12 November 2020

3i Group plc announces results for the six months to 30 September 2020

Strong results driven by resilient performance

- Total return of £1,142 million or 15% on opening shareholders' funds (September 2019: £767 million, 10%) and NAV per share of 905 pence (March 2020: 804 pence) after paying a dividend of 17.5 pence per share in the period and a 12 pence per share negative accounting impact from the further de-risking of the UK defined benefit pension plan.

- Our Private Equity business delivered a gross investment return of £1,245 million or 19% (September 2019: £666 million, 11%), supported by continued good earnings growth and cash generation in portfolio companies operating in the consumer, e-commerce, healthcare and business services sectors and a sustained recovery in our retail investments following the lifting of Covid-related trading restrictions through the summer. Our investments in the travel and automotive sectors continue to experience challenging conditions.

- Action's performance through the Covid-19 pandemic has exceeded our expectations, with strong like-for-like sales, EBITDA and cash flow growth. This supported an increase in value of our stake in Action of £644 million in the period. At 30 September 2020, we valued our 52.6% stake in Action at £4,269 million, based on a multiple of 18x Action's September 2020 run-rate earnings.

- In challenging markets, the Private Equity business maintained its selective approach to capital deployment, making one new investment in GartenHaus whilst focusing on growing the existing portfolio. We funded the transformational acquisitions of Technogroup by Evernex and of SaniTech West by our bioprocessing platform, which we have now rebranded as SaniSure. Private Equity realisations totalled £82 million in the period.

- Our Infrastructure business delivered a gross investment return of £134 million, or 12% (September 2019: £88 million, 9%), driven by resilient performance across all portfolios. Our 30% stake in 3i Infrastructure plc ("3iN) contributed particularly strongly to this return through a 17% share price increase since 31 March 2020. The Infrastructure business continues to contribute materially to our operating cash profit, with fee income across the business of £19 million and dividend income from 3iN of £12 million in the period.

- First dividend for FY2021 set at 17.5 pence, in line with our dividend policy.

Simon Borrows, 3i's Chief Executive, commented:
"In the six months to 30 September 2020, our Private Equity portfolio delivered a gross investment return ("GIR") of 19%, demonstrating its resilience in a difficult macroeconomic environment. Our thorough portfolio management processes enabled us to respond quickly and effectively to the challenges that arose as a result of the pandemic, including, more recently, decisive measures to address increases in infection rates across much of Europe. Encouragingly, most of our portfolio companies outperformed our rebased Covid-19 full-year outlook during the period. In this environment, we will remain disciplined in our investment approach and focused on enhancing the value of our portfolio through organic growth and value-accretive add-ons."

Summary financial highlights under the Investment basis

3i prepares its statutory financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). However, we also report a non-GAAP "Investment basis" which we believe aids users of our report to assess the Group's underlying operating performance. The Investment basis (which is unaudited) is an alternative performance measure ("APM") and is described on page 19. Total return and net assets are the same under the Investment basis and IFRS and we provide a reconciliation of our Investment basis financial statements to the IFRS statements from page 20. Pages 1 to 16 are prepared on an Investment basis.

Investment basis	Six months to/as at 30 September 2020	Six months to/as at 30 September 2019	12 months to/as at 31 March 2020
Total return[1]	**£1,142m**	£767m	£253m
% return on opening shareholders' funds	**15%**	10%	3%
Dividend per ordinary share	**17.5p**	17.5p	35.0p
Gross investment return[2]	**£1,394m**	£798m	£318m
As a percentage of opening 3i portfolio value	**17%**	11%	4%
Cash investment[2]	**£233m**	£312m	£1,248m
Realisation proceeds	**£82m**	£71m	£918m
3i portfolio value	**£9,578m**	£8,551m	£8,098m
Gross debt	**£975m**	£575m	£575m
Net (debt)/cash [2]	**£(288)m**	£50m	£270m
Gearing[2]	**3%**	nil	nil
Liquidity	**£1,087m**	£975m	£1,245m
Diluted net asset value per ordinary share ("NAV per share")	**905p**	873p	804p

1 Total return is defined as Total comprehensive income for the year, under both the Investment basis and the IFRS basis.
2 Financial measure defined as APM. Further information on page 17.

Disclaimer
These half-year results have been prepared solely to provide information to shareholders. They should not be relied on by any other party or for any other purpose. These half-year results may contain statements about the future, including certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i" or "the Group"). 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.

