



# Results for the year to 31 March 2014



14 May 2014



# Strategic objectives met and good progress

**Simon Borrows**  
Chief Executive

# Generating real momentum in the business

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- Strong performance in FY2014 benefiting from the restructuring plan launched in June 2012
- We have met or exceeded all of our strategic priorities and targets in the year
- 3i is now a more streamlined and decisive organisation, with a clearer focus on performance and shareholder returns
- Introduction of Proprietary Capital and Fund Management framework provides further disclosure for performance measurement

# Strong year benefitting from restructuring

## FY2014 performance highlights



Strong total shareholder return	➔	<b>30%</b>	total shareholder return
	➔	<b>20p</b>	proposed total dividend
Good flow of Private Equity realisations	➔	<b>43%</b>	uplift to opening value
Building investment momentum in Private Equity	➔	<b>£372m</b>	of cash investment
Substantially outperformed cost savings target	➔	<b>£70m</b>	of operating cost savings
Solid and simplified balance sheet	➔	<b>£47m</b>	gross interest reduction
Annual cash income exceeds operating costs	➔	<b>£5m</b>	annual operating cash profit

1 Total Shareholder Return from close of 28 March 2013 to close of 31 March 2014 (financial year end).

# A clear vision and strategy

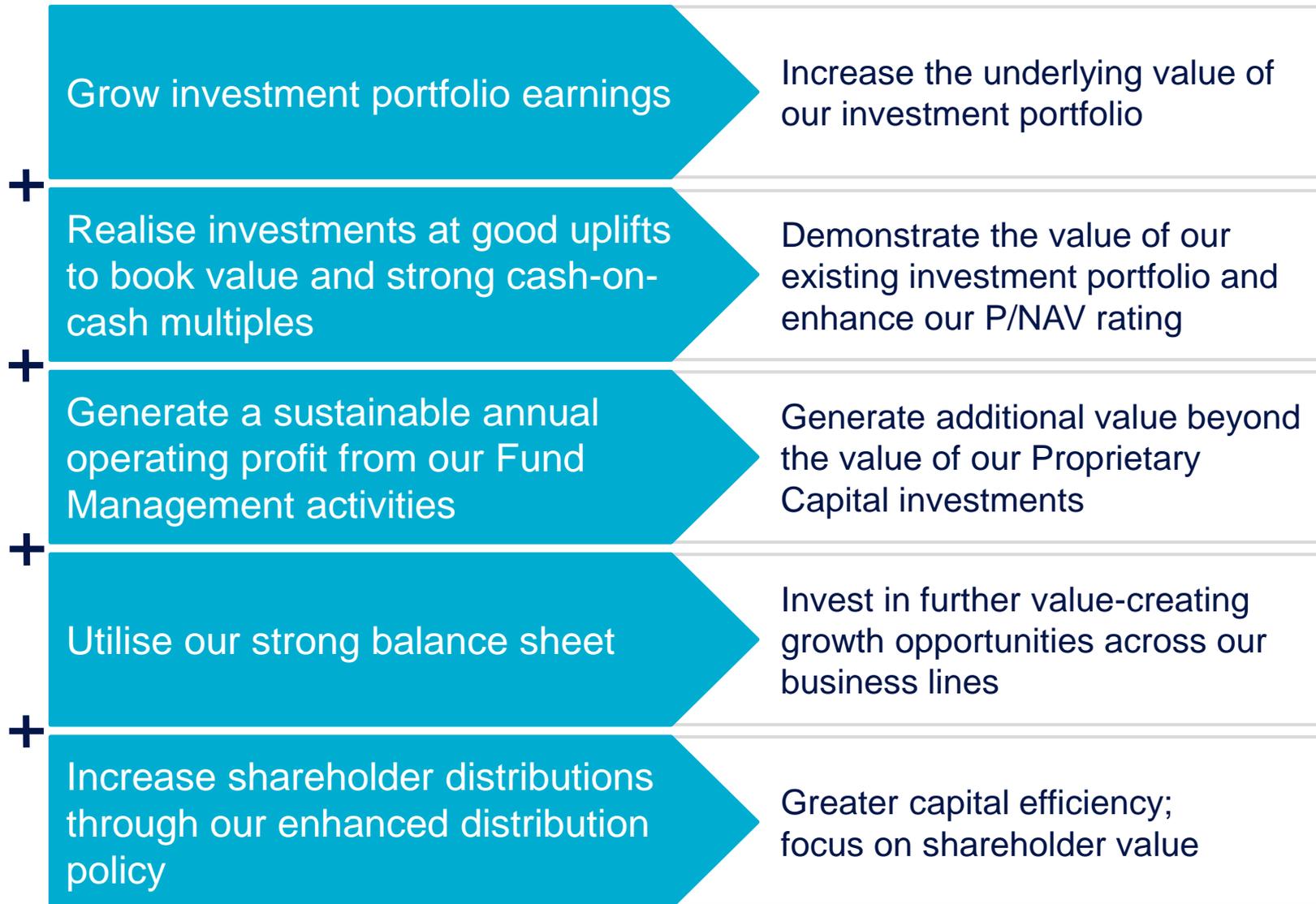
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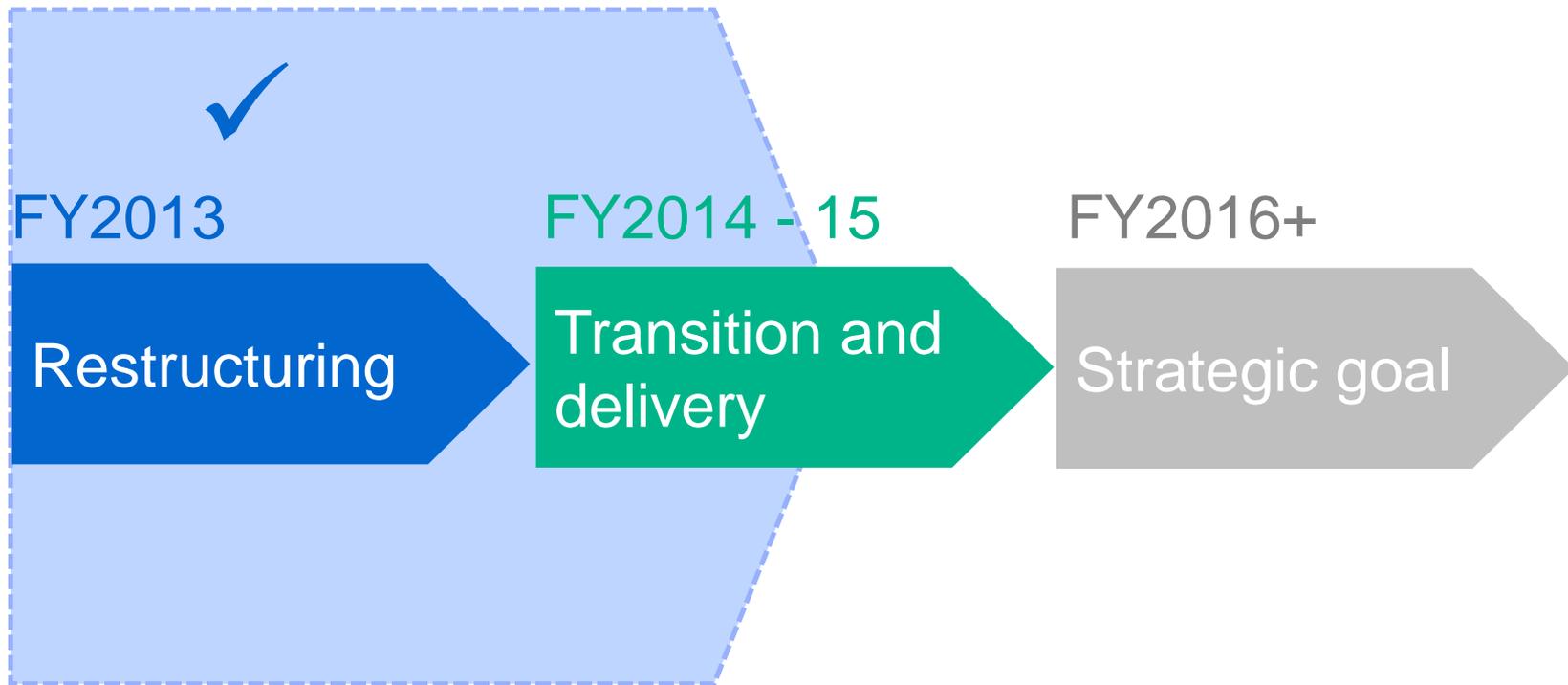
- A leading international investment manager of proprietary and third-party capital in:
  - **mid-market Private Equity**
  - **Infrastructure**
  - **Debt Management**

# The 3i Value Build

An attractive, multi-year value proposition



# Key phases of organisational change and strategic delivery



We have met or exceeded all of our strategic priorities and targets in FY2014

# Our strategic priorities for FY2014

FY2013

FY2014-2015

FY2016+



We have delivered against all of our strategic priorities and targets for FY2014:

- 1 Deliver** further Private Equity realisations to support an enhanced shareholder distribution in FY2014 ✓
- 2 Realise** fully the benefits from the Private Equity asset management improvement initiatives ✓
- 3 Invest** in Private Equity through proprietary capital and third-party co-investment ✓
- 4 Grow** Infrastructure and Debt Management businesses and third-party fund management profits ✓
- 5 Further reduce** operating costs, gross debt and funding costs ✓
- 6 Implement** fully the new compensation arrangements ✓



- Investment portfolio performing well
  - Good growth in value of “keeper” assets
  
- Strong flow of realisations at good uplifts
  - Streamlining of portfolio with exits of a number of problematic or low-value assets
  
- Selective investment through a combination of proprietary and third-party capital
  - Building investment pipeline
  - Continuing to be selective in current high-priced environment

# 1 Key realisations as part of well constructed exit plans



## Notable realisations in FY2014:

Investment realised	Calendar year invested	Cash proceeds	Uplift to opening value (31/3/2013)	Money multiple <sup>1</sup>	Residual value (31/3/2014)
Xellia	2008	£143m	46%	2.3x	
Civica	2008	£124m	48%	2.1x	
Action	2011	£59m	23%	5.3x	£501m
Trescal	2010	£58m	16%	2.1x	
Quintiles	2008	£51m	70%	2.6x	£122m
Hyperion	2008	£44m	2%	1.7x	
Everis	2007	£29m	32%	1.1x	
Bestinvest	2007	£25m	525%	0.6x	
Joyon	2007	£21m	31%	1.8x	

<sup>1</sup> Money multiple calculated using 3i GBP cash flows and for partial exits (Action and Quintiles) includes 31/3/2014 residual value.

