16 May 2019

3i Group plc announces results for the year to 31 March 2019

Strong performance across our business

- **Total return of £1,252 million** or **18%** on opening shareholders' funds (March 2018: £1,425 million, 24%) and **NAV per share of 815 pence** (31 March 2018: 724 pence) after paying 37 pence of dividends in the year

- Our Private Equity business continues to perform well, with underlying earnings growth underpinning a **gross investment return of £1,148 million** or **20%**. This was driven by assets including Action, Cirtec Medical, Audley Travel, Aspen Pumps and Formel D

- In competitive markets the Private Equity team maintained its cautious approach to pricing, **deploying proprietary capital of £332 million,** including two new investments. We intensified our focus on M&A activity by our portfolio companies and completed eight bolt-on acquisitions in total during the year, most of which were self-funded. We also re-invested £529 million into Scandlines for a 35% stake

- Our Infrastructure business had another outstanding year. 3i Infrastructure plc ("3iN") generated a **total shareholder return of 33%** as a result of good underlying portfolio performance and the realisation of XLT. Proceeds from XLT and cash in the business were redeployed by the team in three new investments

- Realisations remained strong, with **proceeds of £1,242 million, or £713 million** after the £529 million reinvestment in Scandlines

- **Total dividend of 35 pence per share** for FY2019, with a dividend of 20 pence per share to be paid in July 2019 subject to shareholder approval

Simon Borrows, 3i's Chief Executive, commented:
"3i continued to perform well in FY2019, delivering a total return of 18%, supported by good earnings growth across our Private Equity portfolio and by excellent returns from our Infrastructure team. In very competitive markets, we remained disciplined investors and focused on our buy-and-build platforms.

FY2020 appears to be starting in a similar way to FY2019, with significant political and market uncertainty and a growing tide of funds looking to invest in our markets. We remain cautious in this environment, which will lead us to be careful about the pricing of new investments and to deploy further capital in companies we already know well.

The Group's portfolio of investments is positioned well and has good momentum for further growth. We have a clear strategic focus and will use our active management processes to deliver another good year of progress for our shareholders. "

Financial highlights

	Year to/as at 31 March 2019	Year to/as at 31 March 2018
Group		
Total return	**£1,252m**	£1,425m
Operating expenses	**£126m**	£121m
Operating cash profit	**£46m**	£11m
Realisation proceeds	**£1,242m**	£1,323m
Gross investment return	**£1,407m**	£1,552m
- As a percentage of opening 3i portfolio value	**21%**	27%
Cash investment	**£859m**	£827m
3i portfolio value	**£7,553m**	£6,657m
Gross debt	**£575m**	£575m
Net cash	**£495m**	£479m
Gearing[1]	**nil**	nil
Liquidity	**£1,420m**	£1,404m
Net asset value	**£7,909m**	£7,024m
Diluted net asset value per ordinary share	**815p**	724p

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

ENDS

For further information, please contact:

Silvia Santoro
Group Investor Relations Director Tel: 020 7975 3258

Kathryn Van Der Kroft
Communications Director Tel: 020 7975 3021

For further information regarding the announcement of 3i's annual results to 31 March 2019, 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 and Infrastructure. Our core investment markets are northern Europe and North America. For further information, please visit: www.3i.com.

Notes to the announcement of the results

Note 1

All of the financial data in this announcement is taken from the Investment basis financial statements. The statutory accounts are prepared under IFRS for the year to 31 March 2019 and have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2018 have been delivered to the Registrar of Companies. The auditor's reports on the statutory accounts for these years are unqualified and do not contain any matters to which the auditor drew attention by way of emphasis or any statements under section 498(2) or (3) of the Companies Act 2006. This announcement does not constitute statutory accounts.

Note 2

Copies of the Annual report and accounts 2019 will be distributed to shareholders on or soon after 28 May 2019.

Note 3

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

Note 4

Subject to shareholder approval, the proposed second dividend is expected to be paid on 19 July 2019 to holders of ordinary shares on the register on 14 June 2019. The ex-dividend date will be 13 June 2019.

Chairman's statement

"A Clear strategy and consistent execution has delivered strong returns."

Against a volatile political and economic backdrop, 3i delivered another strong performance in FY2019. Private Equity performed well, driven by good portfolio earnings growth, the effective implementation of our buy-and-build strategy, and a favourable market for realisations. 3iN delivered strong returns, with a solid performance from its core European portfolio and another excellent realisation.

Market environment

FY2019 was characterised by continuing political and economic uncertainty, fuelled by the protracted trade war between the US and China, the ongoing lack of clarity on the UK's future relationship with the European Union, and slowing growth in the Eurozone. While we were not immune to the influence of these uncertainties, our diversified portfolio and long-term, rigorous approach to new investments and asset management limited the impact on the Group's performance.

Despite the economic uncertainties, debt markets remained available throughout the year and high demand for private equity and infrastructure investments enabled us to sell a number of assets at attractive exit valuations, delivering strong returns for our shareholders and other investors. At the same time, our deal teams maintained a cautious approach to new business, completing a number of new investments and bolt-on acquisitions at disciplined entry prices.

Performance and dividend

The Group's total return[1] for the year was £1,252 million (2018: £1,425 million). Net asset value ("NAV") increased to 815 pence per share (31 March 2018: 724 pence) and our return on opening shareholders' funds was 18% (2018: 24%). We remained net divestors in FY2019, ending the year with net cash of £495 million and liquidity of £1,420 million (31 March 2018: net cash of £479 million and liquidity of £1,404 million).

Last year we announced a revised dividend policy, with the aim of maintaining or growing our dividend year on year, subject to balance sheet strength and investment and realisation levels. In line with the revised policy, and in recognition of the Group's financial performance and robust balance sheet, the Board has recommended a second FY2019 dividend of 20.0 pence (2018: 22.0 pence). Together with the first FY2019 dividend of 15 pence per share paid in January 2019, this takes the total dividend to 35.0 pence (2018: 30.0 pence). The recommendation reflects the Board's confidence in the future prospects of the Group as we continue to execute our clear and consistent strategy.

Board and management

I am pleased to welcome Coline McConville, who joined the Board on 1 November 2018, as a non-executive Director. Coline brings extensive commercial experience in a variety of relevant sectors and considerable board experience. She has joined the Remuneration, Audit and Compliance and Nominations Committees.

Outlook

We enter FY2020 with a strong balance sheet and a diversified portfolio of assets that position the Group well in the current uncertain environment, with significant growth potential combined with good defensive characteristics. The Board is confident that the Group's clear strategy, experienced investment teams, and disciplined but opportunistic approach to business will continue to deliver superior returns for shareholders.

Simon Thompson
Chairman

1 Total return is defined as Total comprehensive income for the year, under both the Investment basis and the IFRS basis. See the Investment basis Total return statement.

Chief Executive’s statement

“Our results for the year, against a backdrop of geo-political uncertainty and market volatility, highlight the resilience of the Group and its capabilities to generate attractive, sustainable returns for investors through the cycle.”

Simon Borrows
Chief Executive

We generated a total return on shareholders’ funds of £1,252 million, or 18% (2018: £1,425 million, or 24%), ending the year with NAV per share of 815 pence (31 March 2018: 724 pence). Realised proceeds, were strong at £1,242 million (31 March 2018: £1,323 million) or £713 million after the £529 million reinvestment into Scandlines. In the current competitive environment for new investment we remained selective and cautious on price, investing £245 million in two new Private Equity investments and we focused heavily on bolt-on acquisitions for our portfolio companies where we could achieve synergies. We were successful in completing a total of eight such bolt-on acquisitions for our Private Equity portfolio as well as three for the 3iN portfolio.

A high quality, diverse portfolio in Private Equity

Our Private Equity portfolio is performing well. Our top 20 Private Equity assets account for 98% of the Private Equity portfolio value. Overall, 93% of our Private Equity assets by value delivered earnings growth in the year. We have remained selective and price disciplined in both making new investments and completing bolt-on acquisitions for our existing portfolio companies, in a market where competition for private assets remains very strong. We did, however, capitalise on record levels of dry powder by exiting some of our long-standing 2008 and 2011 assets at good recovery values. The result is a leaner, stronger and well diversified portfolio, which continues to generate attractive returns for shareholders in an uncertain environment.

Action

Action, our largest Private Equity investment, had another strong year. In 2018, revenue grew by 23% to €4.2 billion, like-for-like (“LFL”) sales by 3.2% and EBITDA by 16% to €450 million (2018: €3.4 billion, 5.3% and €387 million). These results were achieved despite a challenging year for the broader European retail industry and operational supply chain issues in France.

Action is an exceptional business and, to achieve its full potential of international growth, it is investing significantly in its commercial, stock planning, distribution and supply chain capabilities. During 2018, Action recruited a new planning team and added further resource to its buying and supply chain teams. It is accelerating the roll-out of its distribution centre (“DC”) network. It opened two new DCs earlier this year and a further three are due to open over the next 18 months, increasing the network to 10 DCs across Europe. This investment will facilitate further store roll-out in France, Germany, Poland, Austria and new countries. It will also mitigate the effect of the DC performance and product availability issues that Action has experienced over the last 12 months, particularly in France. The DC expansion is being accompanied by the roll-out of new IT systems to support stock planning and DC organisation, in order to manage better the increasing complexity inherent in the end-to-end supply chain planning, given the rapid roll-out of Action stores and DCs across Europe.

The supply chain improvements resulted in strong performance in France and elsewhere in the final months of 2018. LFL sales growth increased in the final quarter of 2018 to a healthy 4.4% overall, above the rate seen in the previous three quarters, with higher and more stable stock availability seen across the French network of stores. Strong LFL sales growth has continued during the first four months of 2019.

The pace of store roll-outs remains impressive with 230 net new stores in calendar year 2018, even after Action decided to defer 20 new store openings in France to 2019 to help manage the supply chain issues. Action had 1,361 stores across seven countries as at 31 March 2019. In Poland, the success of Action's six store pilot, which started in 2017, led to the opening of an additional 19 stores in 2018. In 2019, Action will continue with its store roll-out programme in France and Germany and will accelerate its store growth rate in Poland. Action also accelerated its store renewal programme in the Netherlands and Belgium: 48 stores were refurbished, enlarged or relocated in 2018, compared to 27 the year before, improving the customer experience and EBITDA contribution of those stores.

Exceptional weather conditions in 2018 adversely affected customer footfall across European retail and also contributed to the delayed opening of two of Action's most recent DCs; Belleville near Lyon and Peine in Germany. Both of these DCs became operational in Q1 2019.

3i owns 44.3% of Action and also manages Eurofund V ("EFV"), which owns 33.2% of the company. Action is one of two remaining companies in EFV. The final extension of EFV is scheduled to end in November this year. As a result, 3i is working closely with the team at Action to facilitate a transaction that will allow those investors who wish to realise their interest in Action by November 2019 to do so. 3i intends to maintain its current level of exposure in Action and we expect that a number of other investors are likely to retain a substantial part of their holdings.

Private Equity portfolio performance

Since the strategic review in 2012, 3i's Private Equity portfolio has changed significantly. The portfolio has been reduced from 124 companies to 32 companies and, excluding Action, 86% of the remaining Private Equity portfolio value is from our 2013-16 and 2016-19 vintages. We are conscious of the challenging external environment and concerns that some form of market correction is coming. Our strategy of taking a long-term view on the multiples used to value our portfolio companies means we are able to reduce the impact of volatility on our return, which increases 3i's resilience to market corrections.

Our 2013-16 vintage is performing strongly, generating significant cash returns. In September 2018, we sold 24% of our shareholding in Basic-Fit at €30.50 per share, generating proceeds of £89 million. We retain an 18% stake in the business, valued at £254 million. We completed the refinancing of Aspen Pumps, returning cash of £49 million to the Group. Aspen Pumps' underlying business is performing strongly through a combination of organic growth, with strong performance in its core pumps division, together with bolt-on acquisitions helping to consolidate its position as a global leader in the condensate pump manufacturing market. Audley Travel had another good year and we received a cash distribution of £25 million. Investment in its US operation is now generating strong earnings growth. We invested £1.1 billion in the 2013-16 vintage and that portfolio is already standing at over a 2x vintage multiple with significant potential growth ahead of it.

At 31 March 2019, the 2016-19 vintage reached the end of its investment period, with the Group's total proprietary capital committed totalling c.£1.4 billion. In FY2019, we invested and committed to invest c.£450 million in a combination of new investments and bolt-on acquisitions. In the first quarter we completed proprietary capital investments in Royal Sanders of £135 million and ICE of £110 million. We also completed further bolt-on acquisitions for both assets; in November 2018 we completed the acquisition of McBride's European personal care liquids business for Royal Sanders and, in February 2019, we invested a further £19 million of proprietary capital in ICE's merger with SOR Technology ("SOR").

We focused on originating acquisition opportunities for our portfolio companies in FY2019, as prices for new investments remained high. Over the last 12 months we completed a £50 million proprietary capital further investment in 'eyes + more' for Hans Anders, as well as bolt-on acquisitions for Cirtec Medical and Ponroy Santé, both of which required no additional equity contribution from 3i. These bolt-on acquisitions offer good potential for commercial and operational synergies, which we are already beginning to see in both companies.

At the end of March 2019, we announced the final investment in the 2016-19 vintage, Magnitude Software Inc, a leading provider of unified application data management solutions, operating in the US, the Netherlands, the UK, Canada and India. This investment, of c.£139 million, completed at the start of May 2019.

Formel D, the leading international provider of quality services for the automotive industry, was another notable performer of the 2016-19 vintage, generating strong profitability following implementation of a range of initiatives focusing on improving margins and working capital.

Schlemmer, a German manufacturer of cable management solutions for the global automotive industry, had a challenging 12 months and we reduced the value of this 2016-19 asset by £70 million. The company experienced some market volatility predominantly in Europe, ongoing operational difficulties in the US and Mexico and raw material price increases especially in China, affecting profitability and cash flow. As a result, 3i implemented a change in management with a new CEO and CFO and provided additional funding of £4 million in March 2019, to ease the liquidity issue. We are now confident the new management team has a clear plan to recover performance.

Another outstanding year for Infrastructure

In the 12 months to 31 March 2019, 3iN's share price appreciated by 29% to 275 pence, generating value growth of £167 million for the Group's 33% stake. This excellent share price increase reflects the successful management by our Infrastructure team, their impressive recent track record of realisations and the strong performance from the portfolio of European infrastructure assets.

Over the last few years, we have repositioned the 3iN portfolio away from assets with higher regulatory risk and generated significant investment gains for shareholders in the process. During the year 3iN disposed of its 33% stake in Cross London Trains ("XLT") for proceeds of £333 million, representing a 5.9x return and a 40% IRR. The value uplift from the sale contributed materially to a performance fee of £31 million for the Group. We increased our fee generating Infrastructure AUM by £300 million, as we manage new investments in Tampnet and Attero for 3iN and other investors. In addition to these investments, 3iN completed the acquisition by Infinis of Alkane Energy in the year, and in March 2019, 3iN announced a commitment to invest in Joulz, a leading owner and provider of essential energy infrastructure equipment and services in the Netherlands. The £190 million investment in Joulz completed in April 2019.

Demand for Infrastructure assets is strong and the team remains disciplined on price and, much like Private Equity, we look for bolt-on opportunities for the existing portfolio where appropriate. In the year, two such acquisitions for Wireless Infrastructure Group ("WIG") and one for TCR were completed, without further equity contribution from 3iN.

Our North American Infrastructure team announced its second investment at the beginning of April 2019, in Regional Rail LLC, a leading owner and operator of short-line freight railroads and rail-related businesses throughout the Mid-Atlantic US.

Apart from the gain in 3iN's share price, our Infrastructure platform remains an important source of cash income for the Group, generating £82 million (2018: £78 million) of cash income through its fund management activities and dividend income from Infrastructure.

Corporate Assets

In June 2018, we completed the sale and our subsequent 35% reinvestment into Scandlines, generating net proceeds to 3i of £306 million. Our decision to reinvest into Scandlines is consistent with our strategic objectives and we are already seeing the benefit of this through the considerable cash flows that the business is continuing to produce. Since the Group's reinvestment, we have received £28 million of dividend income, an important contribution to the Group's operating cash position.

Strong balance sheet, well positioned to deliver good returns to shareholders

We ended FY2019 with net cash of £495 million after returning £358 million of cash dividends to shareholders in the year. Our strong balance sheet means we can be competitive and move fast when we find the right proprietary capital investments without having to accelerate realisations ahead of their full potential.

Our people and values

We expect everyone at 3i to act with integrity, to be accountable for their behaviour, and to approach their roles with ambition, rigour and energy. This means demonstrating our culture and values while working hard towards achieving attractive returns for our shareholders and other investors.

Our long-standing Responsible Investment Policy informs our investment decisions and our behaviour as stewards of our assets. We are committed to the continuous improvement of our approach.