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A PDF copy of this release can be downloaded from **www.3i.com/investor-relations**

For further information, including a live webcast of the results presentation at 10.00am on 12 November 2020, please visit **www.3i.com/investor-relations**

3i Group Half-year report 2020

Chief Executive's review

3i delivered a strong set of results for the first half of the year, generating a total return of £1,142 million, or 15% on opening shareholders' funds (September 2019: £767 million, or 10%). The NAV per share at 30 September 2020 was 905 pence (March 2020: 804 pence), after the payment of the 17.5 pence second FY2020 dividend in July 2020 and the 12 pence one-off negative accounting impact from the further de-risking of the UK defined benefit pension plan.

These results were underpinned by resilient performance across our portfolio up to the end of September.
We completed our first new Private Equity investment for this year in September 2020 and focused on growing our existing portfolio with the completion of two transformational bolt-on acquisitions in our Private Equity portfolio and two bolt-on acquisitions in the 3i Infrastructure plc ("3iN") portfolio.

Private Equity

In the six months to 30 September 2020, our Private Equity portfolio delivered a gross investment return ("GIR") of 19%, demonstrating its resilience in a difficult macroeconomic environment. Our thorough portfolio management processes enabled us to respond quickly and effectively to the challenges that arose as a result of the pandemic, including, more recently, decisive measures to address increases in infection rates across much of Europe. Encouragingly, most of our portfolio companies outperformed our rebased Covid-19 full-year outlook during the period.

Action

Action's performance through the pandemic has exceeded our expectations. Trading in the first two and a half months of 2020 was strong with sales, like-for-like ("LFL") growth, EBITDA and cash flows ahead of budget.
As the outbreak of Covid-19 intensified across Europe in late March, Action was impacted by government-enforced temporary closures of its stores in France, Belgium and Austria and partial closures in Germany and Poland. Stores in the Netherlands remained open. After the reopening of all stores in May 2020, Action experienced robust trading with strong LFL performance across all markets. Action delivered LTM EBITDA of €579 million in September 2020 (September 2019: €506 million). October 2020 was another strong month for Action with LTM EBITDA increasing to €608 million (October 2019: €519 million). At the end of October, national lockdowns were re-imposed in France, Germany and Belgium, three of Action's largest markets. Action's stores in Germany have remained open, selling the entire range but with enhanced social distancing measures. In France and Belgium all stores are open, selling a reduced range of essentials, representing about 60% of items in France and about 50% of items in Belgium.

Store openings in April and May were limited and the roll-out programme resumed at pace only after the lifting of lockdowns. In the 10 months to October 2020, Action had opened 115 stores, including its first five stores in the Czech Republic. The opening of pilot stores in Italy, initially planned for Autumn 2020, has been deferred to H1 2021.

Other portfolio performance and activity

We continue to see strong momentum in earnings growth and cash generation for portfolio companies operating in the consumer, e-commerce, healthcare and business services sectors. The increased demand for hygiene products continues to benefit Royal Sanders. The strong performance and cash flow generation since our investment in 2018 allowed the company to make a dividend distribution to 3i of £38 million in July 2020. Lampenwelt, now rebranded Luqom, has been supported by the structural shift of consumer demand towards e-commerce and the increased importance of the home and living category as consumers spend more time at home. Cirtec Medical delivered significant year-on-year growth in the first half, driven by sales to high growth customers and the successful implementation of several margin optimisation initiatives. Tato has benefited from increased demand for products used in disinfectants and hygiene products and returned a £5 million dividend to 3i in July 2020.

We have also seen an encouraging recovery across our retail investments. In April 2020, we completed a £20 million equity injection into Hans Anders, to support the business through government-enforced temporary store closures across the countries in which it operates. Since reopening its stores in May 2020, Hans Anders has experienced a strong recovery in order intake across all markets, with higher conversion rates in the stores. The business has shifted its emphasis from walk-ins to online bookings, leveraging the substantial investments in its omni-channel proposition since our investment in 2017. Similarly, BoConcept has recovered well since the easing of lockdowns, with trading levels above those of the prior year.

Our portfolio companies exposed to the travel and automotive sectors continue to operate in more challenging conditions. As expected, Audley Travel's revenues have been under significant pressure, with departures severely restricted since April 2020. In early November 2020 we invested a further c.£50 million of capital to support the business through this difficult trading period. We believe Audley Travel will be well positioned to benefit when international leisure travel recovers due to its client proposition, destination diversity and asset-light model. The performance of ICE, now rebranded Arrivia, has been relatively resilient, with the recurring revenue nature of its membership business and material reductions to expenses and capex offsetting an extended period of no cruise sailings and a low level of resort vacations. Since passing the peak of the temporary plant shutdowns in April 2020 in response to Covid-19, Formel D has remained cash generative. Whilst its output recovery has been steady, it has been slower than expected, against a backdrop of a very challenging automotive sector. Q Holding continued to experience softer trading in its Quality Synthetic Rubber ("QSR") business, which has exposure to the automotive sector. Performance has since begun to stabilise, and the business is positioned well to recover as the automotive cycle improves. Its healthcare business continues to perform well.