Uplift of 43% to opening valuations at 31 March 2013

## 2 Private Equity: clearly defined portfolio segmentation



### The buckets:

Longer-term hold and value creation

Strong performers; position for sale over the next few years

Manage intensively; potential value upside

Low or nil-valued assets

### Selected examples:

Action, Element,  
Mayborn, Scandlines

Civica, Quintiles

Azelis, Bestinvest,  
Memora, OneMed, Xellia

Romprest

### 3 Private Equity: selective investment



## Selective and measured investment through a combination of proprietary and third-party capital

Investment	Date of announcement	Proprietary capital	Proprietary + Third-party capital	Comments
Basic-Fit	Dec 2013	£81m	£95m	<ul style="list-style-type: none"><li>▪ Discount fitness operator in Europe</li><li>▪ Investment made alongside co-investor</li></ul>
Scandlines	Dec 2013	£77m	£138m	<ul style="list-style-type: none"><li>▪ Purchase of an additional equity stake</li></ul>
JMJ	Oct 2013	£44m	£57m	<ul style="list-style-type: none"><li>▪ Global management consultancy</li><li>▪ Investment made alongside co-investor under framework agreement</li></ul>
GIF	Oct 2013	£63m	£64m	<ul style="list-style-type: none"><li>▪ German transmission testing business; 7x EBITDA acquisition multiple</li></ul>

Improving investment pipeline

Continuing to be selective in high-priced environment



## 4 Infrastructure – A Year of Change



- Key contributor to Group's annual cash income through advisory fees and dividend from 3iN
- India Fund's performance challenged due to depreciation of rupee and difficult macro-economic conditions
- Broadening of Infrastructure platform through strategic acquisition of European PPP platform

## 4 Debt Management – good growth



### Our platform

Top 10 global CLO manager with AUM of £6.5bn  
29 investment professionals based in London, New York and Singapore

### Our products

Levered senior loan funds

13 European and  
9 US CLOs

Unlevered loan funds

2 open-ended funds

PE FoF & other

2 PE FoF, 1 mezzanine  
loan fund, 1 credit  
opportunities fund

### Clear strategy

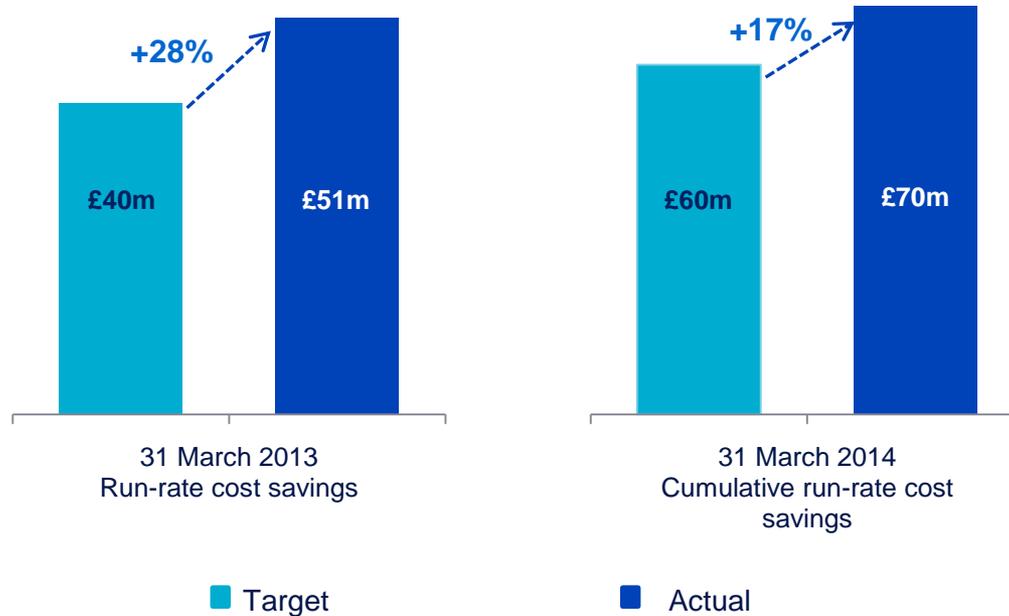
- Further growth of CLO platform
- Optimise operating leverage to increase profitability
- Potential incremental revenue through managed accounts

Leverage platform to continue to grow AUM profitably  
Four new CLOs issued raising £1.2 billion of AUM

## 5 Significantly reduced operating costs



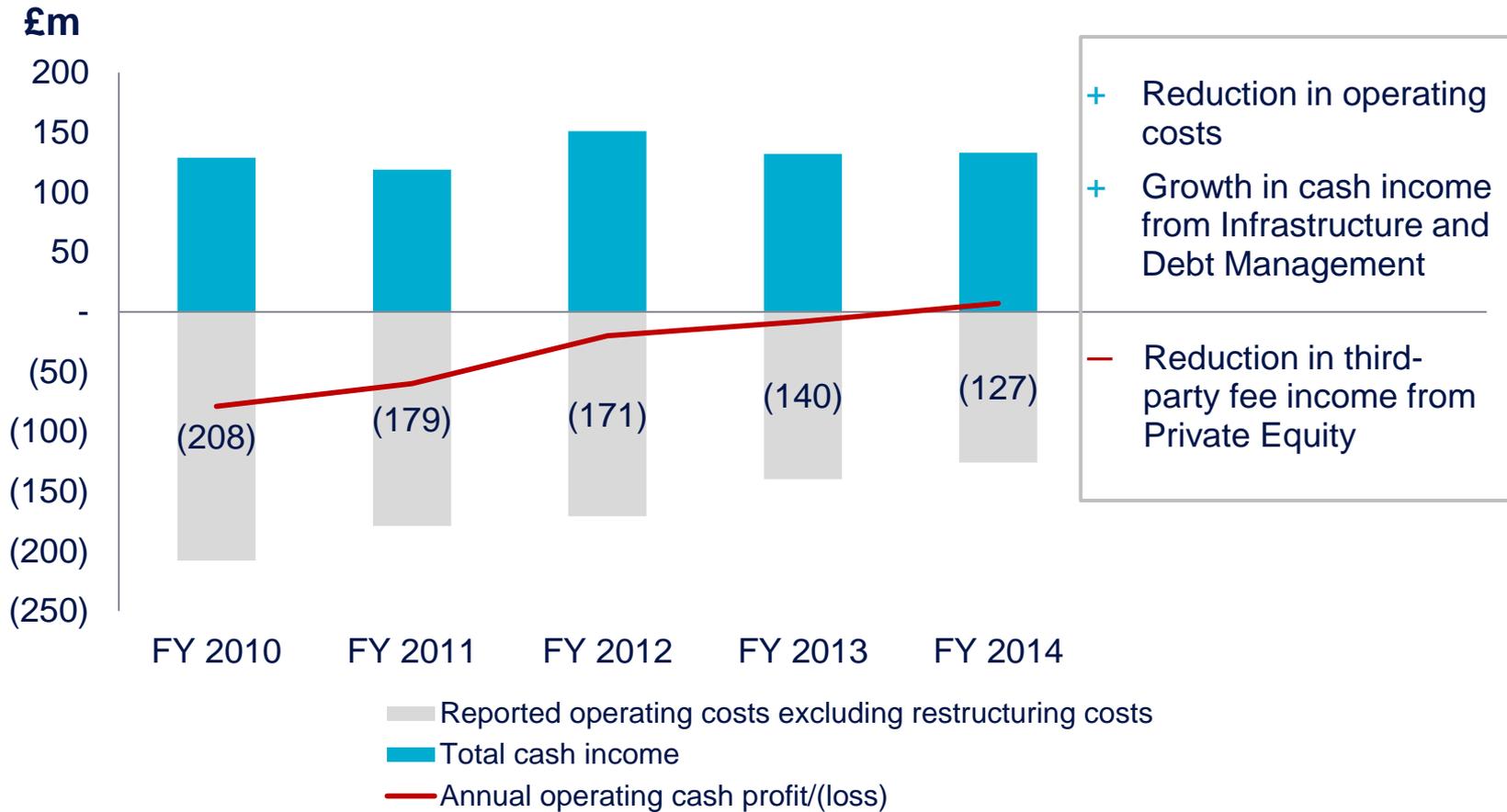
### Run-rate cost savings (like-for-like basis)



Achieved £70m of cumulative run-rate cost savings at March 2014, well ahead of £60m target

Including acquisitions, total run-rate operating costs of c.£129m

## 5 Covering operating costs with annual cash income



Cash income exceeded operating costs in FY2014

## 6 New compensation arrangements fully implemented



**Fair and transparent split of returns**

**Closely aligned with key strategic objectives**

**Focused on creating shareholder value**

New compensation arrangements aligned with key strategic objectives and incorporating significant 3i shares element

# Transition and delivery: clear priorities in FY2015



FY2013

FY2014-2015

FY2016+

## Strategic priorities:

Focus on consistency and discipline of investment processes and asset management

Selective new investment utilising our strong balance sheet to generate attractive returns for our shareholders