We have seen some changes in key personnel this year. The Co-Heads of our Private Equity division transitioned during the year, with Menno Antal and Alan Giddins handing over leadership to Pieter de Jong from our Dutch team and Peter Wirtz from our German team, who have become the new Co-Heads of Private Equity and I look forward to working with them in their new capacity. I would like to thank Menno and Alan for their strong contribution in leading the Private Equity team since 2010.

Outlook

For 3i, FY2020 appears to be starting in a similar way to FY2019 with geo-political uncertainty, volatile capital and currency markets, concerns about economic growth and a growing tide of funds looking to invest in private assets in particular.

We remain cautious in this environment, which will lead us to be careful about the pricing of new investments, while looking to put more capital behind those portfolio companies we already know well. So our focus will remain on bilateral or complex processes and our buy-and-build platforms.

The Group's portfolio of investments is positioned well and has good momentum for further growth. We have a clear strategic focus and are committed to using our active management processes to deliver another good year of progress for our shareholders.

I would like to thank the 3i team again for all their good work this year.

Simon Borrows
Chief Executive

Private Equity
Business review

Our Private Equity business performed well in FY2019 with a gross investment return of £1,148 million or 20% on the opening portfolio (2018: £1,438 million or 30%) and realisations of £1,235 million (2018: £1,002 million), including £835 million from the disposal of Scandlines. Despite the political and economic backdrop, strong performance from Action and a number of assets from our 2013-16 and 2016-19 vintages generated unrealised value growth of £916 million (2018: £1,080 million). In a highly competitive market, the team remained selective and disciplined on price, making two new investments and adding eight bolt-on acquisitions for existing portfolio companies.

Investment activity

Over the last twelve months, record levels of capital availability continued to drive competition for private assets. We have remained selective and disciplined on price when originating new investment opportunities and have also focused on further bolt-on acquisitions for our existing portfolio companies, an important part of building the strategic value of these assets.

In April 2018, we invested £135 million of proprietary capital in Royal Sanders, a private label and contract manufacturing producer of personal care products and in June 2018, we invested £110 million in ICE, a global travel and loyalty company that connects leading brands, travel suppliers and end consumers. Over the last two years we have focused on investing in more fragmented markets which offer buy-and-build growth opportunities. In addition to these initial proprietary investments, Royal Sanders completed its acquisition of McBride’s European personal care liquids business in November 2018 and, in February 2019, 3i supported ICE’s merger with SOR, a web-based travel technology platform, by contributing a further investment of £19 million. In January 2019, we also invested £50 million to support Hans Anders with the bolt-on acquisition of eyes + more, a fast growing value-for-money optical retailer headquartered in Germany.

A number of other portfolio companies also completed bolt-on acquisitions in the year, primarily funded from their own resources. In May 2018, WP completed its acquisition of Proenfar, a Colombia based manufacturer of pharmaceutical and cosmetics plastic packaging solutions for the Latin American market. In July 2018, Ponroy Santé continued its buy-and-build strategy with the acquisition of Densmore, a natural food supplement laboratory specialising in ophthalmic solutions. Ponroy Santé also announced its acquisition of Pasquali Healthcare, a leading pharmaceutical company in Italy at the end of FY2019. In October and December 2018, Cirtec Medical completed the acquisitions of Cactus Semiconductor and Metrigraphics LLC, expanding the company’s product portfolio of cutting edge and technically advanced medical device components. In November 2018, Aspen Pumps acquired Advanced Engineering, the market leader in the manufacture and supply of coil cleaners and service equipment to the air conditioning and refrigeration industry.

In September 2018, we acquired £12 million of Action shares from other shareholders and in February 2019, we purchased a small additional LP stake in EFV, which further increased our holding in Action to 44.3%.

In addition to the £332 million of investment completed in the year, in March 2019, we announced a new investment in Magnitude Software Inc, a leading provider of unified application data management solutions, operating in the US, the Netherlands, the UK, Canada and India. This investment, of c.£139 million, completed at the start of May 2019.

Table 1: Private Equity cash investment in the year to 31 March 2019

Investment	Type	Business description	Date	Total investment £m	Proprietary capital investment £m
Royal Sanders	New	Private label and contract manufacturing producer of personal care products	April 2018	136	135
ICE	New	Global travel and loyalty company	June 2018	111	110
Hans Anders[1]	Further	Value-for-money optical retailer	January 2019	47	46
ICE/SOR	Further	Web-based travel technology platform	February 2019	19	19
Action	Further	Non-food discount retailer	September 2018	20	12
Schlemmer[2]	Further	Manufacturer of cable management solutions for the automotive industry	March 2019	5	5
EFV stake	Further	Acquisition of LP stake in Eurofund V	February 2019	4	4
Other	n/a	n/a	n/a	1	1
Total Private Equity investment				**343**	**332**

1 Investment of £46 million, includes the further investment in eyes + more of £50 million, net of a £4 million loan repayment earlier in the year which was treated as negative cash investment as this was received within the first year of our initial investment.
2 Investment of £5 million includes £1 million further investment in August 2018 and £4 million further investment in March 2019.

Realisations activity

Market conditions remained favourable for exit in FY2019 and we generated £1,081 million of Private Equity proceeds (2018: £603 million) from the sale of five companies in the year, at an average money multiple of 3.0x.

On 21 June 2018, together with EFV, we sold Scandlines, generating proceeds of £835 million for our proprietary capital stake. The Scandlines disposal generated a money multiple of 7.7x on our investment and contributed £31 million to realised profit in the year, in addition to the uplift on sale we recognised in FY2018. This is an outstanding result having originally invested in Scandlines in 2007 and then, in a strategically significant step, increased our investment in 2013. Subsequently, the Group reinvested £529 million into Scandlines to acquire a 35% stake alongside First State Investments and Hermes Investment Management. This investment is now managed outside of the Private Equity business and is reported as a Corporate Asset.

We disposed of two 2011 assets at good recovery values. In September 2018, we sold Etanco for proceeds of £91 million and a realised profit of £24 million and, in March 2019, we completed the sale of OneMed returning proceeds of £96 million and generating a realised profit of £52 million. In addition, we sold our minority stake in SLR, a 2008 investment, for proceeds of £30 million and received our final payment of £29 million for Prisa Radio.

We took advantage of supportive equity market conditions to reduce our quoted holding in Basic-Fit, disposing of 24% of our equity holding and returning proceeds of £89 million. We retain an 18% stake in Basic-Fit, valued at £254 million at 31 March 2019.

We continue to refinance our most cash generative assets where appropriate for the business and where the market allows. In December 2018, Aspen Pumps completed a refinancing which resulted in a £49 million distribution to 3i, of which £48 million was recognised as capital proceeds and the remainder as income. Finally, in December 2018 Audley Travel completed a shareholder distribution of £25 million to 3i, of which £8 million was recognised as capital proceeds and the remainder as income.

In aggregate, we generated total Private Equity proceeds of £1,235 million (2018: £1,002 million) and realised profits of £131 million in the year (2018: £199 million).

Table 2: Private Equity realisations in the year to 31 March 2019

Investment	Country	Calendar year invested	31 March 2018 value[1] £m	3i realised proceeds £m	Profit/(loss) in the year[2] £m	Uplift on opening value[2] %	Residual value £m	Money multiple[3]	IRR
Full realisations									
Scandlines	Denmark/ Germany	2007/2013	803	835	31	4%	–	7.7x	34%
Etanco	France	2011	66	91	24	36%	–	1.3x	3%
OneMed	Sweden	2011	46	96	52	118%	–	0.9x	(1)%
SLR	UK	2008	29	30	1	3%	–	1.3x	2%
Prisa Radio	Spain	2008	27	29	3	12%	–	0.7x	(6)%
Total realisations			**971**	**1,081**	**111**	**11%**	**–**	**3.0x**	**n/a**
Refinancings[3]									
Aspen Pumps	UK	2015	48	48	–	–	103	2.4x	24%
Total refinancings			**48**	**48**	**–**	**–**	**103**	**2.4x**	**24%**
Capital distribution[3]									
Audley Travel	UK	2015	8	8	–	–	270	1.9x	21%
Partial realisations[1,3]									
Basic-Fit	Netherlands	2013	69	89	20	29%	254	5.3x	46%
Other	n/a	n/a	8	5	(4)	(44)%	241	n/a	n/a
Deferred consideration									
Other	n/a	n/a	–	4	4	n/a	–	n/a	n/a
Total Private Equity realisations			**1,104**	**1,235**	**131**	**12%**	**868**	**n/a**	**n/a**

1 For partial realisations, 31 March 2018 value represents value of stake sold.
2 Cash proceeds realised in the period over opening value.
3 Cash proceeds over cash invested. For partial realisations and refinancings, valuations of any remaining investment are included in the multiple. Money multiples are quoted on a GBP basis.

Portfolio valuation

As at 31 March 2019, the portfolio comprised 31 assets and one quoted stake (31 March 2018: 35 assets and one quoted stake). The portfolio generated unrealised value growth of £916 million in the year (2018: £1,080 million) and was valued at £6,023 million at 31 March 2019 (31 March 2018: £5,825 million).

Performance

The continued strong performance of the investments valued on an earnings basis resulted in an increase in value of £654 million (2018: £541 million), with the most significant contribution coming from Action. At 31 March 2019, Action was valued using run-rate earnings to 31 March 2019 and a post discount run-rate multiple of 18.0x (31 March 2018: 16.5x), resulting in a value of £2,731 million (31 March 2018: £2,064 million). As the largest Private Equity investment by value, it represented 45% of the Private Equity portfolio (31 March 2018: 35%).

Our 2013-16 vintage is performing strongly. Audley Travel is a provider of luxury tailor-made holidays to over 80 destinations worldwide, serving clients principally in the UK and the US, and has had another strong year. Since our investment in 2015, we have further grown the UK business and are building a strong US business, investing in country specialists and expanding the roll-out of European destination offerings for US customers. As a result, our £156 million initial investment was valued at £270 million at 31 March 2019, after the receipt of the £25 million capital and interest distribution in the year.

A combination of organic growth and bolt-on acquisitions has consolidated Aspen Pumps as a global manufacturing leader of pumps and accessories for the air conditioning, heating and refrigeration industry. At 31 March 2019, our investment in Aspen Pumps was valued at £103 million (2018: £108 million), after the receipt of £49 million capital and interest proceeds from its refinancing in the year.

We completed a number of bolt-on acquisitions for assets within our 2016-19 vintage that add scale to these businesses and, in most cases, also generate operational synergies. The two new acquisitions for Cirtec Medical further expand the company's product portfolio, and the acquisition of Densmore continues Ponroy Santé's buy-and-build strategy. A combination of these acquisitions and growth in the core businesses are reflected in good earnings growth for Cirtec Medical and Ponroy Santé. The bolt-on acquisitions in Hans Anders, ICE and Royal Sanders are also adding value.

We continue to see a small number of asset specific challenges in the portfolio. Schlemmer experienced some market volatility predominantly in Europe, ongoing operational difficulties in the US and Mexico and higher raw material prices, against a more challenging automotive market backdrop. As a result, Schlemmer generated our largest decline in value in the year (£70 million), mainly attributable to performance. After a relatively slow start to the year, Euro-Diesel generated a record order intake in calendar year 2018, of which most will be manufactured and delivered in 2019. Finally, WP's performance recovered towards the end of its financial year, following pressure on profitability due to increasing resin prices, negative foreign exchange effects and temporarily weaker South American markets.

Overall, 93% of the portfolio by value, including Basic-Fit, grew their earnings in the year (2018: 91%). One investment was valued using forecast earnings at 31 March 2019 (31 March 2018: one), representing 1% of the portfolio by value (31 March 2018: 1%). Table 4 shows the earnings growth of our top 20 assets.

Net debt across the portfolio decreased slightly to 3.9x earnings (31 March 2018: 4.0x), principally due to a decrease in the leverage ratio for Action. Excluding Action, the ratio increased to 3.7x (31 March 2018: 3.3x) due to the mix of new investments and realisations in the year, a number of bolt-on acquisitions funded by leverage of the portfolio companies and the refinancing of Aspen Pumps. Table 5 shows the ratio of net debt to earnings by portfolio value at 31 March 2019.

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

	2019 £m	2018 £m
Earnings based valuations		
Performance	**654**	541
Multiple movements	**219**	144
Other bases		
Uplift to imminent sale	**–**	3
Scandlines transaction value	**–**	302
Discounted cash flow	**–**	3
Other movements on unquoted investments	**(12)**	6
Quoted portfolio	**55**	81
Total	**916**	1,080

1 Further information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation section in our Annual report and accounts 2019.

Multiple movements

The increase in value due to multiple movements was £219 million (2018: £144 million increase). The run-rate multiple used to value Action increased to 18.0x post liquidity discount at 31 March 2019 (31 March 2018: 16.5x) to reflect its continued strong performance and our confidence in its future growth prospects. Based on the valuation at 31 March 2019, a 1x movement in Action's post-discount multiple would increase or decrease the valuation of 3i's investment by £197 million (31 March 2018: £176 million).

A common feature throughout FY2019 was volatility in equity markets, which was particularly acute in December 2018. Such unpredictable movements reinforce our strategy of taking a long-term view on the multiples used to value our portfolio companies. In setting and before changing a multiple, we consider a number of factors such as relative performance, investment size, comparable recent transactions and exit plans, as well as monitoring external equity markets. As a result, as at 31 March 2019, we selected multiples that were lower than the comparable set in 12 out of the 21 companies valued on an earnings basis (31 March 2018: 14 out of 21).

Excluding Action, the weighted average EBITDA multiple increased slightly to 11.8x before liquidity discount (31 March 2018: 11.7x) and was 11.1x after liquidity discount (31 March 2018: 11.0x).

The pre-discount multiples used to value the portfolio ranged between 7.5x and 18.9x (31 March 2018: 8.5x to 17.4x) and the post-discount multiples ranged between 7.1x and 18.0x (31 March 2018: 6.3x to 16.5x).

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

	Number of companies	3i carrying value at 31 March 2019 £m
<0%	3	**404**
>0 - 9%	4	**555**
10 - 19%	8	**3,911**
>20%	5	**951**

1 Includes top 20 Private Equity companies by value. This represents 97% of the Private Equity portfolio by value (31 March 2018: 95%).

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

	Number of companies	3i carrying value at 31 March 2019 £m
<1x	1	**71**
1 - 2x	2	**422**
2 - 3x	3	**318**
3 - 4x	2	**167**
4 - 5x	9	**4,081**
>5x	1	**248**

1 This represents 88% of the Private Equity portfolio by value (31 March 2018: 88%). Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation.

Quoted portfolio

Basic-Fit, the only quoted asset in the Private Equity portfolio, had another very strong year, which was reflected in its share price increase of 28% to €30.00 per share at 31 March 2019 (31 March 2018: €23.35). In its 2018 financial year, revenue and profit increased by 23% and 24% respectively and the business ended the year with 629 clubs and 1.8 million members.

We generated an unrealised value gain of £55 million from Basic-Fit in the year, in addition to realised profits of £20 million on the disposal of 24% of our shareholding in September 2018 at €30.50 per share. At 31 March 2019, our residual 18% shareholding was valued at £254 million.

Table 6: Quoted portfolio movement for the year to 31 March 2019

Investment	IPO date	Opening value at 1 April 2018 £m	Disposals at opening book value £m	Unrealised value movement £m	Other movements[1] £m	**Closing value at 31 March 2019 £m**
Basic-Fit	June 2016	270	(69)	55	(2)	**254**
		270	**(69)**	**55**	**(2)**	**254**

1 Other movements include foreign exchange.

Table 7: Private Equity assets by geography as at 31 March 2019

3i office location	Number of companies	**3i carrying value 2019 £m**
Benelux	6	**3,600**
France	1	**174**
Germany	5	**663**
UK	9	**672**
US	5	**750**
Other	6	**164**
Total	32	**6,023**

Assets under management

The value of 3i's proprietary capital invested in Private Equity increased to £6.0 billion in the year (31 March 2018: £5.8 billion).

Table 8: Private Equity proprietary capital as at 31 March

Vintages	**Proprietary capital value 2019 £m**	**Vintage multiple 2019**	Proprietary capital value 2018 £m	Vintage multiple 2018
Buyouts 2010–2012	**2,679**	**8.5x**	2,139	7.2x
Growth 2010–2012	**25**	**2.1x**	33	2.2x
2013–2016[1]	**1,325**	**2.3x**	1,695	2.1x
2016–2019[1]	**1,503**	**1.2x**	1,057	1.1x
Other	**491**	**n/a**	901	n/a
Total	**6,023**		5,825	

1 Assets included in these vintages are disclosed in the glossary.

The value of the Private Equity portfolio, including third-party capital, increased to €9.6 billion (31 March 2018: €9.5 billion).

