 March 2014	Year to 31 March 2013
Private Equity[1]		
UK	**556**	641
Continental Europe	**1,788**	1,480
Asia	**250**	337
The Americas	**337**	243
Rest of World	**4**	6
	2,935	2,707
Infrastructure		
UK	**412**	407
Continental Europe	**-**	-
Asia	**75**	100
Rest of World	**-**	-
	487	507
Debt Management[2]		
Continental Europe	**119**	62
The Americas	**24**	19
	143	81
Total	**3,565**	3,295

1 The Private Equity portfolio now includes the non-core portfolio and the prior periods have been restated accordingly.
2 The Debt Management portfolio is split based on the geographic location of the fund management team, with all funds managed by the team in London disclosed as "Continental Europe". The underlying investments of the vehicles may be across several geographies.

3i direct portfolio value by valuation method (£m)

	Year to 31 March 2014	Year to 31 March 2013
Imminent sale or IPO	**33**	61
Quoted	**554**	431
Earnings	**2,308**	2,197
Fund	**11**	18
Industry metric	**124**	150
DCF	**271**	237
Debt Management	**143**	81
Other	**121**	120
Total	**3,565**	3,295

3i direct Private Equity portfolio value by valuation method (£m)

	Year to 31 March 2014	Year to 31 March 2013
Imminent sale or IPO	**33**	61
Quoted	**133**	15
Earnings	**2,308**	2,197
Fund	**11**	18
Industry metric	**124**	150
DCF	**205**	146
Other	**121**	120
Total	**2,935**	2,707

3i direct Private Equity continental European portfolio by value (£m)

	Year to 31 March 2014	Year to 31 March 2013
Benelux	**767**	469
France	**179**	225
Germany	**542**	311
Italy	**-**	2
Nordic	**197**	317
Spain	**103**	153
Other European[1]	**-**	3
Total	**1,788**	1,480

1 Other European includes investments in countries where 3i did not have an office at 31 March 2014.

3i direct Private Equity portfolio value by sector (£m)

	Year to 31 March 2014	Year to 31 March 2013
Business Services[1]	**852**	840
Consumer	**887**	652
Healthcare	**386**	435
Industrials	**691**	573
Technology, Media and Telecoms	**119**	207
Total	**2,935**	2,707

1 Includes Financial Services.

3i direct Infrastructure portfolio value by valuation method (£m)

	Year to 31 March 2014	Year to 31 March 2013
Quoted	**421**	416
DCF	**66**	91
Other	**-**	-
Total	**487**	507