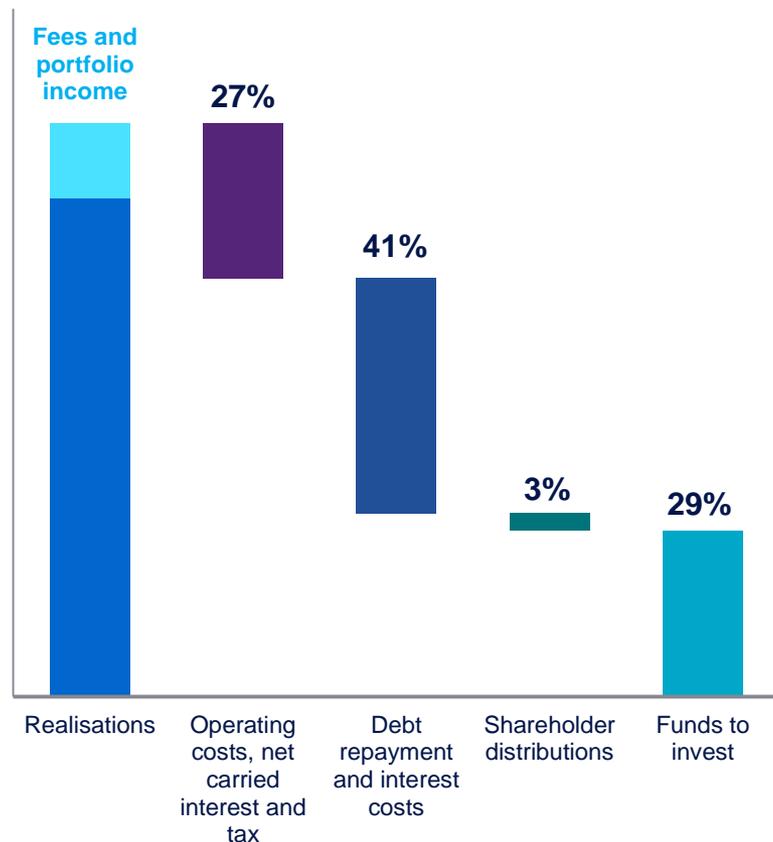
Maintain cost discipline

Continue to improve capital allocation, focus on enhanced shareholder distributions

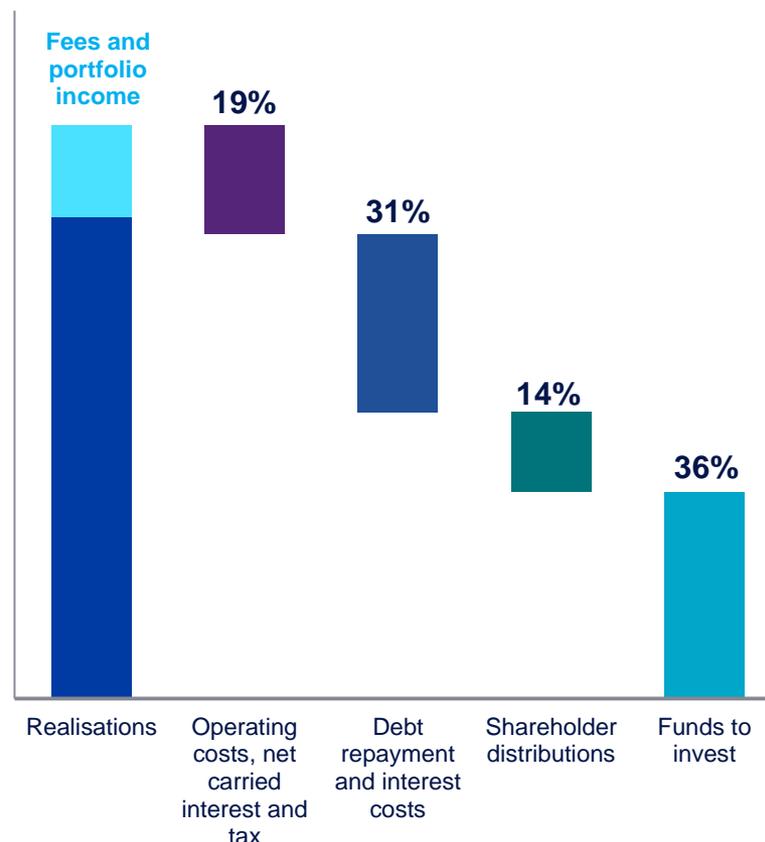
# Improvement in capital efficiency and allocation



Average over FY10-FY12



FY14



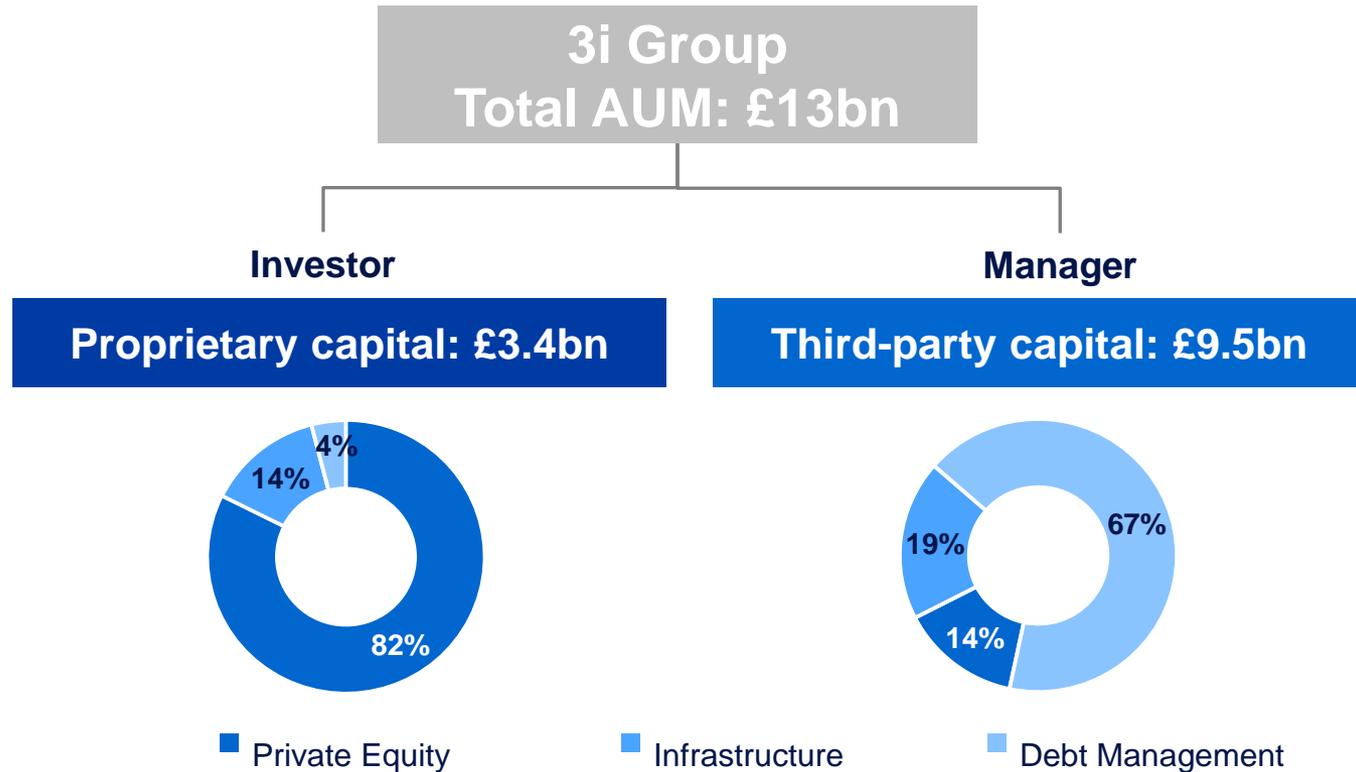
Shift in capital allocation driving increased capital available for shareholder distributions and re-investment

Further improvement expected in FY2015

# Combination of proprietary and third-party capital



- 3i's mix of proprietary and third-party capital represents a 'hybrid' asset manager model



Combination of proprietary capital investor and manager of third-party capital represents a differentiated business model



## Key Performance Indicators:

### 3i Group

- Total shareholder return
- Annual operating cash profit

### Proprietary Capital investing

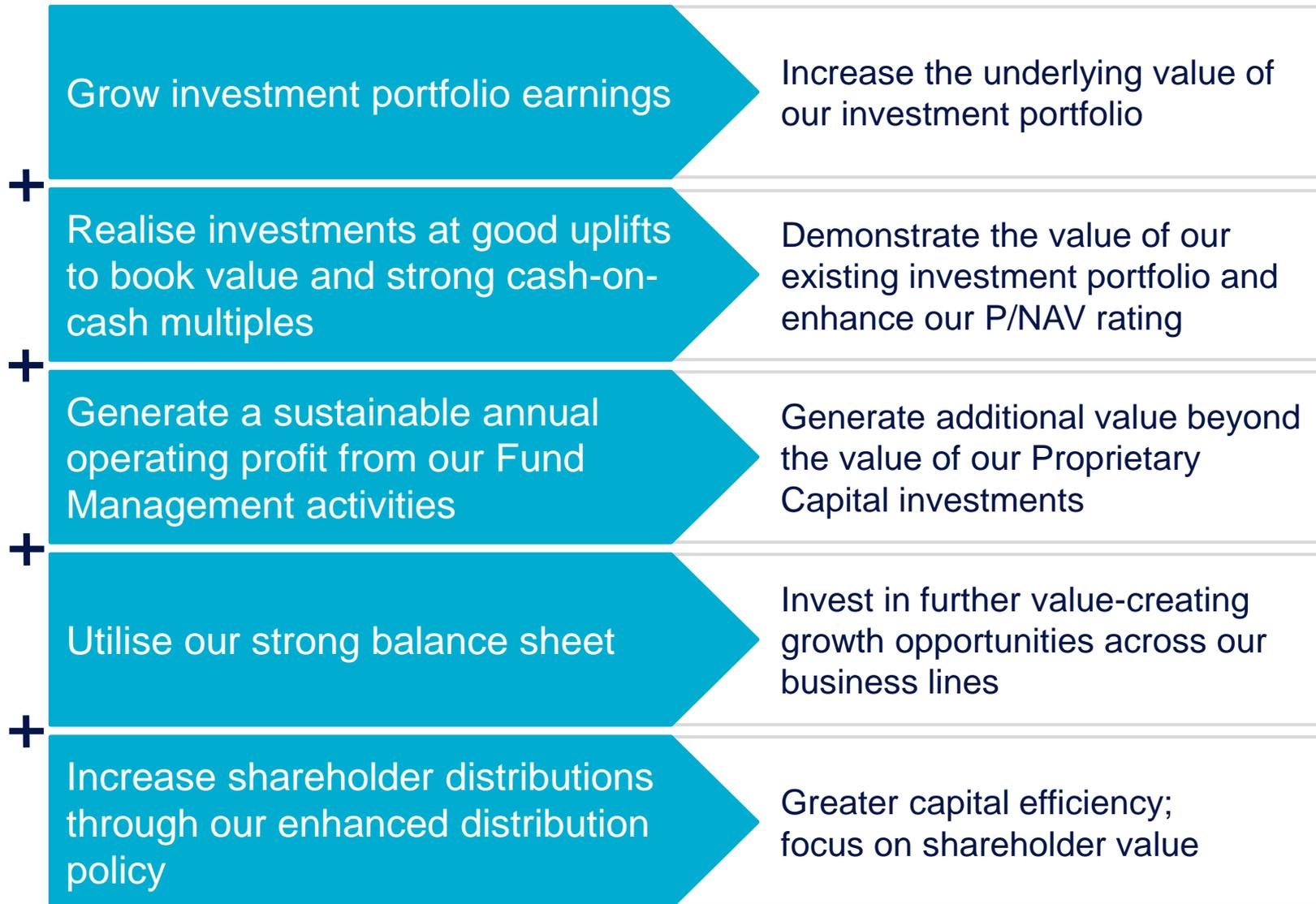
- Gross investment return
- NAV and portfolio income