Infrastructure
Business review

Infrastructure contributed a gross investment return of £210million, or 25% on the opening portfolio (2018: £113 million, 16%). This was primarily driven by 3iN's outstanding share price appreciation of 29% and good levels of dividend income. 3iN generated £333 million of proceeds from the sale of XLT, which were recycled into the investment in Tampnet and a new commitment to invest in Joulz. We increased our fee generating AUM with the management of third-party stakes in Attero and Tampnet and continued to build our US Infrastructure platform with the announcement of our second proprietary capital investment in Regional Rail, LLC.

Investment manager to 3iN

Our role changed from Investment Adviser to Investment Manager of 3iN in October 2018, when 3iN moved its management and tax domicile from Jersey to the UK. The move was accompanied by 3iN successfully applying to HM Revenue & Customs for UK approved investment trust status. Under the terms of the new management agreement, 3i will receive a management fee of between 1.2% and 1.4% on a tiered basis and a performance fee of 20% of returns above a hurdle of 8% of the growth in NAV per share, with a deferral and clawback mechanism in the event of subsequent performance below the hurdle. The fees payable by 3iN to 3i for FY2019 are calculated on the same basis as the previous advisory agreement.

Under the terms of the advisory and management agreements, 3iN paid a management fee of £31 million to 3i (2018: £34 million) and a NAV based performance fee of £31 million (2018: £90 million).

3iN and 3i managed accounts investment

In June 2018, 3iN completed its investment in Attero by completing the £176 million acquisition for a 50% stake. In August 2018, 3iN syndicated 50% of the original investment amount to other investors whose stakes continue to be managed by 3i. In March 2019, 3iN, in consortium with Danish pension fund ATP, invested £375 million in Tampnet, a fibre-based communications infrastructure asset. Of this investment, £187 million is 3iN's proprietary capital and the remaining ATP stake is managed by 3i.

In addition to these investments, 3iN completed its FY2018 commitment with the acquisition by Infinis of Alkane Energy and, in March 2019, it announced a commitment to invest in Joulz, a leading owner and provider of essential energy infrastructure equipment and services in the Netherlands. The £190 million investment in Joulz completed in April 2019.

Finally, the platform investments in the 3iN portfolio made three bolt-on acquisitions in the year, including two acquisitions by WIG and a further by TCR, all of which were funded from the companies' own resources.

Realisations

In March 2019, 3iN sold its 33% stake in XLT for proceeds of £333 million, representing a 5.9x money multiple and a 40% IRR. This realisation generates an excellent return for shareholders and continues to reposition 3iN away from assets with higher regulatory risk.

3iN also refinanced Infinis, WIG, TCR and Attero during the year, all on attractive terms.

Performance

Overall, the 3iN portfolio continues to perform well and the company generated a total return on opening NAV of 15% in the year (2018: 29%), ahead of its target total return of between 8% and 10% per annum to be achieved over the medium term.

Performance of 3i's proprietary capital Infrastructure portfolio

Quoted stake in 3iN

The Group's proprietary capital infrastructure portfolio consists primarily of its 33% stake in 3iN.

3iN's share price performed very strongly in the year, increasing by 29% and closing at 275 pence on 31 March 2019 (31 March 2018: 214 pence). We recognised £167 million of unrealised value growth on our 3iN investment and £22 million of dividend income.

US Infrastructure

In April 2019, we announced an agreement to invest c.$112 million in Regional Rail, LLC, a leading owner and operator of short-line freight railroads and rail-related businesses throughout the Mid-Atlantic US. This is our second investment in US infrastructure, in addition to Smarte Carte.

As at 31 March 2019, Smarte Carte was valued on a DCF basis and we recognised an unrealised value gain of £3 million in the year, net of £12 million of capital and income proceeds received.

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

	2019 £m	2018 £m
Quoted	**167**	67
Discounted cash flow	**(7)**	8
Fund	**2**	8
Total	**162**	83

1 Further information on our valuation methodology, including definitions and rationale, is included in the portfolio valuation – an explanation section in our Annual report and accounts 2019.

Fund Management

In April 2018, the 3i European Operational Projects Fund had its final close, with commitments of €456 million. At 31 March 2019, the fund had invested €102 million out of this total commitment. 3i has a commitment of €40 million to this fund, €9 million of which has been drawn to invest in the fund.

Our 5% holding in 3i Managed Infrastructure Acquisitions LP generated unrealised value growth of £2 million, net of the £1 million dividend distribution received in the year. The underlying portfolio performed well overall in the year.

Infrastructure AUM increased to £4.2 billion (2018: £3.4 billion), principally due to the increase in 3iN's share price and 3i managed accounts.

Table 10: Infrastructure portfolio movement for the year to 31 March 2019

Investment	Valuation	Opening value at 1 April 2018 £m	Investment £m	Disposals at opening book value £m	Unrealised value movement £m	Other movements[1] £m	**Closing value at 31 March 2019 £m**
3iN	Quoted	581	–	–	167	(4)	**744**
Smarte Carte	DCF	167	–	(6)	3	17	**181**
3i Managed Infrastructure Acquisitions Fund	NAV	36	–	–	2	–	**38**
3i European Operational Projects Fund	NAV	10	(2)	–	–	–	**8**
India Infrastructure Fund	DCF	38	–	–	(10)	2	**30**
		832	(2)	(6)	162	15	**1,001**

1 Other movements include foreign exchange.

Table 11: Assets under management as at 31 March 2019

Fund/strategy	Close date	Fund size	3i commitment/ share	Remaining 3i commitment	% invested at 31 March 2019	**AUM £m**	**Fee income earned in 2019 £m**
3iN[1]	Mar 07	n/a	£744m	n/a	n/a	**2,232**	**31**
3i Managed Infrastructure Acquisitions LP	Jun 17	£698m	£35m	£5m	86%	**751**	**6**
3i European Operational Projects Fund	Apr 18	€456m	€40m	€31m	22%	**96**	**1**
BIIF	May 08	£680m	n/a	n/a	90%	**528**	**5**
3i India Infrastructure Fund	Mar 08	US$1,195m	US$250m	US$35m	73%	**110**	**4**
3i managed accounts	various	n/a	n/a	n/a	n/a	**300**	**2**
US Infrastructure	various	n/a	n/a	n/a	n/a	**181**	**–**
Total						**4,198**	**49**

1 AUM based on the share price at 31 March 2019.

Investment activity

On 21 June 2018, the Group reinvested into Scandlines, alongside First State Investments and Hermes Investment Management. The Group reinvested £529 million to acquire a 35% stake in Scandlines. Scandlines is now being managed separately from the Private Equity and Infrastructure business lines and is hence reported as a Corporate Asset. At 31 March 2019, Scandlines was the only asset reported as a Corporate Asset.

Portfolio performance

Scandlines contributed a gross investment return of £49 million, or 9% of its reinvestment value. It is valued on a DCF basis and recognised an unrealised value gain of £9 million net of the £28 million of dividend distributions received in the year.

Foreign exchange

In January 2019, we implemented a hedging programme to help mitigate the foreign exchange translation risk on our reinvestment in Scandlines. This is because, unlike most private equity investments, it is an asset that we intend to hold for the longer term, with expected regular cash flows. The total notional size of the hedging programme is €500 million, which represents c.81% of the Scandlines value at 31 March 2019. As at 31 March 2019, we recognised a £12 million net gain on foreign exchange translation, which includes the £21 million movement from the hedging programme.

Table 12: Gross investment return in the period to 31 March[1]

Investment basis	2019 £m
Unrealised profits on the revaluation of investments	9
Dividends	28
Foreign exchange on investments	(9)
Movement in the fair value of derivatives	21
Gross investment return	**49**
Gross investment return as a % of its reinvestment value	**9%**

1 Scandlines was moved to Corporate Assets in June 2018.

Financial review

Another year of strong financial performance

FY2019 was another year of strong financial performance in line with our strategic objective of generating mid to high teen returns through the cycle. We generated a gross investment return of £1,407 million (2018: £1,552 million) and operating profit before carried interest of £1,295 million (2018: £1,428 million).

We generated total return of £1,252 million, or a profit on opening shareholder funds of 18% (2018: £1,425 million or 24%). As a result of the good performance in the year, the diluted NAV per share at 31 March 2019 increased by 13% to 815 pence (31 March 2018: 724 pence) after paying dividends totalling 37 pence per share during the year.

The performance was mainly driven by strong unrealised value growth from Action, 3iN and the 2013-16 and 2016-19 Private Equity vintages.

Table 13: Total return for the year to 31 March

Investment basis	**2019 £m**	2018 £m
Realised profits over value on the disposal of investments	**132**	207
Unrealised profits on the revaluation of investments	**1,087**	1,163
Portfolio income		
Dividends	**63**	41
Interest income from investment portfolio	**113**	116
Fees receivable	**9**	14
Foreign exchange on investments	**(18)**	11
Movement in the fair value of derivatives	**21**	–
Gross investment return	**1,407**	1,552
Fees receivable from external funds	**53**	57
Operating expenses	**(126)**	(121)
Interest received	**2**	2
Interest paid	**(36)**	(37)
Exchange movements	**(3)**	(27)
Other (expense)/income	**(2)**	2
Operating profit before carried interest	**1,295**	1,428
Carried interest		
Carried interest and performance fees receivable	**159**	228
Carried interest and performance fees payable	**(220)**	(205)
Operating profit	**1,234**	1,451
Income taxes	**13**	(26)
Re-measurements of defined benefit plans	**5**	–
Total comprehensive income (“Total return”)	**1,252**	1,425
Total return on opening shareholders’ funds	**18%**	24%

Investment basis and alternative performance measures (“APMs”)

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

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

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

Realised profits

We generated gross proceeds of £1,242 million before the Scandlines reinvestment of £529 million (2018: £1,323 million) and realised profits of £132 million (2018: £207 million) in the year. Almost all of the realisation proceeds and uplift over the opening value were from the Private Equity portfolio, which contributed £1,235 million of proceeds and £131 million of realised profits (2018: £1,002 million, £199 million). This includes the sale of Scandlines (£31 million realised profit) and OneMed (£52 million realised profit), together with the partial disposal of our quoted holding in Basic-Fit, which generated a realised profit of £20 million.

Unrealised value movements

We recognised an unrealised value movement of £1,087 million (2018: £1,163 million). Action's continued strong performance contributed £701 million (2018: £610 million) to value growth. Our quoted portfolio generated an unrealised value gain of £222 million following share price appreciation of 29% for 3iN and 28% for Basic-Fit. The majority of the 2013-16 and 2016-19 portfolio continued to perform well, notably Cirtec Medical, Audley Travel, Aspen Pumps and Formel D, offsetting asset specific issues in Schlemmer and Euro-Diesel.

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

Portfolio income

Portfolio income increased to £185 million during the year (2018: £171 million) principally due to the receipt of £28 million of dividend income from Scandlines. Loan interest income receivable from portfolio companies remained relatively stable at £113 million (2018: £116 million). The majority of this interest income is non-cash. Fee income reduced to £9 million (2018: £14 million) as a result of fewer Private Equity investments in the year.

Fees receivable from external funds

Fees received from external funds decreased to £53 million (2018: £57 million). 3i, as manager of EFV, received a fee based on the investment cost of the remaining assets in the fund. In January 2018, we agreed with the external investors in EFV to extend the life of the fund by a further year with effect from November 2018 and, as part of that agreement, 3i stopped receiving a management fee from that date.

3i, as Investment Manager to 3iN, receives a fee for sourcing and completing new investments and for the management of the portfolio. In FY2019, we received fee income of £31 million (2018: £34 million) from 3iN. In addition, we started to generate fee income from 3i managed accounts.

Operating expenses

Operating expenses increased to £126 million (2018: £121 million), principally due to a planned increase in staff cost for new roles and replacements across both the Private Equity and Infrastructure business lines to support our asset management capability and business initiatives.

Operating cash profit

We generated an operating cash profit of £46 million in the year (2018: £11 million). Cash income increased to £155 million (2018: £126 million), principally due to £28 million of dividend income received from Scandlines (2018: nil) and non-recurring cash interest of £18 million received from Audley Travel and Aspen Pumps.

Cash operating expenses were £109 million (2018: £115 million), which is lower than the £126 million (2018: £121 million) of operating expenses recognised in the Consolidated statement of comprehensive income as a result of share based payments and other non-cash expenses such as depreciation and amortisation.

Table 14: Unrealised profits on the revaluation of investments for the year to 31 March

	2019 £m	2018 £m
Private Equity	**916**	1,080
Infrastructure	**162**	83
Corporate Assets	**9**	–
Total	**1,087**	1,163

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

	2019 £m	2018 £m
Cash fees from external funds	**57**	55
Cash portfolio fees	**11**	13
Cash portfolio dividends and interest	**87**	58
Cash income	**155**	126
Cash operating expenses	**(109)**	(115)
Operating cash profit	**46**	11

Carried interest and performance fees

We receive carried interest and performance fees from third-party funds. We also pay carried interest and performance fees to participants in plans relating to returns from investments. These are received and/or paid subject to meeting certain performance conditions. In Private Equity, we typically accrue net carried interest payable at between 10% and 12% of gross investment return.

The continued good performance of Action, the largest investment in our Private Equity fund, EFV, led to a £130 million increase in carried interest receivable from EFV (2018: £136 million). This was calculated assuming that the portfolio was realised at the 31 March 2019 valuation. The fund's gross multiple was 2.8x at 31 March 2019 (31 March 2018: 2.5x).

The majority of assets by value are now held in schemes that would have met their performance hurdles, assuming that the portfolio was realised at the 31 March 2019 valuation. The 2016-19 vintage is not yet through its performance hurdle, but is expected to meet it in FY2020, at which point we will accrue a catch up in carried interest payable on the returns to date. We accrued carried interest payable of £206 million (2018: £196 million) for Private Equity, of which £88 million relates to the Private Equity team's share of carried interest receivable from EFV (2018: £77 million).

Carried interest is paid to participants when the performance hurdles are passed in cash terms and then only when the cash proceeds have actually been received following a realisation, refinancing event or other cash distribution. Due to the length of time between investment and realisation, the schemes are usually active for a number of years and their participants are both current and previous employees of 3i. During the period, £77 million was paid to participants in the Private Equity plans (2018: £43 million).

3iN pays a performance fee based on 3iN's NAV on an annual basis, subject to a hurdle rate of return and a high watermark. The continued strong performance of the assets held by 3iN, including the significant uplift achieved on the sale of XLT, resulted in the recognition of £31 million (2018: £90 million) of performance fees receivable. The Infrastructure team receives a share of the performance fee received from 3iN, with the majority of payments deferred and expensed over a number of years. £14 million (2018: £9 million) was recognised as an expense during the year, relating to performance fees from both the current and previous years. The total potential payable relating to the FY2019 performance fee is £23 million, which together with the FY2018 performance fee, gave a remaining cumulative total potential payable for performance fees of £68 million.

Overall, the effect of the income statement charge, the cash movement, as well as the currency translation meant that the balance sheet carried interest and performance fees payable increased to £970 million (31 March 2018: £870 million) and the receivable increased to £640 million (31 March 2018: £596 million).

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

Statement of comprehensive income	2019 £m	2018 £m
Carried interest and performance fees receivable		
Private Equity	**128**	138
Infrastructure	**31**	90
Total	**159**	228
Carried interest and performance fees payable		
Private Equity	**(206)**	(196)
Infrastructure	**(14)**	(9)
Total	**(220)**	(205)
Net carried interest (payable)/receivable	**(61)**	23

Table 17: Carried interest and performance fees at 31 March

Statement of financial position	2019 £m	2018 £m
Carried interest and performance fees receivable		
Private Equity	**609**	505
Infrastructure	**31**	90
Other	**–**	1
Total	**640**	596
Carried interest and performance fees payable		
Private Equity	**(942)**	(839)
Infrastructure	**(28)**	(31)
Total	**(970)**	(870)

Impact of IFRS 15 on the recognition of carried interest receivable

The IFRS 15 revenue recognition standard became applicable to 3i from 1 April 2018. Carried interest receivable is the only material balance within the scope of the standard. Our calculation of carried interest, being the amount expected if all of the underlying investments were realised at their fair value at the balance sheet date, remains unchanged. IFRS 15 introduces the concept that variable revenue can only be recognised to the extent that it is highly probable that a significant reversal will not occur. IFRS 15 requires us to consider if there are any specific constraints to our income recognition. The factors that 3i considers when making its judgement include the remaining duration of the fund, the current position in relation to the cash hurdle, the remaining assets in the fund and the potential for clawback.