### Fund Management activities

- Total AUM and fee growth
- Fund Management profit and margin

# The 3i Value Build

An attractive, multi-year value proposition







# Significant progress with strong returns and momentum

**Julia Wilson**

Group Finance Director

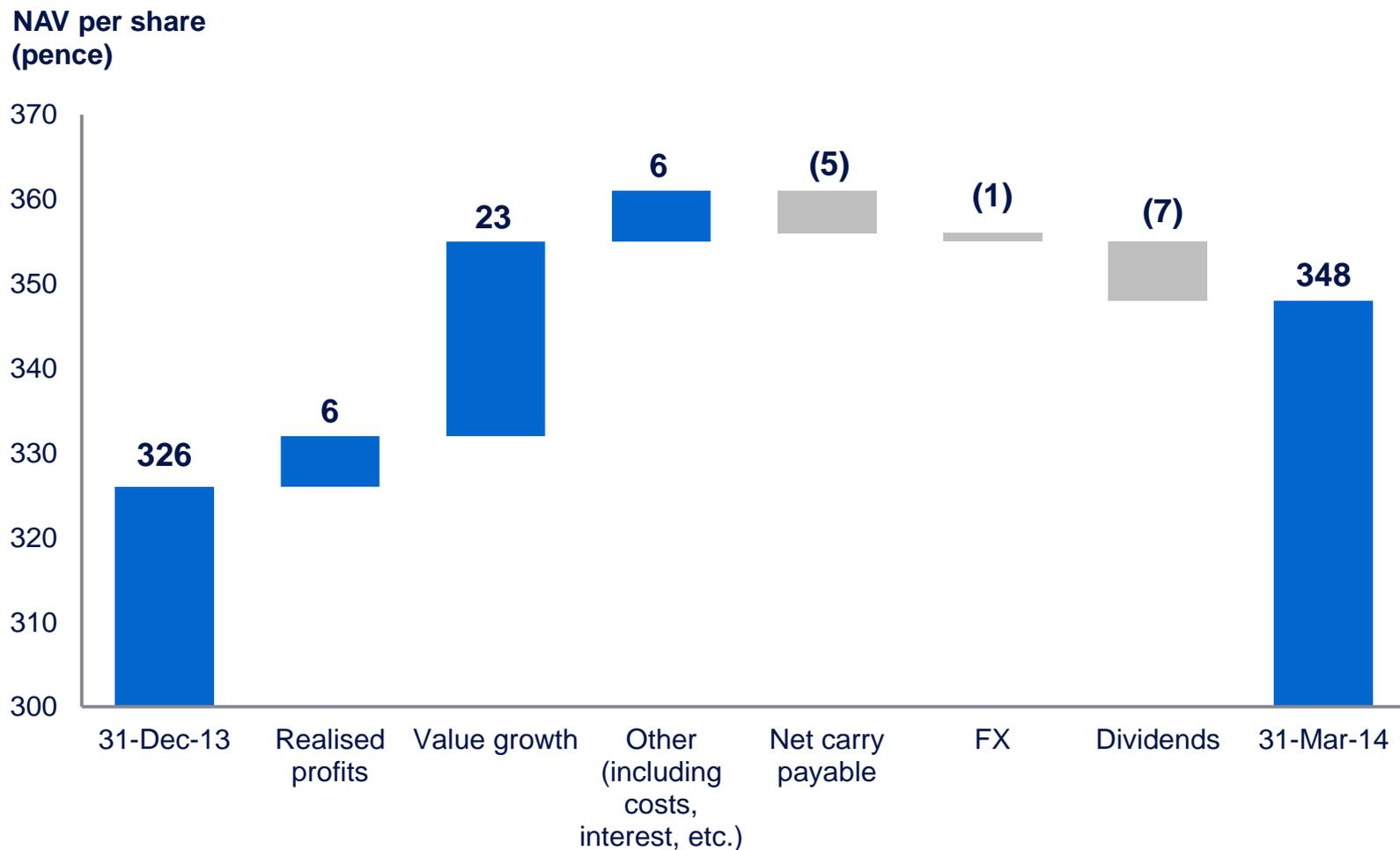
# Strong returns and momentum



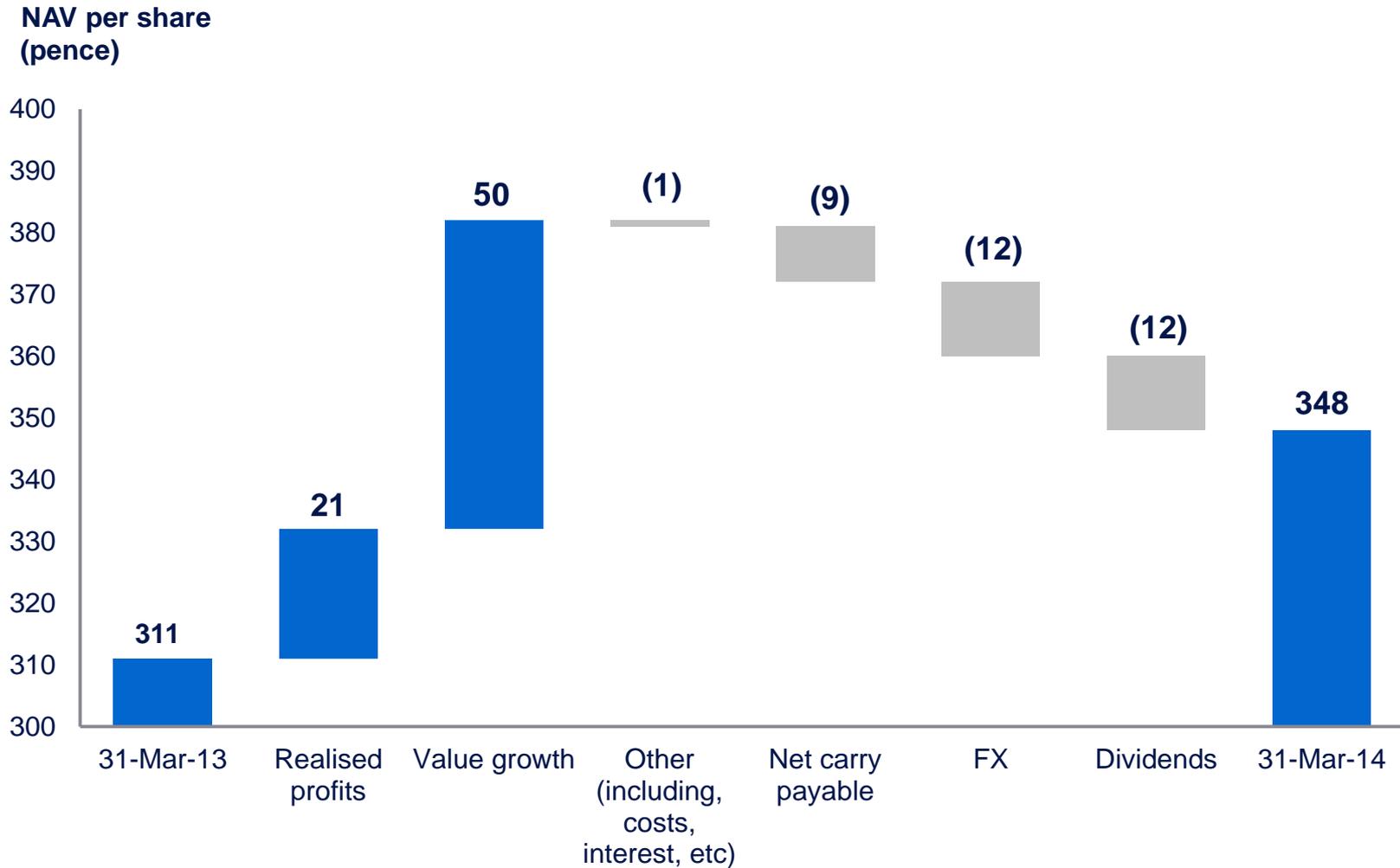
	Year to 31 March 2014	Year to 31 March 2013	
<b>Group</b>	<b>Total return</b>	<b>£478m</b>	£373m
	<b>% over opening net asset</b>	<b>16.3%</b>	14.2%
	Dividend per ordinary share	<b>20.0p</b>	8.1p
	Diluted net asset value per ordinary share	<b>348p</b>	311p
	Operating expenses	<b>£136m</b>	£170m
	<b>Annual operating cash profit</b>	<b>£5m</b>	£(8)m
<b>Proprietary Capital</b>	<b>Realisation proceeds</b>	<b>£677m</b>	£606m
	Uplift over opening book value	<b>£202m/43%</b>	£190m/46%
	<b>Cash investment</b>	<b>£337m</b>	£149m
	Gross investment return	<b>£665m</b>	£598m
	3i portfolio value	<b>£3,565m</b>	£3,295m
	<b>Gross debt</b>	<b>£857m</b>	£1,081m
<b>Fund Management</b>	Total assets under management	<b>£12,911m</b>	£12,870m
	Third party fee income	<b>£76m</b>	£71m
	Underlying profit/margin	<b>£33m/26%</b>	£17m/13%