The substantial majority of 3i's carried interest receivable is due from EFV, which has been extended to November 2019, when we expect the fund to come to an end and to have a significant liquidity event. At 31 March 2019, there were only two remaining investments in the fund: Action and Christ (31 March 2018: four). At 31 March 2019, EFV investments had generated proceeds of €3.7 billion and the fund was over 85% of the way towards meeting its cash hurdle. Given the relative size of Christ, the actual payment of carried interest receivable is dependent on the performance of Action. At 31 March 2019, EFV's investment in Action was valued at €2,439 million (31 March 2018: €1,815 million). Given the strong performance of Action and its expected growth profile, and consistent with our investment strategy for and valuation of the asset, we have concluded that IFRS 15 does not have an impact on our recognition of carried interest receivable at 31 March 2019.

As at 31 March 2019, the carried interest receivable accrued on 3i's balance sheet from EFV was £602 million (31 March 2018: £484 million), with a corresponding £413 million (31 March 2018: £334 million) accrued as payable to the carry plan participants. The overall net impact from EFV carried interest is £189 million (31 March 2018: £150 million) or 19 pence per share (2018: 15 pence per share).

As the Group has no plans to raise a third-party fund in Private Equity in the medium term, the Group is not expected to receive material amounts of carried interest receivable from Private Equity after the closure of EFV.

Net foreign exchange movements

At 31 March 2019, 77% of the Group's net assets were denominated in euros or US dollars (31 March 2018: 77%). Following the strengthening of sterling against the euro, partially offset by the weakening of sterling against the US dollar, the Group recorded a total net foreign exchange loss, before the movement in the fair value of hedging derivatives, of £21 million (2018: £16 million loss) in the year.

The Group's general policy remains not to hedge its foreign currency denominated portfolio. Where possible, flows from currency realisations are matched with currency investments. Short-term derivative contracts are used occasionally to manage transaction cash flows. However, in January 2019, we completed a hedging programme to help mitigate the foreign exchange translation risk on our reinvestment in Scandlines. The reinvestment in Scandlines is a longer term hold with relatively predictable cash flows. As at 31 March 2019 the notional amount of the forward foreign exchange contracts relating to Scandlines held by the Group was €500 million and the movement in fair value of the derivatives was a £21 million gain.

The net foreign exchange loss also reflects the translation of non-portfolio net assets, including non-sterling cash held at the balance sheet date.

Table 18: Net assets and sensitivity by currency at 31 March 2019

	FX rate	£m	%	1% sensitivity £m
Sterling	n/a	**1,657**	21%	**n/a**
Euro[1]	1.1608	**4,966**	63%	**45**
US dollar	1.3034	**1,098**	14%	**11**
Danish krona	8.6667	**152**	2%	**1**
Other	n/a	**36**	–	**n/a**

1 Sensitivity impact is net of derivatives.

Table 19: Simplified consolidated balance sheet at 31 March

Statement of financial position	2019 £m	2018 £m
Investment portfolio	**7,553**	6,657
Gross debt	**(575)**	(575)
Cash and deposits	**1,070**	1,054
Net cash	**495**	479
Carried interest and performance fees receivable	**640**	596
Carried interest and performance fees payable	**(970)**	(870)
Other net assets	**191**	162
Net assets	**7,909**	7,024
Gearing[1]	**nil**	nil

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

Pension

During the year, the Trustees of the 3i Group Pension Plan (“the Plan”) completed a buy-in transaction, which is a bulk annuity purchase that will partially reduce member longevity risk. This is the second buy-in completed by the Plan, following the first transaction in FY2017. It is expected to improve the actuarial funding position of the Plan, which in turn influences the requirement for future cash contributions by 3i. The next triennial funding valuation will be based on the Plan’s position at 30 June 2019. On an IAS 19 basis, there was an £8 million re-measurement gain on the Group’s UK pension scheme during the year (2018: £1 million), which is net of a £14 million accounting charge from the most recent buy-in transaction.

Tax

The affairs of the Group’s parent company continue to be directed to allow it to operate in the UK as an approved investment trust company. An approved investment trust is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its tax status. This approval allows certain investment profits of the Company, broadly its capital profits, to be exempt from tax in the UK.

The Group recognised a corporate tax credit of £13 million for the year (2018: £26 million charge). The credit recognised this year arose from a partial reversal of the UK corporate tax charge included in last year’s accounts due to the final tax for 2018 being less than estimated. The Group’s overall UK tax position for the financial year is dependent on the finalisation of the tax returns of the various corporate and partnership entities in the UK group.

Balance sheet

Net cash increased to £495 million (31 March 2018: £479 million) as the Group remained a net divestor in FY2019. The investment portfolio value increased to £7,553 million at 31 March 2019 (31 March 2018: £6,657 million) with unrealised value growth of £1,087 million and cash investment offsetting the value of realisations in the year.

Further information on investments and realisations is included in the Private Equity, Infrastructure and Corporate Assets Business reviews.

Liquidity

Liquidity remained strong at £1,420million (31 March 2018: £1,404 million). Liquidity comprised cash and deposits of £1,070 million (31 March 2018: £1,054 million) and undrawn facilities of £350 million (31 March 2018: £350 million).

Dividend

The Board has recommended a second FY2019 dividend of 20.0 pence (2018: 22.0 pence). Subject to shareholder approval, the dividend will be paid to shareholders in July 2019 and takes the total dividend for the year to 35.0 pence (2018: 30.0 pence).

With net cash of £495 million and liquidity of over £1 billion at 31 March 2019, the Group is well positioned to fund the second FY2019 dividend of 20.0 pence.

Brexit outlook

The primary, direct risk of the UK's anticipated exit from the EU ("Brexit") relates to the Group's UK regulatory "passports" to conduct certain investment activities within the EU. In certain scenarios, including that of a "hard Brexit", it is likely that the Group would no longer have the benefit of these regulatory passports. Therefore we have implemented an alternative regulatory structure, which includes an AIFM in Luxembourg, which has taken over the operations of 3i's existing branches in France, Germany and the Netherlands from 1 April 2019. This new structure will enable 3i to continue its activities in Europe regardless of the form and timing of Brexit.

The direct impact of Brexit on 3i's investment portfolio is not expected to be material, due to the limited number of our portfolio companies that operate between the UK and the EU.

Key accounting judgements and estimates

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

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

Given the importance of the valuation of investments, the Board has a separate Valuations Committee to review the valuation policy, process and application to individual investments. However, asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. At 31 March 2019, 87% by value of the investment assets were unquoted (31 March 2018: 87%).

The valuation of the proprietary capital portfolio is a primary input into the carried interest payable and receivable balances, which are determined by reference to the valuation at 31 March 2019 and the underlying investment management agreements. A further key judgement is the extent to which the calculated carry receivable can be recognised, on the basis that it is highly probable that there will not be a significant reversal.

Investment basis

Consolidated statement of comprehensive income

for the year to 31 March

	2019 £m	2018 £m
Realised profits over value on the disposal of investments	**132**	207
Unrealised profits on the revaluation of investments	**1,087**	1,163
Portfolio income		
Dividends	**63**	41
Interest income from investment portfolio	**113**	116
Fees receivable	**9**	14
Foreign exchange on investments	**(18)**	11
Movement in the value of derivatives	**21**	–
Gross investment return	**1,407**	1,552
Fees receivable from external funds	**53**	57
Operating expenses	**(126)**	(121)
Interest received	**2**	2
Interest paid	**(36)**	(37)
Exchange movements	**(3)**	(27)
Other (expense)/income	**(2)**	2
Operating profit before carried interest	**1,295**	1,428
Carried interest		
Carried interest and performance fees receivable	**159**	228
Carried interest and performance fees payable	**(220)**	(205)
Operating profit	**1,234**	1,451
Income taxes	**13**	(26)
Profit for the year	**1,247**	1,425
Other comprehensive income		
Re-measurements of defined benefit plans	**5**	–
Total comprehensive income for the year (“Total return”)	**1,252**	1,425

Consolidated statement of financial position

as at 31 March

	2019 £m	2018 £m
Assets		
Non-current assets		
Investments		
Quoted investments	**998**	851
Unquoted investments	**6,555**	5,806
Investment portfolio	**7,553**	6,657
Carried interest and performance fees receivable	**605**	503
Other non-current assets	**117**	113
Intangible assets	**11**	12
Retirement benefit surplus	**134**	125
Property, plant and equipment	**4**	4
Derivative financial instruments	**11**	–
Total non-current assets	**8,435**	7,414
Current assets		
Carried interest and performance fees receivable	**35**	93
Other current assets	**29**	60
Current income taxes	**12**	3
Derivative financial instruments	**7**	–
Deposits	**50**	–
Cash and cash equivalents	**1,020**	1,054
Total current assets	**1,153**	1,210
Total assets	**9,588**	8,624
Liabilities		
Non-current liabilities		
Trade and other payables	**(8)**	(14)
Carried interest and performance fees payable	**(926)**	(764)
Loans and borrowings	**(575)**	(575)
Retirement benefit deficit	**(27)**	(23)
Deferred income taxes	**(1)**	(3)
Provisions	**(1)**	(1)
Total non-current liabilities	**(1,538)**	(1,380)
Current liabilities		
Trade and other payables	**(95)**	(101)
Carried interest and performance fees payable	**(44)**	(106)
Current income taxes	**(1)**	(12)
Provisions	**(1)**	(1)
Total current liabilities	**(141)**	(220)
Total liabilities	**(1,679)**	(1,600)
Net assets	**7,909**	7,024
Equity		
Issued capital	**719**	719
Share premium	**787**	786
Other reserves	**6,445**	5,545
Own shares	**(42)**	(26)
Total equity	**7,909**	7,024

Consolidated cash flow statement
for the year to 31 March

	2019 £m	2018 £m
Cash flow from operating activities		
Purchase of investments	**(859)**	(827)
Proceeds from investments	**1,261**	1,277
Net cash flow from derivatives	**3**	(10)
Portfolio interest received	**26**	17
Portfolio dividends received	**61**	41
Portfolio fees received	**11**	13
Fees received from external funds	**57**	55
Carried interest and performance fees received	**104**	6
Carried interest and performance fees paid	**(86)**	(48)
Carried interest held in non-current assets	**(9)**	(27)
Operating expenses paid	**(109)**	(115)
Co-investment loans (paid)/received	**(3)**	3
Income taxes paid	**(10)**	(12)
Net cash flow from operating activities	**447**	373
Cash flow from financing activities		
Issue of shares	**1**	1
Purchase of own shares	**(29)**	–
Dividends paid	**(358)**	(255)
Interest received	**2**	2
Interest paid	**(39)**	(36)
Net cash flow from financing activities	**(423)**	(288)
Cash flow from investing activities		
Purchase of property, plant and equipment	**(3)**	(2)
Purchase of intangible assets	**–**	(13)
Net cash flow from deposits	**(50)**	41
Net cash flow from investing activities	**(53)**	26
Change in cash and cash equivalents	**(29)**	111
Cash and cash equivalents at the start of year	**1,054**	954
Effect of exchange rate fluctuations	**(5)**	(11)
Cash and cash equivalents at the end of year	**1,020**	1,054

Background to Investment basis financial statements

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

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

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

Reconciliation of Investment basis and IFRS

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

Reconciliation of Investment basis and IFRS

Reconciliation of consolidated statement of comprehensive income

for the year to 31 March

	Notes	**Investment basis 2019 £m**	**IFRS adjustments 2019 £m**	**IFRS basis 2019 £m**	Investment basis 2018 £m	IFRS adjustments 2018 £m	IFRS basis 2018 £m
Realised profits over value on the disposal of investments	1,2	**132**	**(99)**	**33**	207	(189)	18
Unrealised profits on the revaluation of investments	1,2	**1,087**	**(919)**	**168**	1,163	(777)	386
Fair value movements on investment entity subsidiaries	1	**–**	**827**	**827**	–	848	848
Portfolio income							
Dividends	1,2	**63**	**(37)**	**26**	41	(12)	29
Interest income from investment portfolio	1,2	**113**	**(80)**	**33**	116	(90)	26
Fees receivable	1,2	**9**	**2**	**11**	14	3	17
Foreign exchange on investments	1,3	**(18)**	**35**	**17**	11	(23)	(12)
Movement in the fair value of derivatives		**21**	**–**	**21**	–	–	–
Gross investment return		**1,407**	**(271)**	**1,136**	1,552	(240)	1,312
Fees receivable from external funds		**53**	**–**	**53**	57	–	57
Operating expenses	4	**(126)**	**–**	**(126)**	(121)	1	(120)
Interest received	1	**2**	**1**	**3**	2	–	2
Interest paid		**(36)**	**–**	**(36)**	(37)	–	(37)
Exchange movements	1,3	**(3)**	**(24)**	**(27)**	(27)	84	57
Other (expense)/income		**(2)**	**–**	**(2)**	2	–	2
Income from investment entity subsidiaries	1	**–**	**66**	**66**	–	19	19
Operating profit before carried interest		**1,295**	**(228)**	**1,067**	1,428	(136)	1,292
Carried interest							
Carried interest and performance fees receivable	1,4	**159**	**4**	**163**	228	–	228
Carried interest and performance fees payable	1,4	**(220)**	**220**	**–**	(205)	173	(32)
Operating profit		**1,234**	**(4)**	**1,230**	1,451	37	1,488
Income taxes	1,4	**13**	**(1)**	**12**	(26)	1	(25)
Profit for the year		**1,247**	**(5)**	**1,242**	1,425	38	1,463
Other comprehensive income/(expense)							
Exchange differences on translation of foreign operations	1,3	**–**	**5**	**5**	–	(38)	(38)
Re-measurements of defined benefit plans		**5**	**–**	**5**	–	–	–
Other comprehensive income/(expense) for the year		**5**	**5**	**10**	–	(38)	(38)
Total comprehensive income for the year (“Total return”)		**1,252**	**–**	**1,252**	1,425	–	1,425

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

Notes:

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

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

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

Reconciliation of consolidated statement of financial position

as at 31 March

	Notes	Investment basis 2019 £m	IFRS adjustments 2019 £m	IFRS basis 2019 £m	Investment basis 2018 £m	IFRS adjustments 2018 £m	IFRS basis 2018 £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	**998**	**(529)**	**469**	851	(506)	345
Unquoted investments	1	**6,555**	**(5,362)**	**1,193**	5,806	(4,055)	1,751
Investments in investment entity subsidiaries	1,2	**–**	**5,159**	**5,159**	–	4,034	4,034
Investment portfolio		**7,553**	**(732)**	**6,821**	6,657	(527)	6,130
Carried interest and performance fees receivable	1	**605**	**–**	**605**	503	(5)	498
Other non-current assets		**117**	**(93)**	**24**	113	(85)	28
Intangible assets		**11**	**–**	**11**	12	–	12
Retirement benefit surplus		**134**	**–**	**134**	125	–	125
Property, plant and equipment		**4**	**–**	**4**	4	–	4
Derivative financial instruments		**11**	**–**	**11**	–	–	–
Total non-current assets		**8,435**	**(825)**	**7,610**	7,414	(617)	6,797
Current assets							
Carried interest and performance fees receivable	1	**35**	**–**	**35**	93	–	93
Other current assets	1	**29**	**(5)**	**24**	60	(26)	34
Current income taxes		**12**	**–**	**12**	3	–	3
Derivative financial instruments		**7**	**–**	**7**	–	–	–
Deposits		**50**	**–**	**50**	–	–	–
Cash and cash equivalents	1	**1,020**	**(37)**	**983**	1,054	(82)	972
Total current assets		**1,153**	**(42)**	**1,111**	1,210	(108)	1,102
Total assets		**9,588**	**(867)**	**8,721**	8,624	(725)	7,899
Liabilities							
Non-current liabilities							
Trade and other payables	1	**(8)**	**7**	**(1)**	(14)	13	(1)
Carried interest and performance fees payable	1	**(926)**	**840**	**(86)**	(764)	659	(105)
Loans and borrowings		**(575)**	**–**	**(575)**	(575)	–	(575)
Retirement benefit deficit		**(27)**	**–**	**(27)**	(23)	–	(23)
Deferred income taxes		**(1)**	**–**	**(1)**	(3)	–	(3)
Provisions		**(1)**	**–**	**(1)**	(1)	–	(1)
Total non-current liabilities		**(1,538)**	**847**	**(691)**	(1,380)	672	(708)
Current liabilities							
Trade and other payables	1	**(95)**	**1**	**(94)**	(101)	1	(100)
Carried interest and performance fees payable	1	**(44)**	**19**	**(25)**	(106)	51	(55)
Current income taxes		**(1)**	**–**	**(1)**	(12)	1	(11)
Provisions		**(1)**	**–**	**(1)**	(1)	–	(1)
Total current liabilities		**(141)**	**20**	**(121)**	(220)	53	(167)
Total liabilities		**(1,679)**	**867**	**(812)**	(1,600)	725	(875)
Net assets		**7,909**	**–**	**7,909**	7,024	–	7,024
Equity							
Issued capital		**719**	**–**	**719**	719	–	719
Share premium		**787**	**–**	**787**	786	–	786
Other reserves	3	**6,445**	**–**	**6,445**	5,545	–	5,545
Own shares		**(42)**	**–**	**(42)**	(26)	–	(26)
Total equity		**7,909**	**–**	**7,909**	7,024	–	7,024