1 Gearing is net debt as a percentage of NAV.

# Strong portfolio growth in Q4



# Good realised profits and restructuring benefits



# Private Equity – excellent portfolio performance



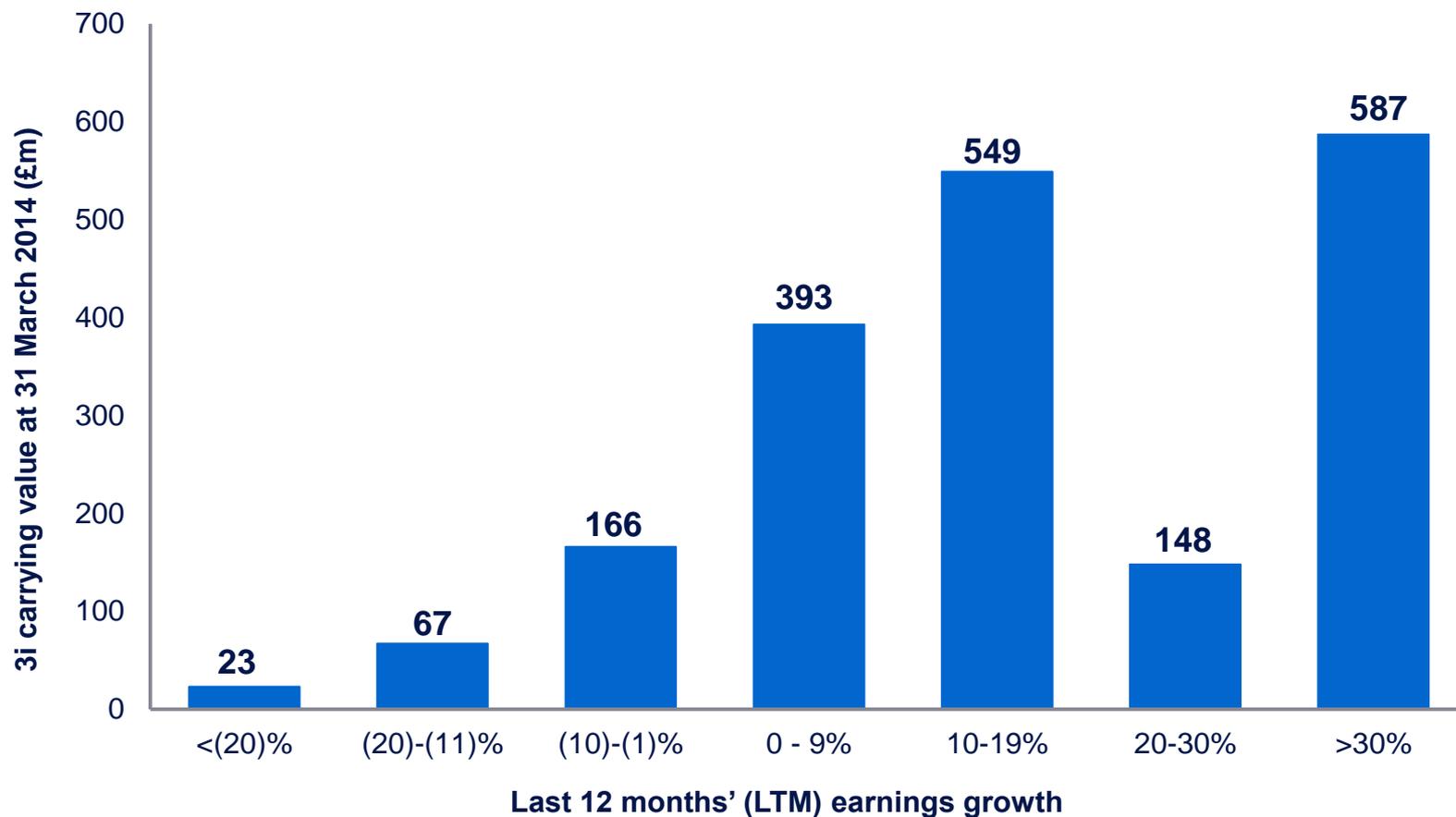
Key metrics, year to 31 March	2014	2013
Gross investment return	<b>£647m</b>	£562m
Core Europe and North America	<b>£698m</b>	£572m
Non-core Europe, Asia and Brazil	<b>£(51)m</b>	£(10)m
Realised profits	<b>£201m</b>	£190m
Uplift over book value	<b>43%</b>	49%
Money multiple	<b>1.8x</b>	2.1x
Cash investment	<b>£276m</b>	£121m
AUM	<b>£4,132m</b>	£4,851m
Portfolio value	<b>£2,935m</b>	£2,707m

Pipeline for new deals improving

# Good earnings growth in Private Equity portfolio



## Portfolio earnings growth weighted by March 2014 carrying values<sup>1</sup>



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

## Some positive re-rating of valuation multiples



- Value weighted earnings growth of 19%
- Use of forecast earnings for 4 portfolio companies (3% by value)
- Gross multiples increased by 20% since March 2013
- Net debt/EBITDA<sup>1</sup> in the portfolio 3.1x compared with 3.2x at March 2013

Multiples	March 2014	March 2013
FTSE 250	<b>13.3x</b>	11.1x
3i pre-discount	<b>10.6x</b>	8.8x
3i post-discount	<b>9.9x</b>	7.9x

Earnings	March 2014	March 2013
Forecast	<b>9%</b>	22%
Management/audited	<b>81%</b>	78%

<sup>1</sup> For those portfolio companies valued on an earnings basis.



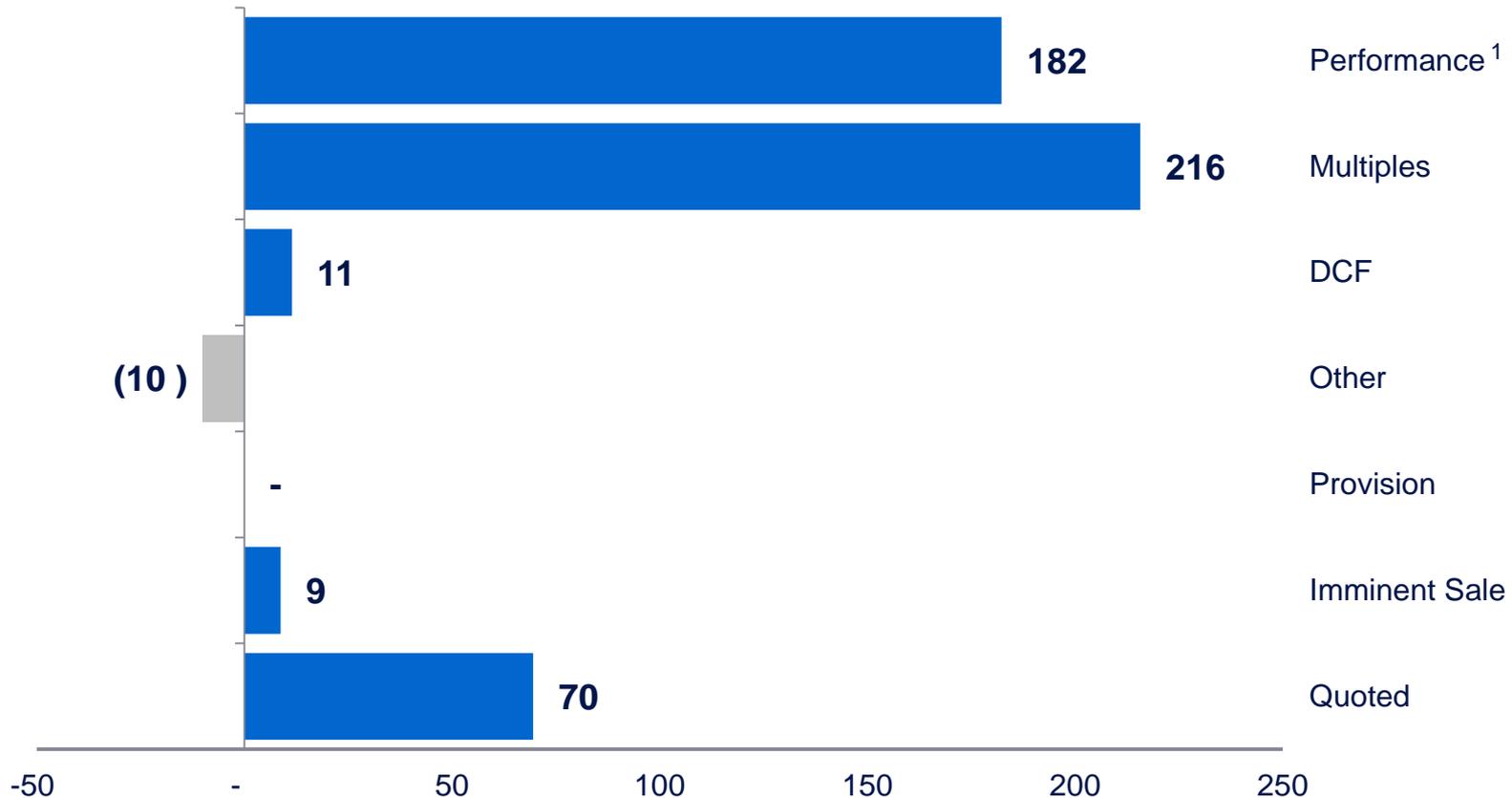
- Run-rate earnings used to reflect dynamic growth in store rollout
  - Stores increased from 321 to 406 in year
- Comparable set of multiples re-set to include high growth discount retailers, including Poundland
  - Multiple set at 12.5x post-discount
- Strong cash generation means net debt at 3.2x, post refinancing earlier in year
- Based on earnings and capital structure at 31 March 2014, 1x move in multiple moves value for 3i by £50m

£501m valuation and 14.1% of portfolio value at 31 March 2014

# Private Equity – continued market recovery lifting values, portfolio earnings growing



## Private Equity YTD value movement by basis (£m)



<sup>1</sup> Performance includes value movements relating to earnings and net debt movements in the period.

# Private Equity portfolio

## As at 31 March 2014



Investment	Business description	Country	Value	Trend
<b>Action</b>	Non-food discount retailer	Benelux	£501m	↗
<b>Scandlines</b>	Ferry operator in the Baltic Sea	Germany	£193m	↗
<b>Element</b>	Testing and inspection	Benelux	£124m	↗
<b>Quintiles</b>	Clinical research outsourcing solutions	US	£122m	↗
<b>Mayborn</b>	Manufacturer and distributor of baby products	UK	£116m	↗
<b>Foster + Partners</b>	Architectural services	UK	£108m	→
<b>ACR</b>	Pan-Asian non-life reinsurance	Singapore	£101m	→
<b>AES Engineering</b>	Manufacturer of mechanical seals and support systems	UK	£96m	↗
<b>Phibro</b>	Animal healthcare	US	£93m	↗
<b>Tato</b>	Manufacture and sale of specialty chemicals	UK	£85m	↗
<b>Basic-Fit</b>	Discount fitness operator in Europe	Benelux	£82m	↗
<b>Amor</b>	Distributor and retailer of affordable jewellery	Germany	£70m	↗
<b>Eitel Networks</b>	Infrastructure services for electricity and telecoms networks	Finland	£70m	↗
<b>Mémora</b>	Funeral service provider	Spain	£67m	→
<b>GIF</b>	German headquartered international transmission testing specialist	Germany	£65m	↗
<b>Geka</b>	Manufacturer of brushes, applicators and packaging systems for the cosmetic industry	Germany	£55m	↗
<b>OneMed Group</b>	Distributor of consumable medical products, devices and technology	Sweden	£44m	→
<b>Etanco</b>	Designer, manufacturer and distributor of fasteners and fixing systems	France	£44m	→
<b>JMJ</b>	Global management consultancy	US	£43m	↗
<b>Refresco</b>	Manufacturer of private label juices and soft drinks	Benelux	£42m	↗

1 Largest 20 excluding two for confidentiality reasons.

## Strong performance leading to increased carry provision



Year to 31 March (£m)	2014	2013
Payable	<b>(85)</b>	(12)
Receivable	<b>3</b>	4
Total return charge	<b>(82)</b>	(8)
Net cash paid	<b>(20)</b>	(10)

- Recognised on an accruals basis, cash paid on realisation
- Improved performance means that substantially all of the portfolio is now in schemes that recognise carry
- Fund multiple on Eurofund V increased from 0.91x to 1.13x, but not yet through hurdle

## Infrastructure – building capability



Key metrics, year to 31 March (£m)	2014	2013
Portfolio income	21	18
Gross investment return	2	22
Fee income	24	21
AUM	2,294	1,579
Portfolio value	487	507

Underpins cash operating profitability

## Debt Management – investing to support growth



Key metrics, year to 31 March (£m)	2014	2013
Fee income	32	31
Portfolio income	12	7
AUM	6,485	6,440
Portfolio value	143	81
Cash investment	61	23

Progress in CLO markets

# Profitable Fund Management platform



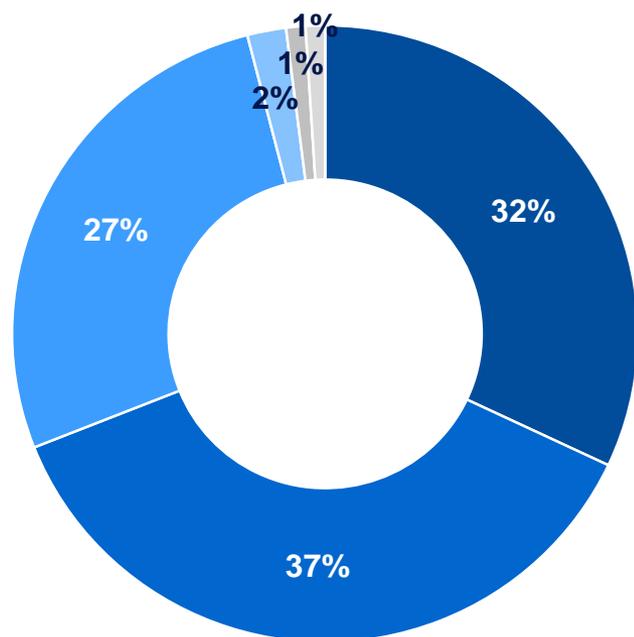
Year to 31 March (£m)	2014	2013
Income	<b>127</b>	127
- of which synthetic fee	<b>51</b>	56
Operating expenses	<b>(108)</b>	(140)
Operating profit before carry	<b>19</b>	(13)
Implementation and amortisation costs	<b>14</b>	30
Underlying Fund Management profit	<b>33</b>	17
Underlying Fund Management margin	<b>26%</b>	13%

Improving margins

# Sterling strengths



## Net asset exposure by currency



- Sterling/non-revaluing
- Euro
- US dollar
- Indian rupee
- Brazilian real
- Other

Currency	% change in period	Gross investment return impact
US Dollar	8.8%	£(55)m
Indian rupee	17.3%	£(13)m
Euro	1.9%	£(25)m
Brazilian real	18.8%	£(8)m
Swedish krona	8.4%	£(8)m
Other	n/a	£(4)m
<b>Total return impact</b>		<b>£(113)m</b>

1% movement in euro = £13m; 1% in dollar = £6m

# Proprietary Capital – strong returns and growing momentum



Key metrics year to 31 March 2014 (£m)	2014	2013
Gross Investment return <sup>1</sup>	662	598
Interest payable	54	101
Cash investments	337	149

<sup>1</sup> Excludes £3m of portfolio fees receivable allocated to Fund Management.

# Robust balance sheet



Year to 31 March (£m)	2014	2013
Portfolio value	<b>3,565</b>	3,295
Gross debt	<b>(857)</b>	(1,081)
Cash	<b>697</b>	746
Net debt	<b>(160)</b>	(335)
Other net liabilities	<b>(97)</b>	(26)
Net assets	<b>3,308</b>	2,934

Gearing reduced to 5%

# Enhanced shareholder distributions



- In May 2012, announced enhanced distribution policy to give shareholders a direct share of gross cash realisations, provided that:
  - Gearing <20% ✓
  - Gross debt is on target to be <£1bn by June 2013 ✓
  
- Total dividend in FY14 of 20p per share, including base dividend of 8.1p per share
  - 6.7p per share paid as interim dividend in January 2014
  - Final dividend of 13.3p per share to be paid in July 2014

# Strong progress through transition and delivery



FY2013

FY2014-2015

FY2016+

- Excellent performance in Private Equity business
- Achieved milestone of annual operating cash profit
- Outperformance against all our strategic targets

The momentum to build further value for shareholders





# Appendix



1. Presentation of 3i's business model
2. IFRS 10
3. Additional financial information



# Presentation of 3i's business model

# Greater transparency on Proprietary Capital investing and Fund Management activities



## 3i Group

### Efficient capital allocation driving total shareholder returns

#### Proprietary Capital investing (PC)

- Invests own balance sheet capital in investments managed by the FM
- Earns capital returns and portfolio income
- Incurs costs of operating a listed entity and allocated synthetic management fees paid to FM
- Has a balance sheet and associated costs

**Maximise investment returns**

#### Fund Management activities (FM)

- Manages funds on behalf of the PC as well as for third parties
- Earns management fees, including allocation of synthetic fees from the PC
- Cost base reflects investment management activities
- No own-balance sheet and funding costs

**Grow activities profitably**

# Proprietary Capital



- Investing from our own balance sheet is part of our heritage
- Putting our own capital to work alongside third-party investors is a fundamental part of our business model and strategy
- 3i is the largest single investor in its Private Equity and Infrastructure funds
- Our role is both as an active owner as well as manager of third-party funds

Returns from our Proprietary Capital investing are the key driver of value for the Group

# Key concepts – Proprietary Capital



## Objective: maximise investment returns

- Gross Investment Return
  - Same measure as GPR, except deal fees shared with the FM and foreign exchange impact on portfolio translation included
- Synthetic fee allocated to the FM
  - Fee allocated to the FM from the PC for managing its investments
    - Private Equity: 1.5%
    - Infrastructure: 1.5%
    - Debt Management: 0.5%
- Opex
  - Costs of the functions of running the proprietary capital investment and balance sheet allocated to the PC
- Carry
  - Carry not allocated, as it relates to schemes and funds set up before the PC/FM model was established. Treatment of carry to be reviewed periodically
- Balance sheet
  - Funding costs charged to the PC as part of maintaining its balance sheet
  - FX movement on funding structures and other non portfolio balances



- In addition to the investment returns that we generate on 3i's own capital, we also focus on the profitability of our Fund Management activities
- Concept of synthetic management fees for managing 3i's proprietary capital in order to more fairly compare ourselves to the broader peer group of third-party asset managers
- We believe that our Fund Management platform is capable of generating sustainable and growing annual profits over time

This diversified and recurring Fund Management profit represents value in addition to our Proprietary Capital investments



## Objective: grow activities profitably

- FM operating profit
  - Fee income from managing funds less operating costs
  - Presented on a combined basis, consistent with the strategic model of growing Debt Management and Infrastructure AUM to support Private Equity
  
- Fee income
  - Fee income includes synthetic fee allocated to the FM from the PC for managing its investments
  - Includes proportion of deal fees related to fund management
  
- Costs
  - All direct costs of running the business lines and allocation of support costs
  - Allocated proportion of central functions (finance, IT etc)