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

Notes:

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

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

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

Reconciliation of consolidated cash flow statement

for the year to 31 March

	Notes	**Investment basis 2019 £m**	**IFRS adjustments 2019 £m**	**IFRS basis 2019 £m**	Investment basis 2018 £m	IFRS adjustments 2018 £m	IFRS basis 2018 £m
Cash flow from operating activities							
Purchase of investments	1	**(859)**	**734**	**(125)**	(827)	357	(470)
Proceeds from investments	1	**1,261**	**(435)**	**826**	1,277	(863)	414
Cash (outflow)/inflow from investment entity subsidiaries	1	**–**	**(264)**	**(264)**	–	430	430
Net cash flow from derivatives		**3**	**–**	**3**	(10)	–	(10)
Portfolio interest received	1	**26**	**(20)**	**6**	17	(13)	4
Portfolio dividends received	1	**61**	**(37)**	**24**	41	(12)	29
Portfolio fees received	1	**11**	**1**	**12**	13	–	13
Fees received from external funds		**57**	**–**	**57**	55	–	55
Carried interest and performance fees received	1	**104**	**(2)**	**102**	6	–	6
Carried interest and performance fees paid	1	**(86)**	**48**	**(38)**	(48)	8	(40)
Carried interest held in non-current assets	1	**(9)**	**9**	**–**	(27)	27	–
Operating expenses paid	1	**(109)**	**–**	**(109)**	(115)	1	(114)
Co-investment loans (paid)/received	1	**(3)**	**7**	**4**	3	2	5
Income taxes paid	1	**(10)**	**–**	**(10)**	(12)	2	(10)
Net cash flow from operating activities		**447**	**41**	**488**	373	(61)	312
Cash flow from financing activities							
Issue of shares		**1**	**–**	**1**	1	–	1
Purchase of own shares		**(29)**	**–**	**(29)**	–	–	–
Dividends paid		**(358)**	**–**	**(358)**	(255)	–	(255)
Interest received		**2**	**–**	**2**	2	–	2
Interest paid		**(39)**	**–**	**(39)**	(36)	–	(36)
Net cash flow from financing activities		**(423)**	**–**	**(423)**	(288)	–	(288)
Cash flow from investing activities							
Purchase of property, plant and equipment		**(3)**	**–**	**(3)**	(2)	–	(2)
Purchase of intangible assets		**–**	**–**	**–**	(13)	–	(13)
Net cash flow from deposits		**(50)**	**–**	**(50)**	41	–	41
Net cash flow from investing activities		**(53)**	**–**	**(53)**	26	–	26
Change in cash and cash equivalents	2	**(29)**	**41**	**12**	111	(61)	50
Cash and cash equivalents at the start of year	2	**1,054**	**(82)**	**972**	954	(23)	931
Effect of exchange rate fluctuations	1	**(5)**	**4**	**(1)**	(11)	2	(9)
Cash and cash equivalents at the end of year	2	**1,020**	**(37)**	**983**	1,054	(82)	972

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

Notes:

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

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

Alternative Performance Measures ("APMs")

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs.

The APMs that we use may not be directly comparable with those used by other companies. Our Investment basis is itself an APM.

The explanation of and rationale for the Investment basis and its reconciliation to IFRS is provided above.

The table below defines our additional APMs.

APM	Purpose	Calculation	Reconciliation to IFRS
Gross investment return as a percentage of opening portfolio value	A measure of the performance of our proprietary investment portfolio. For further information, see the Group KPIs in our Annual report and accounts 2019.	It is calculated as the gross investment return, as shown in the Investment basis Consolidated statement of comprehensive income, as a % of the opening portfolio value.	The equivalent balances under IFRS and the reconciliation to the Investment basis are shown in the Reconciliation of the consolidated statement of comprehensive income and the Reconciliation of the consolidated statement of financial position respectively.
Cash realisations	Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities. For further information, see the Group KPIs in our Annual report and accounts 2019.	The cash received from the disposal of investments in the year as shown in the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.
Cash investment	Identifying new opportunities in which to invest proprietary capital is the primary driver of the Group's ability to deliver attractive returns. For further information, see the Group KPIs in our Annual report and accounts 2019.	The cash paid to acquire investments in the year as shown on the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.
Operating cash profit	By covering the cash cost of running the business with cash income, we reduce the potential dilution of capital returns.	The cash income from the portfolio (interest, dividends and fees) together with fees received from external funds less cash operating expenses as shown on the Investment basis Consolidated cash flow statement. The calculation is shown in Table 15 of the Financial review.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.
Net cash/net (debt)	A measure of the available cash to invest in the business and an indicator of the financial risk in the Group's balance sheet.	Cash and cash equivalents plus deposits less loans and borrowings as shown on the Investment basis Consolidated statement of financial position.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.
Gearing	A measure of the financial risk in the Group's balance sheet.	Net debt (as defined above) as a % of the Group's net assets under the Investment basis. It cannot be less than zero.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.

Risk management

Effective risk management underpins the successful delivery of our strategy. Integrity, rigour and accountability are central to our values and culture at 3i and are embedded in our approach to risk management.

Understanding our risk appetite and culture

As both an investor and asset manager, 3i is in the business of taking risks in order to seek to achieve its targeted returns for fund investors and shareholders. The Board approves the strategic objectives that determine the level and types of risk that 3i is prepared to accept. The Board reviews 3i's strategic objectives and risk appetite at least annually. The Group's risk management framework is designed to support the delivery of the Group's strategic objectives.

3i's risk appetite policy, which is consistent with previous years, is built on rigorous and comprehensive investment procedures and conservative capital management.

Culture

Integrity, rigour and accountability are central to our values and culture and are embedded in our approach to risk management. Our Investment Committee, which has oversight of the investment pipeline development and approves new investments, significant portfolio changes and divestments, is integral to ensuring a consistent approach across the business. It ensures compliance with 3i's financial and strategic requirements, cultural values and appropriate investment behaviours. Members of the Executive Committee have responsibility for their own business or functional areas and the Group expects individual behaviours to meet its high standards of conduct. All employees share the responsibility for upholding 3i's strong control culture and supporting effective risk management. Senior managers, typically those who report to Executive Committee members, are required to confirm their individual and business area compliance annually. In addition, all staff are assessed on how they demonstrate 3i's values as part of their annual appraisal. Finally, our Remuneration Committee is responsible for ensuring the Group's remuneration culture is weighted towards variable compensation where reward is strictly dependent on performance.

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

Approach to risk governance

The Board is responsible for risk assessment, the risk management process and for the protection of the Group's reputation and brand integrity. It considers the most significant risks facing the Group and uses quantitative analyses, such as vintage controls which consider the portfolio concentration by geography and sector, and liquidity reporting, where appropriate.

Non-executive oversight is also exercised through the Audit and Compliance Committee which focuses on upholding standards of integrity, financial reporting, risk management, going concern and internal control. The Audit and Compliance Committee's activities are discussed further in the Audit and Compliance Committee report in our Annual report and accounts 2019.

The Board has delegated the responsibility for risk oversight to the Chief Executive. He is assisted by the Group Risk Committee ("GRC") in managing this responsibility, and guided by the Board's appetite for risk and any specific limits set. The GRC maintains the Group risk review, which summarises the Group's principal risks, associated mitigating actions and key risk indicators, and identifies any changes to the Group's risk profile. The review also incorporates a watch list of new and emerging risks for monitoring purposes. The risk review takes place four times a year, with the last review in May 2019, and the Chief Executive provides updates to each Audit and Compliance Committee meeting. Investment Committee ensures a consistent approach to investment processes across the business.

In addition to the above, a number of other Board and Executive Committee members contribute to the Group's overall risk governance structure.

Risk appetite

Our risk appetite is defined by our strategic objectives. We invest capital in businesses that will deliver capital returns and portfolio and fund management cash income to cover our costs, and increase returns to our investors.

Investment risk

The substantial majority of the Group's capital is invested in Private Equity. Before the Group commits to an investment, we assess the Private Equity opportunity using the following criteria:

- return objective: individually assessed and subject to a minimum target of a 2x money multiple over four to five years;
- geographic focus: operate within our core markets of northern Europe and North America;
- sector expertise: focus on Business and Technology Services, Consumer, Industrial and Healthcare; and
- vintage: invest up to £750 million per annum in four to seven new investments in companies with an enterprise value range of €100 million to €500 million at investment.

Investments made by 3iN need to be consistent with 3iN's overall return target of 8% to 10% over the medium term and generate a mix of capital and income returns. Other Infrastructure investments made by the Group should be capable of delivering capital growth and fund management fees which together generate mid-teen returns.

On occasion, the Group may conclude that it is in the interest of shareholders, and consistent with our strategic objectives, to hold a Private Equity investment for a longer period. Such an investment may be managed outside the Private Equity or Infrastructure businesses. The only investment currently in this "Corporate Assets" category is Scandlines.

Capital management

3i adopts a conservative approach to managing its capital resources as follows:

- there is no appetite for structural gearing at the Group level, but short-term tactical gearing will be used;
- the Group generally does not hedge its currency exposure for its Private Equity and Infrastructure assets but it does match currency realisations with investments, where possible, and may take out short-term hedges occasionally to hedge investments and realisations between signing and completion;
- if appropriate, with due consideration of any associated liquidity risk, the Group will hedge a portion of its currency exposure on its longer term investments, such as Scandlines; and
- we have limited appetite for the dilution of capital returns as a result of operating and interest expenses. All of our business lines generate cash income to mitigate this risk.

3i Group's Pillar 3 document can be found at www.3i.com

The risk framework is augmented by a separate Risk Management Function which has specific responsibilities under the FCA's Investment Funds Sourcebook. It meets ahead of the GRC meetings to consider the key risks impacting the Group, and any changes in the relevant period where appropriate. It also considers the separate risk reports for each Alternative Investment Fund ("AIF") managed by the Group, including areas such as portfolio composition, portfolio valuation, operational updates and team changes, which are then considered by the GRC.

In practice, the Group operates a "three lines of defence" framework for managing and identifying risk. The first line of defence against outcomes outside our risk appetite is constituted by our business functions themselves.

Line management is supported by oversight and control functions such as Finance, Human Resources and Legal which constitute the second line of defence. The Compliance function is also in the second line of defence; its duties include reviewing the effective operation of our processes in meeting regulatory requirements.

Internal Audit provides independent assurance over the operation of controls and is the third line of defence. The internal audit programme includes the review of risk management processes and recommendations to improve the internal control environment.

Role of Group Risk Committee in risk management

The quarterly Group risk review process includes the monitoring of key strategic and financial metrics (such as KPIs) considered to be indicators of potential changes in the Group's risk profile. The GRC uses these to identify its principal risks. It then evaluates the impact and likelihood of each risk, with reference to associated measures and KPIs. The adequacy of the mitigation plans is then assessed and, if necessary, additional actions are agreed and then reviewed at the subsequent meeting.

A number of focus topics are also agreed in advance of each meeting. In FY2019, the GRC covered the following:

- an update on the Group's implementation of Brexit readiness plans;
- semi-annual updates on Environmental, Social, business integrity and corporate Governance ("ESG") issues and themes, especially with respect to the Group's portfolio companies;
- an update on the key themes, risks and trends from the Group's succession planning and capability review;
- a review of the Group's stress tests to support its Internal Capital Adequacy Assessment Process ("ICAAP") and Viability statement;
- a review of the Group's IT framework including cyber security and business resilience;
- an update on the Group's business continuity and resilience planning and testing; and
- the proposed risk disclosures in the 2019 Annual report and accounts.

There were no significant changes to the GRC's approach to risk governance or its operation in FY2019 but we continued to refine our framework for risk management where appropriate.

Role of Investment Committee in risk management

Our Investment Committee is fundamental to the management of investment risk. The Investment Committee is involved in and approves every material step of the investment and realisation process.

The investment case presented at the outset of our investment consideration process includes the expected benefit of operational improvements, growth initiatives and M&A activity that will be driven by our investment professionals together with the portfolio company's management team. It will also include a view on the likely exit strategy and timing.

The execution of this investment case is closely monitored:

- our monthly portfolio monitoring reviews assess current performance against budget, prior year and a set of traffic light indicators and bespoke, forward looking KPIs; and
- we hold semi-annual reviews of all our assets. We focus on the longer-term performance and plan for the investment compared to the original investment case, together with any strategic developments, sustainability risks and opportunities, and market outlook.

The monthly portfolio monitoring reviews and the semi-annual reviews are attended by the Investment Committee and the senior members of the investment teams.

Finally, we recognise the need to plan and execute a successful exit at the optimum time for the portfolio company's development, taking consideration of market conditions. This risk is closely linked to the external economic environment. Exit plans are refreshed where appropriate in the semi-annual portfolio reviews and the divestment process is clearly defined and overseen by the Investment Committee.

Individual portfolio company underperformance could have adverse reputational consequences for the Group, even though the value impact may not be material. We review our internal processes and investment decisions in light of actual outcomes on an ongoing basis.

Further details on 3i's approach as a responsible investor are available at www.3i.com

Principal risks and mitigations – aligning risk to our strategic objectives

Business and risk environment in FY2019

Although global political instability, economic uncertainty and volatile market conditions have continued throughout FY2019, there has been no significant change to our risk management approach.

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. We define our principal risks as those that have the potential to impact the delivery of our strategic objectives materially. We also maintain a log of risks which includes new and emerging risks which may have the potential to become principal risks but are not yet considered to be so. This is called our "watch list". These risks are regularly reviewed to determine if they have the potential to impact the delivery of our strategy. In the year, none of our watch list risks were considered sufficiently material to be classified as a principal risk.

External

External risks are the risks to our business which are usually outside of our direct control such as political, economic, environmental, social, regulatory and competitor risks. In FY2019, we saw continued market volatility and a slow-down in economic growth. The combination of trade tensions between the US and China and Brexit concerns has weighed on investor sentiment. We concluded that these risks were not currently material to the overall performance of our portfolio but we will continue to monitor developments closely.

In preparation for the UK's anticipated exit from the EU, we have considered the possible risks that this will pose to the Group's business model and financial performance.

The primary, direct risk relates to the Group's UK regulatory "passports" to conduct certain investment activities within the EU. In certain scenarios, it is likely that the Group would no longer have the benefit of these regulatory passports. Therefore we have implemented an alternative regulatory structure, which includes an AIFM in Luxembourg, which now manages 3i's existing branches in France, Germany and the Netherlands. Our AIFM in Luxembourg has been established since April 2018 and the new branch structure became operational from 1 April 2019. Currently 66% of our portfolio is invested in northern Europe and this new structure will enable 3i to continue the Group's activities in Europe following the UK's anticipated exit from the EU.

The direct impact of Brexit on 3i's investment portfolio is not expected to be material, due to the limited number of our portfolio companies that operate between the UK and the EU. However, as described above, the broader macro-economic environment continues to be closely monitored.

Investment

Our overarching objective is to source attractive investment opportunities at the right price and execute our investment plans successfully.

As part of our portfolio monitoring, all of our new investments in the year were subject to rigorous review, including performance against a 180-day plan. We continued to monitor the portfolio actively, and held additional reviews for the small number of Private Equity assets where operational improvements and reorganisation were particularly intense. Investment teams are responsible for origination and asset management and are rewarded with performance-based remuneration.

Operational

Attracting and retaining key people is our most significant potential operational risk. Our Remuneration Committee ensures that our variable compensation schemes are in line with market practice. Carried interest is an important incentive and rewards cash-to-cash returns.

In addition, detailed succession plans are in place for each division. The Board last completed its annual review of the Group's organisational capability and succession plans in September 2018. The success of the Group since the 2012 restructuring has led to very modest 8% levels of staff turnover.

Since last year, the risk in relation to the new Infrastructure business initiatives has decreased and is no longer considered as a principal risk in view of the progress made to date. We continued to enhance our cyber security management and reporting, and engaged an external firm to provide a dedicated Chief Information Security Officer service. Due to the nature of our business, cyber security is not considered a principal risk but is included on our watch list in the Group risk review, which remains under regular review by the GRC and Audit and Compliance Committee.

Outlook

Competition for the best assets in our sectors remains intense, with an environment of high prices requiring a disciplined approach to investment. Although there are challenges in the industry, we remain focused on a clear and consistent strategy and a disciplined approach to investment.

Viability statement

The Directors have assessed 3i's viability over a three-year period to March 2022. 3i conducts its strategic planning over a five-year period; this statement is based on the first three years, which provides more certainty over the forecasting assumptions used. 3i's strategic plan, ICAAP and associated principal risks (as set out in our Annual report and accounts 2019) are the foundation of the Directors' assessment.