## Key Performance Indicators:

### 3i Group

- Total shareholder return
- Annual operating cash profit

### Proprietary Capital investing

- Gross investment return
- NAV and portfolio income

### Fund Management activities

- Total AUM and fee growth
- Fund Management profit and margin

# New segmental reporting



Historic reporting	New segmental reporting		
	Proprietary capital	Fund management activities	Total return
Realised profits Unrealised profits Portfolio income <hr/> <b>Gross portfolio return</b>	 Realised profits Unrealised profits Portfolio income Foreign exchange movements on investments <sup>2</sup> <hr/> <b>Gross investment return</b>	Portfolio income <hr/> <b>Gross investment return</b>	Realised profits Unrealised profits Portfolio income Foreign exchange movements on investments <sup>2</sup> <hr/> <b>Gross investment return</b>
Fees receivable Carried interest receivable Carried interest payable Acquisition related earn out charges <sup>3</sup> Operating expenses <hr/> <b>Net portfolio return</b>	 Synthetic fees payable to FM <sup>4</sup> Operating expenses <hr/> <b>Operating profit before carry</b>	Fees receivable Synthetic fees receivable from PC <sup>4</sup> Operating expenses <hr/> <b>Operating profit before carry</b>	Fees receivable Carried interest receivable Carried interest payable Acquisition related earn out charges <sup>3</sup> Operating expenses <hr/> <b>Total return</b>
Funding costs <sup>1</sup> Foreign exchange movements <sup>2</sup> Other (incl taxes) Pensions actuarial movements <hr/> <b>Total return</b>	 Funding costs Other foreign exchange movements <hr/> <b>Operating profit before carry</b>	Funding costs <sup>1</sup> Other foreign exchange movements Other (incl taxes) Pensions actuarial movements <hr/> <b>Total return</b>	Funding costs <sup>1</sup> Other foreign exchange movements Other (incl taxes) Pensions actuarial movements <hr/> <b>Total return</b>

1. Total of interest receivable, interest payable and movement in fair value of derivatives.
2. Foreign exchange movements are the net of exchange movements and exchange differences on the translation of foreign operations. Foreign exchange movements in the new segmental reporting format are shown as foreign exchange movements on investments and other foreign exchange movements.
3. Acquisition related earn out charges were previously included within carried interest payable.
4. Synthetic fees have no effect on total return and have been introduced to reflect the fees that FM would earn if it was managing PC's portfolio and charging market rates to do so.

# New segmental reporting

## FY 2014



Proprietary capital		Fund management activities		Total return	
	(£m)		(£m)		(£m)
Realised profits	202			Realised profits	202
Unrealised profits	475			Unrealised profits	475
Portfolio income	98	Portfolio fee income	3	Portfolio income	101
Foreign exchange movements on investments <sup>2</sup>	(113)			Foreign exchange movements on investments <sup>2</sup>	(113)
<b>Gross investment return</b>	<b>662</b>			<b>Gross investment return</b>	<b>665</b>
		Fees receivable	73	Fees receivable	73
Synthetic fees payable to FM <sup>4</sup>	(51)	Synthetic fees receivable from PC <sup>4</sup>	51		
Operating expenses	(28)	Operating expenses	(108)	Operating expenses	(136)
Funding costs <sup>1</sup>	(41)			Funding costs <sup>1</sup>	(41)
Other foreign exchange movements	(3)			Other foreign exchange movements	(3)
				Other	-
				Carried interest receivable	3
				Carried interest payable	(85)
				Acquisition related earn out charges <sup>3</sup>	(6)
				<b>Operating profit</b>	<b>470</b>
				Income taxes	(3)
				Re-measurement of defined benefit plans	11
<b>Operating profit before carry</b>	<b>539</b>	<b>Operating profit before carry</b>	<b>19</b>	<b>Total return</b>	<b>478</b>

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# New segmental reporting

## FY 2013 (restated)



Proprietary capital		Fund management activities		Total return	
	(£m)		(£m)		(£m)
Realised profits	190			Realised profits	190
Unrealised profits	253			Unrealised profits	253
Portfolio income	103	Portfolio fee income	-	Portfolio income	103
Foreign exchange movements on investments <sup>2</sup>	52			Foreign exchange movements on investments <sup>2</sup>	52
<b>Gross investment return</b>	<b>598</b>			<b>Gross investment return</b>	<b>598</b>
		Fees receivable	71	Fees receivable	71
Synthetic fees payable to FM <sup>4</sup>	(56)	Synthetic fees receivable from PC <sup>4</sup>	56		
Operating expenses	(30)	Operating expenses	(140)	Operating expenses	(170)
Funding costs <sup>1</sup>	(101)			Funding costs <sup>1</sup>	(101)
Other foreign exchange movements	(22)			Other foreign exchange movements	(22)
Other	(3)			Other	(3)
				Carried interest receivable	4
				Carried interest payable	(12)
				Acquisition related earn out charges <sup>3</sup>	(7)
				<b>Operating profit</b>	<b>358</b>
				Income taxes	(6)
				Re-measurement of defined benefit plans	21
<b>Operating profit before carry</b>	<b>386</b>	<b>Operating profit before carry</b>	<b>(13)</b>	<b>Total return</b>	<b>373</b>

1. Total of interest receivable, interest payable and movement in fair value of derivatives.
2. Foreign exchange movements are the net of exchange movements and exchange differences on the translation of foreign operations. Foreign exchange movements in the new segmental reporting format are shown as foreign exchange movements on investments and other foreign exchange movements.
3. Acquisition related earn out charges were previously included within carried interest payable.
4. Synthetic fees have no effect on total return and have been introduced to reflect the fees that FM would earn if it was managing PC's portfolio and charging market rates to do so.

# Summary financial data - Group



	FY14	FY13
<b>Total return</b>	<b>£478m</b>	<b>£373m</b>
Total return on opening shareholders' funds	16.3%	14.2%
<b>Dividend per ordinary share</b>	<b>20.0p</b>	<b>8.1p</b>
<b>Total shareholder return<sup>1</sup></b>	<b>30%</b>	<b>54%</b>
<b>Operating expenses</b>	<b>£136m</b>	<b>£170m</b>
As a percentage of assets under management <sup>2</sup>	1.0%	1.3%
<b>Annual operating cash profit/(loss)</b>	<b>£5m</b>	<b>£(8)m</b>

1. Total shareholder return is calculated as the share price movement between the close of business on the last trading day of the prior year and close of business on the last trading day of the current year plus shareholder distributions.
2. Actual operating expenses, excluding restructuring costs of £9m in the year to 31 March 2014 and £30m in the year to 31 March 2013, as a percentage of weighted average assets under management.

# Summary financial data – Proprietary Capital



	FY14	FY13
<b>Realisation proceeds</b>	<b>£677m</b>	<b>£606m</b>
Uplift over opening book value	£202m / 43%	£190m / 46%
Money multiple	1.8x	2.1x
<b>Gross investment return<sup>1</sup></b>	<b>£662m</b>	<b>£598m</b>
Gross investment return as a % of opening 3i portfolio value	20.1%	18.7%
<b>Operating profit<sup>2</sup></b>	<b>£539m</b>	<b>£386m</b>
<b>Cash investment</b>	<b>£337m</b>	<b>£149m</b>
<b>Net interest payable</b>	<b>£51m</b>	<b>£95m</b>
<b>3i portfolio value</b>	<b>£3,565m</b>	<b>£3,295m</b>
<b>Gross debt</b>	<b>£857m</b>	<b>£1,081m</b>
<b>Net debt / (cash)</b>	<b>£160m</b>	<b>£335m</b>
<b>Gearing</b>	<b>5%</b>	<b>11%</b>
<b>Liquidity</b>	<b>£1,197m</b>	<b>£1,082m</b>
<b>Net asset value</b>	<b>£3,308m</b>	<b>£2,934m</b>
<b>Diluted net asset value per ordinary share</b>	<b>348p</b>	<b>311p</b>

1. Gross investment return excludes £3m of portfolio fees allocated to Fund Management.

2. Operating profit for the Proprietary Capital and Fund Management activities excludes carried interest payable/receivable, which is not allocated between these activities.

# Summary financial data – Fund Management



	FY14	FY13
<b>Total assets under management</b>	<b>£12,911m</b>	<b>£12,870m</b>
Third-party capital	£9,508m	£9,176m
Proportion of third-party capital	74%	71%
<b>Total fee income</b>	<b>£127m</b>	<b>£127m</b>
Third-party fee income	£76m	£71m
<b>Operating profit / (loss)<sup>1</sup></b>	<b>£19m</b>	<b>£(13)m</b>
<b>Underlying Fund Management profit<sup>1,2</sup></b>	<b>£33m</b>	<b>£17m</b>
Underlying Fund Management margin	26%	13%

1. Operating profit for the Proprietary Capital and Fund Management activities excludes carried interest payable/receivable, which is not allocated between these activities.
2. Excluding Fund Management restructuring costs of £8m and amortisation costs of £6m in the year to 31 March 2014 (2013: £24m; £6m).