The assessment is overseen by the Group Finance Director and is subject to challenge by the Group Risk Committee, review by the Audit and Compliance Committee and approval by the Board.

Our Group strategic plan projects the performance, net asset value and liquidity of 3i over a five-year period and is presented at the Directors' annual strategy away day and updated throughout the year as appropriate. At the strategy away day, the Directors consider the strategy and opportunities for, and threats to, each business line and the Group as a whole. The outcome of those discussions is included in the next iteration of the strategic plan which is then used to support the viability assessment.

The Group's ICAAP and viability testing considers multiple severe, yet plausible, individual and combined stress scenarios. They include a severe downside economic scenario and the impact of a material single asset event. The severe downside assumes that the global economy enters a severe recession; global equities fall and long-term interest rates reach new lows. The material single asset event considers the impact of a significant asset experiencing a severe downturn in performance.

We project the amount of capital we need in the business to cover our risks, including financial and operational risks, under such stress scenarios. Our analysis shows that, while there may be a significant impact on the Group's reported performance in the short term under these scenarios, the resilience and quality of our balance sheet is such that solvency is maintained and our business remains viable.

Taking the inputs from the strategic planning process, the ICAAP and its stress scenarios, the Directors reviewed an assessment of the potential effects of 3i's principal risks on its current portfolio and forecast investment and realisation activity, and the consequent impact on 3i's capital and liquidity.

Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due up to at least March 2022.

Audited financial statements

Consolidated statement of comprehensive income

for the year to 31 March

	Notes	**2019 £m**	2018 £m
Realised profits over value on the disposal of investments		**33**	18
Unrealised profits on the revaluation of investments		**168**	386
Fair value movements on investment entity subsidiaries		**827**	848
Portfolio income			
Dividends		**26**	29
Interest income from investment portfolio		**33**	26
Fees receivable		**11**	17
Foreign exchange on investments		**17**	(12)
Movement in the fair value of derivatives		**21**	–
Gross investment return		**1,136**	1,312
Fees receivable from external funds		**53**	57
Operating expenses		**(126)**	(120)
Interest received		**3**	2
Interest paid		**(36)**	(37)
Exchange movements		**(27)**	57
Income from investment entity subsidiaries		**66**	19
Other (expense)/income		**(2)**	2
Carried interest			
Carried interest and performance fees receivable		**163**	228
Carried interest and performance fees payable		**–**	(32)
Operating profit before tax		**1,230**	1,488
Income taxes	2	**12**	(25)
Profit for the year		**1,242**	1,463
Other comprehensive income/(expense) that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**5**	(38)
Other comprehensive income that will not be reclassified to the income statement			
Re-measurements of defined benefit plans		**5**	–
Other comprehensive income/(expense) for the year		**10**	(38)
Total comprehensive income for the year ("Total return")		**1,252**	1,425
Earnings per share			
Basic (pence)		**128.3**	151.7
Diluted (pence)		**127.8**	151.0

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

Consolidated statement of financial position
as at 31 March

	Notes	2019 £m	2018 £m
Assets			
Non-current assets			
Investments			
Quoted investments		**469**	345
Unquoted investments		**1,193**	1,751
Investments in investment entity subsidiaries		**5,159**	4,034
Investment portfolio		**6,821**	6,130
Carried interest and performance fees receivable		**605**	498
Other non-current assets		**24**	28
Intangible assets		**11**	12
Retirement benefit surplus		**134**	125
Property, plant and equipment		**4**	4
Derivative financial instruments		**11**	–
Total non-current assets		**7,610**	6,797
Current assets			
Carried interest and performance fees receivable		**35**	93
Other current assets		**24**	34
Current income taxes		**12**	3
Derivative financial instruments		**7**	–
Deposits		**50**	–
Cash and cash equivalents		**983**	972
Total current assets		**1,111**	1,102
Total assets		**8,721**	7,899
Liabilities			
Non-current liabilities			
Trade and other payables		**(1)**	(1)
Carried interest and performance fees payable		**(86)**	(105)
Loans and borrowings	6	**(575)**	(575)
Retirement benefit deficit		**(27)**	(23)
Deferred income taxes	2	**(1)**	(3)
Provisions		**(1)**	(1)
Total non-current liabilities		**(691)**	(708)
Current liabilities			
Trade and other payables		**(94)**	(100)
Carried interest and performance fees payable		**(25)**	(55)
Current income taxes		**(1)**	(11)
Provisions		**(1)**	(1)
Total current liabilities		**(121)**	(167)
Total liabilities		**(812)**	(875)
Net assets		**7,909**	7,024
Equity			
Issued capital		**719**	719
Share premium		**787**	786
Capital redemption reserve		**43**	43
Share-based payment reserve		**36**	32
Translation reserve		**(3)**	(8)
Capital reserve		**5,590**	4,700
Revenue reserve		**779**	778
Own shares		**(42)**	(26)
Total equity		**7,909**	7,024

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

Simon Thompson
Chairman
15 May 2019

Consolidated statement of changes in equity

for the year to 31 March

2019	**Share capital £m**	**Share premium £m**	**Capital redemption reserve £m**	**Share-based payment reserve £m**	**Translation reserve £m**	**Capital reserve £m**	**Revenue reserve £m**	**Own shares £m**	**Total equity £m**
Total equity at the start of the year	**719**	**786**	**43**	**32**	**(8)**	**4,700**	**778**	**(26)**	**7,024**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**1,096**	**146**	**–**	**1,242**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**5**	**–**	**–**	**–**	**5**
Re-measurements of defined benefit plans	**–**	**–**	**–**	**–**	**–**	**5**	**–**	**–**	**5**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**5**	**1,101**	**146**	**–**	**1,252**
Share-based payments	**–**	**–**	**–**	**19**	**–**	**–**	**–**	**–**	**19**
Release on exercise/ forfeiture of share awards	**–**	**–**	**–**	**(15)**	**–**	**–**	**15**	**–**	**–**
Exercise of share awards	**–**	**–**	**–**	**–**	**–**	**(13)**	**–**	**13**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**(198)**	**(160)**	**–**	**(358)**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(29)**	**(29)**
Issue of ordinary shares	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**1**
Total equity at the end of the year	**719**	**787**	**43**	**36**	**(3)**	**5,590**	**779**	**(42)**	**7,909**

2018	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	785	43	30	218	3,390	689	(38)	5,836
Profit for the year	–	–	–	–	–	1,318	145	–	1,463
Exchange differences on translation of foreign operations	–	–	–	–	(38)	–	–	–	(38)
Total comprehensive income for the year	–	–	–	–	(38)	1,318	145	–	1,425
Share-based payments	–	–	–	17	–	–	–	–	17
Release on exercise/ forfeiture of share awards	–	–	–	(15)	–	–	15	–	–
Exercise of share awards	–	–	–	–	–	(12)	–	12	–
Ordinary dividends	–	–	–	–	–	(83)	(71)	–	(154)
Additional dividends	–	–	–	–	–	(101)	–	–	(101)
Issue of ordinary shares	–	1	–	–	–	–	–	–	1
Transfer from translation reserve to capital reserve[1]	–	–	–	–	(188)	188	–	–	–
Total equity at the end of the year	719	786	43	32	(8)	4,700	778	(26)	7,024

1 Transfer relates to the translation reserve for Investment entity subsidiaries that was not reclassified on adoption of IFRS 10.

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

Consolidated cash flow statement

for the year to 31 March

	Notes	2019 £m	2018 £m
Cash flow from operating activities			
Purchase of investments		**(125)**	(470)
Proceeds from investments		**826**	414
Cash (outflow)/inflow from investment entity subsidiaries		**(264)**	430
Net cash flow from derivatives		**3**	(10)
Portfolio interest received		**6**	4
Portfolio dividends received		**24**	29
Portfolio fees received		**12**	13
Fees received from external funds		**57**	55
Carried interest and performance fees received		**102**	6
Carried interest and performance fees paid		**(38)**	(40)
Operating expenses paid		**(109)**	(114)
Co-investment loans received		**4**	5
Income taxes paid		**(10)**	(10)
Net cash flow from operating activities		**488**	312
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares		**(29)**	–
Dividend paid	4	**(358)**	(255)
Interest received		**2**	2
Interest paid		**(39)**	(36)
Net cash flow from financing activities		**(423)**	(288)
Cash flow from investing activities			
Purchases of property, plant and equipment		**(3)**	(2)
Purchase of intangibles		**–**	(13)
Net cash flow from deposits		**(50)**	41
Net cash flow from investing activities		**(53)**	26
Change in cash and cash equivalents		**12**	50
Cash and cash equivalents at the start of the year		**972**	931
Effect of exchange rate fluctuations		**(1)**	(9)
Cash and cash equivalents at the end of the year		**983**	972

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

Company statement of financial position
as at 31 March

	Notes	2019 £m	2018 £m
Assets			
Non-current assets			
Investments			
Quoted investments		**469**	345
Unquoted investments		**1,193**	1,751
Investment portfolio		**1,662**	2,096
Carried interest and performance fees receivable		**655**	539
Interests in Group entities		**5,221**	4,112
Other non-current assets		**17**	20
Derivative financial instruments		**11**	–
Total non-current assets		**7,566**	6,767
Current assets			
Carried interest and performance fees receivable		**7**	3
Other current assets		**3**	2
Derivative financial instruments		**7**	–
Deposits		**50**	–
Cash and cash equivalents		**958**	939
Total current assets		**1,025**	944
Total assets		**8,591**	7,711
Liabilities			
Non-current liabilities			
Loans and borrowings	6	**(575)**	(575)
Total non-current liabilities		**(575)**	(575)
Current liabilities			
Trade and other payables		**(483)**	(527)
Total current liabilities		**(483)**	(527)
Total liabilities		**(1,058)**	(1,102)
Net assets		**7,533**	6,609
Equity			
Issued capital		**719**	719
Share premium		**787**	786
Capital redemption reserve		**43**	43
Share-based payment reserve		**36**	32
Capital reserve		**5,979**	5,015
Revenue reserve		**11**	40
Own shares		**(42)**	(26)
Total equity		**7,533**	6,609

The Company profit for the year to 31 March 2019 is £1,291 million (2018: £1,405 million).

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

Simon Thompson
Chairman
15 May 2019

Company statement of changes in equity

for the year to 31 March

2019	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Total equity at the start of the year	**719**	**786**	**43**	**32**	**5,015**	**40**	**(26)**	**6,609**
Profit for the year	**–**	**–**	**–**	**–**	**1,175**	**116**	**–**	**1,291**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,175**	**116**	**–**	**1,291**
Share-based payments	**–**	**–**	**–**	**19**	**–**	**–**	**–**	**19**
Release on exercise/forfeiture of share awards	**–**	**–**	**–**	**(15)**	**–**	**15**	**–**	**–**
Exercise of share awards	**–**	**–**	**–**	**–**	**(13)**	**–**	**13**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**(198)**	**(160)**	**–**	**(358)**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**(29)**	**(29)**
Issue of ordinary shares	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Total equity at the end of the year	**719**	**787**	**43**	**36**	**5,979**	**11**	**(42)**	**7,533**

2018	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	785	43	30	3,874	28	(38)	5,441
Profit for the year	–	–	–	–	1,337	68	–	1,405
Total comprehensive income for the year	–	–	–	–	1,337	68	–	1,405
Share-based payments	–	–	–	17	–	–	–	17
Release on exercise/forfeiture of share awards	–	–	–	(15)	–	15	–	–
Exercise of share awards	–	–	–	–	(12)	–	12	–
Ordinary dividends	–	–	–	–	(83)	(71)	–	(154)
Additional dividends	–	–	–	–	(101)	–	–	(101)
Issue of ordinary shares	–	1	–	–	–	–	–	1
Total equity at the end of the year	719	786	43	32	5,015	40	(26)	6,609

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

Company cash flow statement

for the year to 31 March

	Notes	2019 £m	2018 £m
Cash flow from operating activities			
Purchase of investments		**(125)**	(468)
Proceeds from investments		**826**	395
Distributions from subsidiaries		**753**	1,002
Drawdowns by subsidiaries		**(1,023)**	(624)
Net cash flow from derivatives		**3**	(10)
Portfolio interest received		**6**	4
Portfolio dividends received		**24**	25
Portfolio fees paid		**(1)**	(2)
Carried interest and performance fees received		**26**	4
Carried interest and performance fees paid		**–**	(23)
Co-investment loans received		**4**	5
Net cash flow from operating activities		**493**	308
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares		**(29)**	–
Dividend paid	4	**(358)**	(255)
Interest received		**2**	2
Interest paid		**(36)**	(36)
Net cash flow from financing activities		**(420)**	(288)
Cash flow from investing activities			
Net cash flow from deposits		**(50)**	41
Net cash flow from investing activities		**(50)**	41
Change in cash and cash equivalents		**23**	61
Cash and cash equivalents at the start of the year		**939**	887
Effect of exchange rate fluctuations		**(4)**	(9)
Cash and cash equivalents at the end of the year		**958**	939

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

Significant accounting policies

Reporting entity

3i Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The consolidated financial statements ("the Group accounts") for the year to 31 March 2019 comprise the financial statements of the Company and its consolidated subsidiaries (collectively, "the Group").

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

A Basis of preparation

The Group and Company accounts have been prepared and approved by the Directors in accordance with all relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee for the year ended 31 March 2019, endorsed by the European Union ("EU").

The following standards, amendments and interpretations have been issued and endorsed by the EU, with implementation dates that do not impact on these financial statements:

Effective for annual periods beginning on or after		
IFRS 16	Leases	1 January 2019

IFRS 16 Leases replaces IAS 17 Leases and is effective for annual periods beginning on or after 1 January 2019. IFRS 16 will be adopted by the Group from 1 April 2019.

The only impact on the Group relates to leases for use of office space. These are currently classified as operating leases under IAS 17, with lease rentals charged to operating expenses on a straight line basis over the lease term. IFRS 16 requires lessees to recognise a lease liability, representing the present value of the obligation to make lease payments, and a related right of use ("ROU") asset. The lease liability will be calculated based on expected future lease payments, discounted using the relevant incremental borrowing rate. The ROU asset will be assessed for impairment annually and depreciated on a straight line basis.

IFRS 16 will therefore result in an increase in the Group's total assets and total liabilities as detailed below, but will not have a material impact on net assets or total return because the Group does not have material lease liabilities. There will be a non-material impact on the Group's Consolidated statement of comprehensive income as operating lease rentals (recognised in operating expenses) will be replaced with depreciation of the ROU asset (recognised in operating expenses) and effective interest recognised on the lease liability (recognised in interest paid).

On adoption of IFRS 16 at 1 April 2019, the Group will recognise an additional £23 million right of use asset and £23 million lease liability. When measuring the lease liability at 1 April 2019, future lease payments were discounted using a range of incremental borrowing rates between 0.75% and 3.35%. The Group will apply IFRS 16 using the simplified retrospective approach and therefore comparative information will not be restated. A reconciliation of the operating lease commitment as at 31 March 2019 (Note 24 of our Annual report and accounts 2019) to the opening lease liability at 1 April 2019 is presented below:

	£m
Operating lease commitments at 31 March 2019 as disclosed in Note 24*	**24**
Impact of discounting using incremental borrowing rate at 1 April 2019	**(1)**
Opening lease liability at 1 April 2019	**23**

*Included in our Annual report and accounts 2019.

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

The financial statements are prepared on a going concern basis as disclosed in the Directors' report and presented to the nearest million sterling (£m), the functional currency of the Company and the Group.

Accounting developments

On 1 April 2018, the Group adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers. The nature and effect of these changes are disclosed further below.

IFRS 9 Financial Instruments
IFRS 9 replaces the classification and measurement models previously contained in IAS 39 Financial Instruments: Recognition and Measurement.

The Group has applied IFRS 9 retrospectively, but has not restated comparative information.

The accounting for the Group's financial assets and liabilities is materially unchanged following the adoption of IFRS 9.

IFRS 15 Revenue from contracts with customers
IFRS 15 supersedes IAS 11 Construction contracts, IAS 18 Revenue and related interpretations and applies to all revenue arising from contracts with customers.

Items in the Group's Consolidated statement of comprehensive income that are within the scope of IFRS 15 are fees receivable, fees receivable from external funds and carried interest and performance fees receivable. The accounting policies for these items are shown in Notes 4 and 14 of the Annual report and accounts 2019. The Group's accounting for fees receivable and fees receivable from external funds is unchanged. However, IFRS 15 has introduced a key judgement of the extent to which it is highly probable that there will not be a significant reversal of carried interest and performance fees receivable when the relevant uncertainty is resolved. Following a detailed review, it was concluded that the adoption of IFRS 15 had no impact on the carried interest and performance fees receivable recognised by the Group. Further details of our considerations around the adoption of IFRS 15 are included in the Financial review.

The Group has applied IFRS 15 using the modified retrospective method. As our recognition remained unchanged, no adjustment to the opening balance of retained earnings was required.