# IFRS 10

# IFRS 10

## What is it?



- A new accounting standard on consolidation to be applied when preparing consolidated Group accounts
- Requires “Investment Entities” such as 3i to hold all subsidiaries at fair value (with movements going through profit and loss) rather than consolidating them on a line by line basis
- The only exception to this rule is if a subsidiary performs investment related services
- The detailed interpretation of this new standard continues to be refined



- Subsidiaries which hold portfolio investments (such as carry partnerships and other intermediate holding vehicles) will now be held at fair value
- Two thirds of 3i Group's portfolio is held through subsidiaries and therefore visibility of portfolio movements, portfolio income, opex, carry, etc in these entities will be lost
- Investment advisors, holding companies of investment advisors and General Partners will continue to be consolidated
- Portfolio held directly by 3i Group will continue to be held at fair value

# IFRS 10

## Consequences

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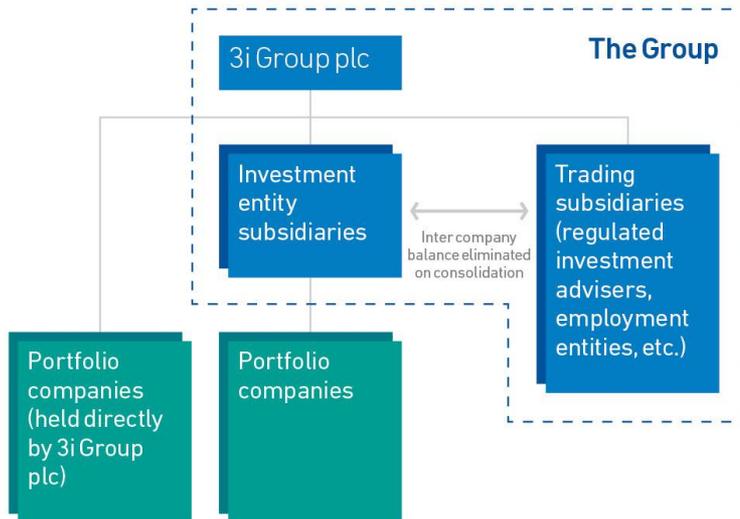
- No change to total return or Net Asset Value for the group
- Greatly reduced level of disclosure in primary statements, income statement, balance sheet and cash flow. Performance of entities held at fair value recorded in one single line in income statement
- Introduction of an “investment basis” set of accounts, prepared on similar basis to prior year, fair valuing investments at the level that provides most understandable primary statements
- Reconciliation in annual report, reconciling investment basis accounts to IFRS accounts

# IFRS 10

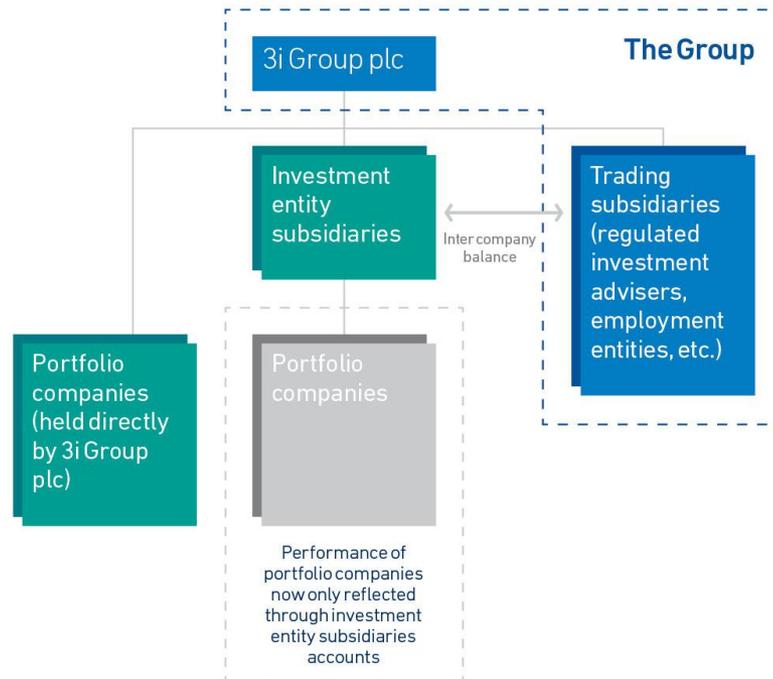
## Changes to basis of consolidation



### Previous basis of consolidation



### IFRS 10 / new basis of consolidation



**Key:** Entity consolidated in the accounts of 3i Group plc on a line by line basis

Entity held at fair value with movements going through profit and loss

# IFRS 10

## Illustrative example



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

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





# Additional financial information

# Annual operating cash profit



(£m)	FY10	FY11	FY12	FY13	FY14
Third-party capital fees	56	62	91	70	<b>75</b>
Portfolio fees	(2)	1	7	4	<b>4</b>
Portfolio dividends and interest	75	56	53	58	<b>53</b>
<b>Cash income</b>	<b>129</b>	<b>119</b>	<b>151</b>	<b>132</b>	<b>132</b>
Operating expenses <sup>1</sup>	221	181	180	170	<b>136</b>
Less: Restructuring and redundancy costs	(13)	(2)	(9)	(30)	<b>(9)</b>
	<b>208</b>	<b>179</b>	<b>171</b>	<b>140</b>	<b>127</b>
<b>Annual operating cash profit/(loss)</b>	<b>(79)</b>	<b>(60)</b>	<b>(20)</b>	<b>(8)</b>	<b>5</b>

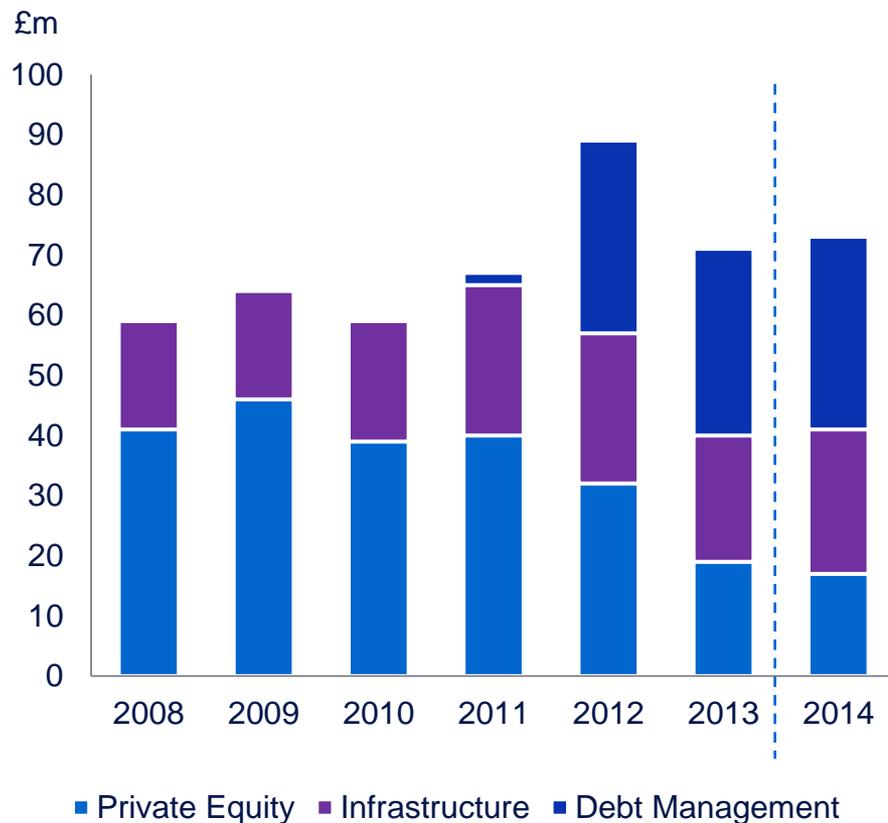
Cash income now covering operating costs

1 Operating expenses are disclosed on an accruals basis rather than a cash basis. This difference is not considered material.

# Fee income



## Fee income<sup>1</sup>



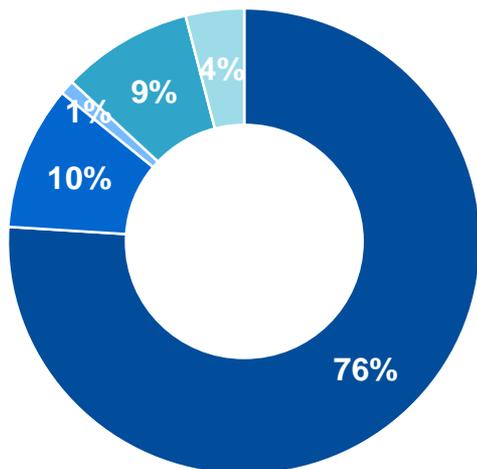
Fee income (£m)	FY14	FY13
Private Equity	17	19
Infrastructure	24	21
Debt Management	32	31
<b>Total</b>	<b>73</b>	<b>71</b>
Cash	75	70

<sup>1</sup> Chart reflects income statement fee recognition which was £73m in the period.

# Improving Private Equity portfolio

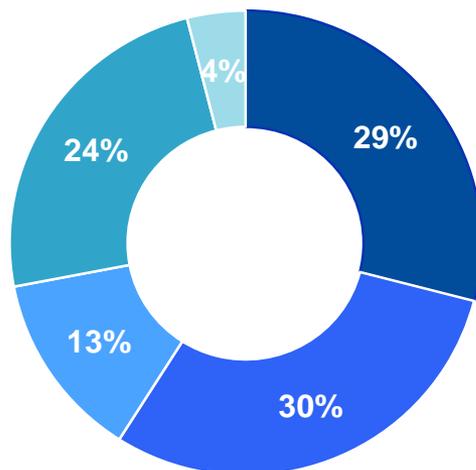


## By region



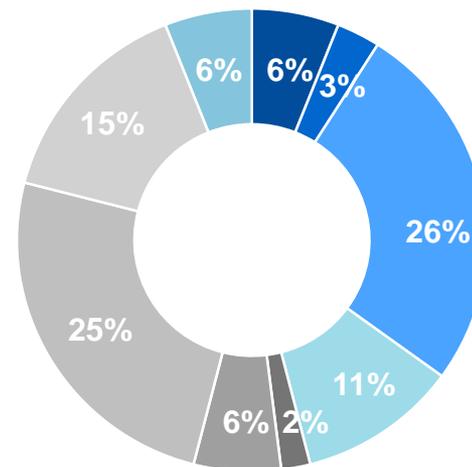
- UK & Northern Europe
- North America
- Brazil
- Asia
- Southern Europe

## By sector



- Business & Financial Services
- Consumer
- Healthcare
- Industrials & Energy
- TMT

## By vintage



- 2014
- 2013
- 2012
- 2011
- 2010
- 2009
- 2008
- 2007
- Pre 2006

Portfolio of 81 investments, down from 102 at 31 March 2013

Note: Analysed by 31 March 2014 valuation.

# Assets under management – Private Equity



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

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

# Assets under management – Infrastructure



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

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

2 Based on latest published NAV (ex-dividend).

3 3i Group's proportion of latest published NAV.

4 Adjusted to reflect 3i Infrastructure plc's US\$250 million share of the Fund.

# Assets under management – Debt Management



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

# Assets under management – Debt Management

## Notes

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