Revenue has been disaggregated in accordance with IFRS 15 in Note 4 of the Annual report and accounts 2019.

B Basis of consolidation

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

Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group has all of the following:

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

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

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

The Group comprises several different types of subsidiaries. The Group re-assesses the function performed by each type of subsidiary to determine its treatment under the IFRS 10 exception from consolidation on an annual basis. The types of subsidiaries and their treatment under IFRS 10 are as follows:

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

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

Holding companies of investment managers/advisers – Consolidated

These entities provide investment related services through their subsidiaries. Typically they do not hold any direct investment in portfolio assets and these entities are not investment entities.

Limited Partnerships and other intermediate investment holding structures – Fair valued

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

Portfolio investments – Fair valued

Under IFRS 10, the test for accounting subsidiaries takes wider factors of control as well as actual equity ownership into account. In accordance with the investment entity exception, these entities have been held at fair value with movements in fair value being recognised in the Consolidated statement of comprehensive income.

Associates – Fair valued

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

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

C Critical accounting judgements and estimates

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

(a) Critical judgements

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

I. Assessment as an investment entity

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

II. Carried interest receivable

Carried interest receivable is calculated based on the underlying agreements, and assuming all portfolio investments are sold at their fair values at the balance sheet date. In accordance with IFRS 15, the calculated carried interest receivable can only be recognised to the extent to which it is highly probable that there will not be a significant reversal when the relevant uncertainty is resolved. This judgement is made on a fund-by-fund basis, based on its specific circumstances, including consideration of: remaining duration of the fund, position in relation to the cash hurdle, the number of assets remaining in the fund and the potential for clawback.

(b) Critical estimates

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

I. Fair valuation of the investment portfolio

The investment portfolio, a material asset of the Group, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in Note 5 Fair values of assets and liabilities. Further information can be found in Portfolio valuation – an explanation in our Annual report and accounts 2019. Given the importance of this area, the Board has a separate Valuations Committee to review the valuations policies, process and application to individual investments. A report on the activities of the Valuations Committee (including a review of the assumptions made) is included in our Annual report and accounts 2019. In addition, sensitivity to a net 1x movement on Action's multiple, the largest investment in our portfolio, is included in the Private Equity Business review.

II. Carried interest receivable and payable

Carried interest receivable and payable are calculated based on the underlying agreements, and assuming all portfolio investments are sold at their fair values at the balance sheet date. The actual amounts of carried interest received and paid will depend on the cash realisations of these portfolio investments and valuations may change significantly in the next financial year. The fair valuation of the investment portfolio is itself a critical estimate, as detailed above. The sensitivity of carried interest to movements in the investment portfolio is disclosed in our Annual report and accounts 2019.

D Other accounting policies

(a) Gross investment return

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

i. Realised profits or losses over value on the disposal of investments are the difference between the fair value of the consideration received in accordance with IFRS 13 less any directly attributable costs, on the sale of equity and the repayment of interest income from the investment portfolio, and its carrying value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal.

ii. Unrealised profits or losses on the revaluation of investments are the movement in the fair value of investments in accordance with IFRS 13 between the start and end of the accounting period converted into sterling using the exchange rates in force at the date of fair value assessment.

iii. Fair value movements on investment entity subsidiaries are the movements in the fair value of Group subsidiaries which are classified as investment entities under IFRS 10. The Group makes investments in portfolio assets through these entities which are usually limited partnerships or corporate subsidiaries.

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

- Dividends from equity investments are recognised in the Consolidated statement of comprehensive income when the shareholders’ rights to receive payment have been established.

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

- The accounting policy for fee income is included in Note 4 of the Annual report and accounts 2019.

v. Foreign exchange on investments arises on investments made in currencies that are different from the functional currency of the Group entity. Investments are translated at the exchange rate ruling at the date of the transaction in accordance with IAS 21. At each subsequent reporting date, investments are translated to sterling at the exchange rate ruling at that date.

vi. Movement in the fair value of derivatives relates to the change in fair value of forward foreign exchange contracts which have been used to minimise foreign currency risk in the investment portfolio.

(b) Foreign currency translation

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

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

(c) Treasury assets and liabilities

Short-term treasury assets, and short and long-term treasury liabilities are used in order to manage cash flows and minimise the overall costs of borrowing.

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

Notes to the accounts

1 Segmental analysis

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

The Chief Executive, who is considered to be the chief operating decision maker, managed the Group on the basis of business divisions determined with reference to market focus, geographic focus, investment funding model and the Group's management hierarchy. A description of the activities, including products and services offered by these divisions and the allocation of resources, is given in the Strategic report. For the geographical segmental split, revenue information is based on the locations of the assets held.

The segmental information that follows is presented on the basis used by the Chief Executive to monitor the performance of the Group. The reported segments are Private Equity, Infrastructure and Corporate Assets. On 21 June 2018, the Group completed the sale and re-investment into Scandlines. The re-investment in Scandlines is managed as a Corporate Asset separate from the Private Equity and Infrastructure businesses and, as such, is shown separately in the segmental analysis. Corporate Assets replaced Other as a segment in FY2019. In FY2018, Other comprised the residual investments retained following the sale of our Debt Management business. These residual investments were sold in FY2018.

The segmental analysis is prepared on the Investment basis to provide the most meaningful information to the reader of the accounts. For more information on the Investment basis and a reconciliation between the Investment basis and IFRS see the Reconciliation of Investment basis and IFRS section above.

1 Segmental analysis continued

Investment basis Year to 31 March 2019	Private Equity £m	Infrastructure £m	Corporate Assets £m	Total £m
Realised profits over value on the disposal of investments	131	1	–	132
Unrealised profits on the revaluation of investments	916	162	9	1,087
Portfolio income				
Dividends	12	23	28	63
Interest income from investment portfolio	103	10	–	113
Fees receivable	10	(1)	–	9
Foreign exchange on investments	(24)	15	(9)	(18)
Movement in the fair value of derivatives	–	–	21	21
Gross investment return	1,148	210	49	1,407
Fees receivable from external funds	4	49	–	53
Operating expenses	(77)	(48)	(1)	(126)
Interest receivable				2
Interest payable				(36)
Exchange movements				(3)
Other expense				(2)
Operating profit before carry				1,295
Carried interest				
Carried interest and performance fees receivable	128	31	–	159
Carried interest and performance fees payable	(206)	(14)	–	(220)
Operating profit				1,234
Income taxes				13
Other comprehensive income				
Re-measurements of defined benefit plans				5
Total return				1,252
Net divestment/(investment)				
Realisations[1]	1,235	7	–	1,242
Cash investment	(332)	2	(529)	(859)
	903	9	(529)	383
Balance sheet				
Opening portfolio value at 1 April 2018	5,825	832	–	6,657
Investment[2]	426	(2)	529	953
Value disposed	(1,103)	(6)	–	(1,109)
Unrealised value movement	916	162	9	1,087
Other movement[3]	(41)	15	(9)	(35)
Closing portfolio value at 31 March 2019	6,023	1,001	529	7,553

1 Private Equity does not include £19 million received during the year which was recognised as realised proceeds in FY2018.
2 Includes capitalised interest and other non-cash investment.
3 Other movement relates to foreign exchange and the provisioning of capitalised interest.

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

1 Segmental analysis continued

Investment basis Year to 31 March 2018	Private Equity £m	Infrastructure £m	Other[1] £m	Total £m
Realised profits/(losses) over value on the disposal of investments	199	10	(2)	207
Unrealised profits on the revaluation of investments	1,080	83	–	1,163
Portfolio income				
Dividends	5	27	9	41
Interest income from investment portfolio	112	4	–	116
Fees receivable	14	–	–	14
Foreign exchange on investments	28	(11)	(6)	11
Gross investment return	1,438	113	1	1,552
Fees receivable from external funds	7	50	–	57
Operating expenses	(75)	(46)	–	(121)
Interest receivable				2
Interest payable				(37)
Exchange movements				(27)
Other income				2
Operating profit before carry				1,428
Carried interest				
Carried interest and performance fees receivable	138	90	–	228
Carried interest and performance fees payable	(196)	(9)	–	(205)
Operating profit				1,451
Income taxes				(26)
Other comprehensive income				
Re-measurements of defined benefit plans				–
Total return				1,425
Net divestment/(investment)				
Realisations[2]	1,002	169	152	1,323
Cash investment	(587)	(217)	(23)	(827)
	415	(48)	129	496
Balance sheet				
Opening portfolio value at 1 April 2017	4,831	706	138	5,675
Investment[3]	674	217	23	914
Value disposed	(803)	(159)	(154)	(1,116)
Unrealised value movement	1,080	83	–	1,163
Other movement[4]	43	(15)	(7)	21
Closing portfolio value at 31 March 2018	5,825	832	–	6,657

1 The Other segment comprises the residual Debt Management portfolio.
2 £46 million in Private Equity relates to cash in transit at year end.
3 Includes capitalised interest and other non-cash investment.
4 Other movement relates to foreign exchange and the provisioning of capitalised interest.

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

1 Segmental analysis continued

Investment basis **Year to 31 March 2019**	**UK** **£m**	**Northern Europe** **£m**	**North America** **£m**	**Other** **£m**	**Total** **£m**
Gross investment return					
Realised profits over value on the disposal of investments	**2**	**126**	**–**	**4**	**132**
Unrealised profits/(losses) on the revaluation of investments	**289**	**745**	**85**	**(32)**	**1,087**
Portfolio income	**60**	**111**	**15**	**(1)**	**185**
Foreign exchange on investments	**–**	**(85)**	**54**	**13**	**(18)**
Movement in fair value of derivatives	**–**	**21**	**–**	**–**	**21**
	351	**918**	**154**	**(16)**	**1,407**
Net divestment/(investment)					
Realisations	**88**	**1,116**	**6**	**32**	**1,242**
Cash investment	**–**	**(730)**	**(129)**	**–**	**(859)**
	88	**386**	**(123)**	**32**	**383**
Balance sheet					
Closing portfolio value at 31 March 2019	**1,453**	**4,976**	**931**	**193**	**7,553**

Investment basis Year to 31 March 2018	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Gross investment return					
Realised profits/(losses) over value on the disposal of investments	9	154	(5)	49	207
Unrealised profits on the revaluation of investments	148	932	67	16	1,163
Portfolio income	54	104	12	1	171
Foreign exchange on investments	–	91	(55)	(25)	11
	211	1,281	19	41	1,552
Net divestment/(investment)					
Realisations	270	782	91	180	1,323
Cash investment	(32)	(434)	(361)	–	(827)
	238	348	(270)	180	496
Balance sheet					
Closing portfolio value at 31 March 2018	1,249	4,504	664	240	6,657

2 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 Consolidated statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

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

To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set off. All deferred tax liabilities are offset against deferred tax assets, where appropriate, in accordance with the provisions of IAS 12.

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

The main rate of UK corporation tax is 19% and is to be reduced to 17% from 1 April 2020. This change will affect future UK corporate taxes payable and the rate at which deferred tax assets are expected to reverse.

	2019 £m	2018 £m
Current taxes		
Current year:		
UK	**1**	22
Overseas	**3**	1
Prior year:		
UK	**(14)**	–
Overseas	**–**	(1)
Deferred taxes		
Current year	**–**	3
Prior year	**(2)**	–
Total income tax (credit)/charge in the Consolidated statement of comprehensive income	**(12)**	25

Reconciliation of income taxes in the Consolidated statement of comprehensive income

The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 19% (2018: 19%), and the differences are explained below:

	2019 £m	2018 £m
Profit before tax	**1,230**	1,488
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2018: 19%)	**234**	283
Effects of:		
Non-taxable capital profits due to UK approved investment trust company status	**(213)**	(257)
Non-taxable dividend income	**(12)**	(9)
	9	17
Other differences between accounting and tax profits:		
Permanent differences – non-deductible items	**(4)**	2
Temporary differences on which deferred tax is not recognised	**(3)**	4
Overseas countries taxes	**3**	–
Recognition of previously unrecognised deferred tax on losses	**–**	5
Prior year adjustments	**(16)**	–
Utilisation of brought forward losses	**(1)**	(3)
Total income tax (credit)/charge in the Consolidated statement of comprehensive income	**(12)**	25

The affairs of the Group's parent company are directed so as to allow it to meet the requisite conditions to continue to operate as an approved investment trust company for UK tax purposes. An approved investment trust company is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its tax status. This approval allows certain investment profits of the Company, broadly its capital profits, to be exempt from tax in the UK.

Including a net tax credit of £1 million (2018: £1 million charge) in investment entity subsidiaries, the Group recognised a total tax credit of £13 million (2018: charge of £26 million) under the Investment basis. This tax credit arises as a result of finalising the Group's UK tax returns for FY2018.

Deferred income taxes

	2019 £m	2018 £m
Opening deferred income tax liability		
Tax losses	**3**	8
Income in accounts taxable in the future	**(6)**	(8)
	(3)	–
Recognised through Consolidated statement of comprehensive income		
Tax losses recognised	**(3)**	(5)
Income in accounts taxable in the future	**5**	2
	2	(3)
Closing deferred income tax liability		
Tax losses	**–**	3
Income in accounts taxable in the future	**(1)**	(6)
	(1)	(3)

At 31 March 2019, the Group had carried forward tax losses of £1,419 million (31 March 2018: £1,400 million), capital losses of £87 million (31 March 2018: £102 million) and other temporary differences of £64 million (31 March 2018: £83 million). With the additional restrictions on utilising brought forward losses introduced from 1 April 2017, and the uncertainty that the Group will generate sufficient or relevant taxable profits in the foreseeable future to utilise these amounts, 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 19% (2018: 19%).

3 Per share information

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

	2019	2018
Net assets per share (£)		
Basic	**8.19**	7.28
Diluted	**8.15**	7.24
Net assets (£m)		
Net assets attributable to equity holders of the Company	**7,909**	7,024

	2019	2018
Number of shares in issue		
Ordinary shares	**973,000,665**	972,897,006
Own shares	**(7,014,008)**	(7,856,601)
	965,986,657	965,040,405
Effect of dilutive potential ordinary shares		
Share awards	**3,994,492**	4,732,745
Diluted shares	**969,981,149**	969,773,150

The calculation of basic earnings per share is based on the profit attributable to shareholders and the weighted average number of shares in issue. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effect of all dilutive share awards.

	2019	2018
Earnings per share (pence)		
Basic earnings per share	**128.3**	151.7
Diluted earnings per share	**127.8**	151.0
Earnings (£m)		
Profit for the year attributable to equity holders of the Company	**1,242**	1,463

Basic earnings per share is calculated on weighted average shares in issue of 967,932,072 for the year to 31 March 2019 (2018: 964,091,662). Diluted earnings per share is calculated on diluted weighted average shares of 971,792,591 for the year to 31 March 2019 (2018: 968,705,437).

4 Dividends

	2019 pence per share	2019 £m	2018 pence per share	2018 £m
Declared and paid during the year				
Ordinary shares				
Second dividend	**22.0**	**213**	18.5	178
First dividend	**15.0**	**145**	8.0	77
	37.0	**358**	26.5	255
Proposed dividend	**20.0**	**193**	22.0	212

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

The dividend can be paid out of either the capital reserve or the revenue reserve subject to the investment trust rules. The distributable reserves of the parent company are £2,226 million (31 March 2018: £1,941 million) and the Board reviews the distributable reserves bi-annually ahead of proposing any dividend. The Board also reviews the proposed dividends in the context of the requirements of being an approved investment trust. Details of the Group’s continuing viability and going concern can be found in the Risk management section.

5 Fair values of assets and liabilities

Accounting policy:

Financial instruments, other than those held at amortised cost, are held at fair value. In particular, 3i classifies groups of financial instruments at fair value through profit and loss when they are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis.

(A) Classification

The following tables analyse the Group's assets and liabilities in accordance with the categories of financial instruments in IFRS 9 (31 March 2018: IAS 39):

	Group 2019 Classified at fair value through profit and loss £m	**Group 2019 Other financial instruments at amortised cost £m**	**Group 2019 Total £m**	Group 2018 Classified at fair value through profit and loss £m	Group 2018 Other financial instruments at amortised cost £m	Group 2018 Total £m
Assets						
Quoted investments	**469**	–	**469**	345	–	345
Unquoted investments	**1,193**	–	**1,193**	1,751	–	1,751
Investments in investment entities	**5,159**	–	**5,159**	4,034	–	4,034
Other financial assets	**52**	**654**	**706**	–	653	653
Total	**6,873**	**654**	**7,527**	6,130	653	6,783
Liabilities						
Loans and borrowings	**–**	**575**	**575**	–	575	575
Other financial liabilities	**–**	**206**	**206**	–	261	261
Total	**–**	**781**	**781**	–	836	836

	Company 2019 Classified at fair value through profit and loss £m	**Company 2019 Other financial instruments at amortised cost £m**	**Company 2019 Total £m**	Company 2018 Classified at fair value through profit and loss £m	Company 2018 Other financial instruments at amortised cost £m	Company 2018 Total £m
Assets						
Quoted investments	**469**	–	**469**	345	–	345
Unquoted investments	**1,193**	–	**1,193**	1,751	–	1,751
Other financial assets	**34**	**666**	**700**	–	564	564
Total	**1,696**	**666**	**2,362**	2,096	564	2,660
Liabilities						
Loans and borrowings	**–**	**575**	**575**	–	575	575
Other financial liabilities	**–**	**483**	**483**	–	527	527
Total	**–**	**1,058**	**1,058**	–	1,102	1,102

Within the Company, £5,163 million (31 March 2018: £4,045 million) of the Interest in Group entities is held at fair value.

(B) Valuation

The fair values of the Group's financial assets and liabilities not held at fair value, are not materially different from their carrying values, with the exception of loans and borrowings. The fair value of the loans and borrowings is £709 million (31 March 2018: £718 million), determined with reference to their published market prices. The carrying value of the loans and borrowings is £575 million (31 March 2018: £575 million) and accrued interest payable (included within trade and other payables) is £8 million (31 March 2018: £8 million).

5 Fair values of assets and liabilities continued

Valuation hierarchy

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

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

Unquoted equity instruments and debt instruments are measured in accordance with the IPEV Guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted equity instruments can be found in the section Portfolio valuation – an explanation in our Annual report and accounts 2019.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 31 March 2019:

	Group 2019 Level 1 £m	**Group 2019 Level 2 £m**	**Group 2019 Level 3 £m**	**Group 2019 Total £m**	Group 2018 Level 1 £m	Group 2018 Level 2 £m	Group 2018 Level 3 £m	Group 2018 Total £m
Assets								
Quoted investments	**469**	**–**	**–**	**469**	345	–	–	345
Unquoted investments	**–**	**–**	**1,193**	**1,193**	–	–	1,751	1,751
Investments in investment entity subsidiaries	**–**	**–**	**5,159**	**5,159**	–	–	4,034	4,034
Other financial assets	**–**	**18**	**34**	**52**	–	–	–	–
Total	**469**	**18**	**6,386**	**6,873**	345	–	5,785	6,130

We determine that, in the ordinary course of business, the net asset value of an investment entity subsidiary is considered to be the most appropriate to determine fair value. The underlying portfolio is valued under the same methodology as directly held investments, with any other assets or liabilities within investment entity subsidiaries fair valued in accordance with the Group's accounting policies. Note 12 of our Annual report and accounts 2019 details the Directors' considerations about the fair value of the underlying investment entity subsidiaries.

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

	Group 2019 £m	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Opening book value	**1,751**	1,316	**1,751**	1,295
Additions	**150**	481	**150**	481
– of which loan notes with nil value	**(5)**	–	**(5)**	–
Disposals, repayments and write-offs	**(793)**	(315)	**(793)**	(293)
Fair value movement[1]	**66**	346	**66**	346
Other movements and net cash movements[2]	**24**	(77)	**24**	(78)
Closing book value	**1,193**	1,751	**1,193**	1,751

1 All fair value movements relate to assets held at the end of the period.
2 Other movements include the impact of foreign exchange and transfers of investments to/from investment entity subsidiaries.

5 Fair values of assets and liabilities continued

Unquoted investments valued using Level 3 inputs also had the following impact on the Consolidated statement of comprehensive income: realised profits over value on disposal of investments of £33 million (2018: £14 million), dividend income of £12 million (2018: £13 million) and foreign exchange gains of £17 million (2018: foreign exchange losses of £12 million).

Level 3 inputs are sensitive to assumptions made when ascertaining fair value as described in the Portfolio valuation – an explanation section. On an IFRS basis, of assets held at 31 March 2019 classified as Level 3, 77% (31 March 2018: 40%) were valued using a multiple of earnings and the remaining 23% (31 March 2018: 60%) were valued using alternative valuation methodologies. Of the underlying portfolio held by investment entity subsidiaries, 88% (31 March 2018: 95%) were valued using a multiple of earnings and the remaining 12% (31 March 2018: 5%) were valued using alternative valuation methodologies.

Assets move between Level 1 and Level 3 when an unquoted equity investment lists on a quoted market exchange. There were no transfers in or out of Level 3 during the year.

Valuation multiple – The valuation multiple is the main assumption applied to a multiple of earnings based valuation. The multiple is derived from comparable listed companies or relevant market transaction multiples. Companies in the same industry and geography and, where possible, with a similar business model and profile are selected and multiples are then adjusted for factors including liquidity risk, growth potential and relative performance. They are also adjusted to represent our longer term view of performance through the cycle or our exit assumptions. The value weighted average post discount earnings multiple used when valuing the portfolio at 31 March 2019 was 12.1x (31 March 2018: 11.7x).

If the multiple used to value each unquoted investment valued on an earnings multiple basis as at 31 March 2019 decreased by 5%, the investment portfolio value would decrease by £57 million (31 March 2018: £43 million) or 3% (31 March 2018: 2%). If the same sensitivity was applied to the underlying portfolio held by investment entity subsidiaries, this would have a negative value impact of £318 million (31 March 2018: £270 million) or 5% (31 March 2018: 6%).

If the multiple increased by 5% then the investment portfolio value would increase by £57 million (31 March 2018: £35 million) or 3% (31 March 2018: 2%). If the same sensitivity was applied to the underlying portfolio held by investment entity subsidiaries, this would have a positive value impact of £318 million (31 March 2018: £260 million) or 5% (31 March 2018: 6%).

Alternative valuation methodologies – There are a number of alternative investment valuation methodologies used by the Group, for reasons specific to individual assets. The details of such valuation methodologies, and inputs that are used, are given in the Portfolio valuation – an explanation section on in our Annual report and accounts 2019.

Each methodology is used for a proportion of assets by value, and at year end the following techniques were used under an IFRS basis: 7% DCF (31 March 2018: 5%), nil imminent sale (31 March 2018: 45%), 11% industry metric (31 March 2018: 7%) and 5% other (31 March 2018: 3%).

If the value of all of the investments valued under alternative methodologies moved by 5%, this would have an impact on the investment portfolio value of £14 million (31 March 2018: £53 million) or 1% (31 March 2018: 3%). If the same sensitivity was applied to the underlying portfolio held by investment entity subsidiaries, this would have a value impact of £33 million (31 March 2018: £10 million) or 0.6% (31 March 2018: 0.3%).

6 Loans and borrowings

Accounting policy:

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

	Group 2019 £m	Group 2018 £m
Loans and borrowings are repayable as follows:		
Within one year	**–**	–
Between the second and fifth year	**200**	200
After five years	**375**	375
	575	575

Principal borrowings include:

	Rate	Maturity	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Issued under the £2,000 million note issuance programme						
Fixed rate						
£200 million notes (public issue)	6.875%	2023	**200**	200	**200**	200
£375 million notes (public issue)	5.750%	2032	**375**	375	**375**	375
			575	575	**575**	575
Committed multi-currency facilities						
£350 million	LIBOR+0.60%	2021	**–**	–	**–**	–
			–	–	**–**	–
Total loans and borrowings			**575**	575	**575**	575

There was no change in total financing liabilities for the Group or the Company during the year as the cash flows relating to the financing liabilities were equal to the income statement expense. Accordingly, no reconciliation between the movement in financing liabilities and the cash flow statement has been presented.

The maturity of the Company's £350 million (31 March 2018: £350 million) syndicated multi-currency facility is September 2021, with the total size reducing to £328 million in September 2020. The £350 million facility has no financial covenants.

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 £709 million (31 March 2018: £718 million), determined with reference to their published market prices. The loans and borrowings are included in Level 2 of the fair value hierarchy.

In accordance with the FCA Handbook (FUNDS 3.2.2. R and Fund 3.2.6. R), 3i Investments plc, as AIFM of the Company, is required to calculate leverage in accordance with a set formula and disclose this to investors. In line with this formula, leverage at 31 March 2019 for the Group is 96% (31 March 2018: 111%) and the Company is 84% (31 March 2018: 105%) under both the gross method and the commitment method. The leverage for 3i Investments plc at 31 March 2019 is 100% (31 March 2018: 100%) under both the gross method and the commitment method.

Under the Securities Financing Transactions Regulation ("SFTR") and AIFMD, 3i is required to disclose certain information relating to the use of securities financing transactions ("SFTs") and total return swaps. At 31 March 2019, 3i was not party to any transactions involving SFTs or total return swaps.

7 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.

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 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Carried interest receivable	**132**	138	**158**	183
Fees receivable from external funds	**19**	29	**–**	–

Statement of financial position	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Carried interest receivable	**609**	500	**662**	541

Investments
The Group makes investments in the equity of unquoted and quoted investments where it does not have control but may be able to participate in the financial and operating policies of that company. IFRS presumes that it is possible to exert significant influence when the equity holding is greater than 20%. The Group has taken the investment entity exception as permitted by IFRS 10 and has not equity accounted for these investments, in accordance with IAS 28, but they are related parties. The total amounts included for investments where the Group has significant influence but not control are as follows:

Statement of comprehensive income	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Realised profit over value on the disposal of investments	**1**	7	**1**	11
Unrealised profits on the revaluation of investments	**23**	36	**23**	36
Portfolio income	**12**	9	**11**	5

Statement of financial position	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Unquoted investments	**415**	380	**415**	380

Advisory and management arrangements

The Group acted as an adviser to 3i Infrastructure plc ("3iN"), which is listed on the London Stock Exchange, for the period to 14 October 2018. Following the decision to move 3iN's tax residence and management to the UK, 3i Investments plc was appointed as 3iN's Investment Manager on 15 October 2018. The following amounts have been recognised in respect of the advisory and management arrangements:

Statement of comprehensive income	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Realised profit over value on the disposal of investments	**–**	4	**–**	4
Unrealised profits on the revaluation of investments	**102**	40	**102**	40
Fees receivable from external funds	**31**	29	**–**	–
Performance fees receivable	**31**	90	**–**	–
Dividends	**14**	16	**14**	16

Statement of financial position	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Quoted equity investments	**469**	345	**469**	345
Performance fees receivable	**31**	90	**–**	–

20 large investments

The 20 investments listed below account for 94% of the portfolio at 31 March 2019 (31 March 2018: 93%). All investments have been assessed to establish whether they classify as accounting subsidiaries under IFRS and/or subsidiaries under the UK Companies Act. This assessment forms the basis of our disclosure of accounting subsidiaries in the financial statements.

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

In accordance with Part 5 of The Alternative Investment Fund Managers Regulations 2013 (“the Regulations”), 3i Investments plc, as AIFM, requires all controlled portfolio companies to make available to employees an annual report which meets the disclosure requirements of the Regulations. These are available either on the portfolio company’s website or through filing with the relevant local authorities.

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost[1] March 2018 £m	**Residual cost[1]** **March** **2019** **£m**	Valuation March 2018 £m	**Valuation** **March** **2019** **£m**	Relevant transactions in the year
Action* Non-food discount retailer	Private Equity Netherlands 2011 Earnings	12	**24**	2,064	**2,731**	
3i Infrastructure plc* Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	310	**307**	581	**744**	
Scandlines Ferry operator between Denmark and Germany	Corporate Assets Denmark/ Germany 2018 DCF	–	**529**	–	**529**	Full realisation and 3i’s partial reinvestment completed on 21 June 2018.
Audley Travel* Provider of experiential tailor-made travel	Private Equity UK 2015 Earnings	195	**189**	233	**270**	£25m distribution received.
Basic-Fit Discount gyms operator	Private Equity Netherlands 2013 Quoted	11	**8**	270	**254**	Sold 3.7m shares at €30.5 per share, generating proceeds of £89m.
Cirtec Medical* Outsourced medical device manufacturing	Private Equity US 2017 Earnings	172	**172**	190	**248**	Acquired Cactus Semiconductor in October 2018 and Metrigraphics in December 2018.
Hans Anders* Value-for-money optical retailer	Private Equity Netherlands 2017 Earnings	186	**250**	189	**246**	Acquired eyes + more in January 2019.
Q Holding* Manufacturer of precision engineered elastomeric components	Private Equity US 2014 Earnings	162	**162**	229	**241**	
WP* Supplier of plastic packaging solutions	Private Equity Netherlands 2015 Earnings	175	**187**	244	**241**	
Smarte Carte* Provider of self-serve vended luggage carts, electronic lockers and concession carts	Infrastructure US 2017 DCF	166	**164**	167	**181**	
Ponroy Santé* Manufacturer of natural healthcare and cosmetics products	Private Equity France 2017 Earnings	139	**147**	145	**174**	Acquired Densmore in July 2018.

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost[1] March 2018 £m	**Residual cost[1] March 2019 £m**	Valuation March 2018 £m	**Valuation March 2019 £m**	Relevant transactions in the year
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	30	**30**	139	**172**	
Formel D* Quality assurance provider for the automotive industry	Private Equity Germany 2017 Earnings	138	**147**	133	**169**	
ICE* Global travel and loyalty company that connects leading brands, travel suppliers and end consumers	Private Equity US 2018 Earnings	–	**129**	–	**155**	New investment. In February 2019, merged with SOR.
BoConcept* Urban living designer	Private Equity Denmark 2016 Earnings	142	**156**	137	**152**	
Royal Sanders* Private label and contract manufacturing producer of personal care products	Private Equity Netherlands 2018 Earnings	–	**135**	–	**147**	New investment. Acquired McBride's European personal care liquids business in November 2018.
ACR Pan-Asian non-life reinsurance	Private Equity Singapore 2006 Industry metric	105	**105**	129	**129**	
Lampenwelt* Online lighting specialist retailer	Private Equity Germany 2017 Earnings	98	**101**	111	**119**	
Tato Manufacturer and seller of speciality chemicals	Private Equity UK 1989 Earnings	2	**2**	114	**117**	£10m dividend received.
Aspen Pumps* Manufacturer of pumps and accessories for the air conditioning, heating and refrigeration industry	Private Equity UK 2015 Earnings	86	**41**	108	**103**	Acquired Advanced Engineering in November 2018. Completed a refinancing in December 2018.
		2,129	**2,985**	5,183	**7,122**	

* Controlled in accordance with IFRS.
1 Residual cost includes capitalised interest.

Glossary

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

2016-2019 vintage includes BoConcept, Cirtec, Formel D, Hans Anders, ICE, Lampenwelt, Ponroy Santé, Royal Sanders and Schlemmer.

Alternative Investment Funds ("AIFs") At 31 March 2019, 3i Investments plc as AIFM, managed five AIFs. These were 3i Group plc, 3i Growth Capital Fund, 3i Eurofund V, 3i Managed Infrastructure Acquisitions LP and 3i Infrastructure plc. 3i Investments (Luxembourg) SA as AIFM, managed one AIF, 3i European Operational Projects Fund.

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

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

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

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

B2B Business-to-business.

Board The Board of Directors of the Company.

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

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

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

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

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

Company 3i Group plc.

Country by Country reporting ("CbC Reporting") refers to a requirement for large multinational groups, operating in different countries, to file an annual report with their head office tax authority. This provides information about the activities of the entities in the Group, on a country-by-country basis, across the countries in which the Group operates. This requirement applied to the Group from 1 April 2016.

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

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

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

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

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

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

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

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

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

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

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

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

International Financial Reporting Standards ("IFRS") are accounting standards issued by the International Accounting Standards Board ("IASB"). The Group's consolidated financial statements are required to be prepared in accordance with IFRS, as endorsed by the EU.

Investment basis Accounts prepared assuming that IFRS 10 had not been introduced. Under this basis, we fair value portfolio companies at the level we believe provides the most comprehensive financial information.

The commentary in the Strategic report refers to this basis as we believe it provides a more understandable view of our performance.

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

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

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

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

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

Performance fee receivable The Group earns a performance fee from the investment management services it provides to 3i Infrastructure plc (“3iN”) when 3iN’s total return for the year exceeds a specified threshold. This fee is calculated on an annual basis and paid in cash early in the next financial year. A new fee arrangement will come into place on 1 April 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

List of Directors and their functions

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

Simon Thompson, Chairman and Chairman of the Nominations Committee
Simon Borrows, Chief Executive and Executive Director
Julia Wilson, Group Finance Director and Executive Director
Jonathan Asquith, non-executive Director, Deputy Chairman and Chairman of the Remuneration Committee
Caroline Banszky, non-executive Director and Chairman of the Audit and Compliance Committee
Stephen Daintith, non-executive Director
Peter Grosch, non-executive Director
David Hutchison, non-executive Director and Chairman of the Valuations Committee
Coline McConville, non-executive Director

By order of the Board
K J Dunn
Company Secretary
15 May 2019

Registered Office: 16 Palace Street, London SW1E 5JD