We continue our focus on buy-and-build opportunities for our platform assets. In July 2020, we supported Evernex's transformational acquisition of Technogroup, the leading third-party data centre maintenance provider in Germany, Austria and Switzerland, contributing £41 million of funding. Having established a bioprocessing platform through the merger of Cellon, Silicone Altimex and TBL Performance Plastics in January 2020, we achieved a significant milestone in the growth and internationalisation of this platform through the acquisition of Sani-Tech West, Inc in July 2020. The total 3i investment in this platform, now rebranded as SaniSure, is £135 million. In August 2020, SaniSure completed the acquisition of Biofluidfocus.

In September 2020, we completed the £64 million investment in GartenHaus, an online leader in the retail of garden buildings, sheds, saunas, and related products in Germany, Austria, Switzerland and the Netherlands. In June 2020, we invested £17 million in Basic-Fit to provide expansion capital and, in September 2020, we repurchased an equity stake in Havea for £23 million. At the start of November 2020, we signed a c.£125 million investment in MPM, an international leader in branded premium natural pet food.

In the period, we completed the disposal of Kinolt and received total proceeds of £81 million. As a proprietary capital investor, and with the benefit of a strong balance sheet, we are not under pressure to exit investments when market conditions are unfavourable or when we believe a longer-term hold may yield greater returns for shareholders. Over 61% of our portfolio by value, excluding Action, was acquired within the last four years, and is still being managed actively as we build value organically and, in a number of cases, through bolt-on acquisitions. In light of the Covid-19 related market uncertainty, we are not currently planning to realise further material assets for the remainder of the year.

Infrastructure

Our Infrastructure business performed well in the first half of the year, achieving a GIR of 12%. The 3iN portfolio continues to demonstrate its resilience, generating a total return on opening NAV of 4% in the six months to 30 September 2020 (September 2019: 6%). 3iN is on track to deliver its dividend target, which is up 6.5% on last year. The team completed two bolt-on acquisitions in the period. 3iN's share price reflected the portfolio's good operational performance, increasing by 17% and closing at 289 pence on 30 September 2020 (31 March 2020: 247 pence).

Both of our US infrastructure assets are deemed to be providers of essential services and have continued to operate throughout the pandemic. The seven freight rail lines of our investment in Regional Rail have performed ahead of our investment case despite some softness in freight volumes in Northeast America. Smarte Carte has benefited from the diversity of its product offering and the locations in which it operates, as well as a moderate recovery in US air traffic levels. However, we remain cautious in light of the short and medium-term prospects for the travel industry.

In the period, we established a new 3i-managed vehicle which will co-invest alongside 3iN in certain transactions, with a commitment of €400 million from Industriens Pension of Denmark.

Scandlines

Scandlines delivered a solid performance in the period with freight volumes remaining close to 2019 levels. The lifting of travel restrictions in the summer months allowed car volumes to also show good momentum. Scandlines continues to be well positioned to manage the further uncertainty developing in Northern Europe due to the pandemic.

Balance sheet and dividend

In June 2020, we took advantage of favourable corporate debt market conditions to strengthen our balance sheet further, issuing a 20-year £400 million bond at a coupon of 3.75%. At 30 September 2020, our balance sheet remained well funded with £687 million of cash. Net debt was £288 million, resulting in gearing of 3%.

In line with our dividend policy, we have decided to pay a first FY2021 dividend of 17.5 pence, which is half of our FY2020 total dividend. This first FY2021 dividend will be paid to shareholders on 13 January 2021.

Covid-19 update

Throughout this pandemic, our focus has been first and foremost on protecting the wellbeing of our own employees, as well as those of our portfolio companies and the communities in which we collectively operate. We continue to follow local government guidance closely.

At the start of May 2020, we used employee carry and performance fee reserves to establish a £5 million Covid-19 Charitable Fund, with the aim of supporting charities and communities affected by the pandemic in the countries in which we operate. This money will be allocated to both immediate relief and longer-term rebuilding activities. By the end of October, we had made donations totalling c.£1.6 million to over 20 charities focused on immediate relief work across our markets. The overarching theme of the fund is the alleviation of poverty and its consequences. The fund has focused its donations on areas such as food provision, education, domestic violence, the advancement of minorities and disadvantaged groups, community development, homelessness, elderly people and mental health.

Brexit

As we approach the end of the transition period on 1 January 2021, we do not expect a significant disruption to our business from Brexit. Our Brexit planning has been based on worst-case scenario assumptions and we implemented an alternative regulatory structure in Luxembourg, which enables us to continue activities in Europe, regardless of the form of Brexit. The direct impact of Brexit on our investment portfolio is not expected to be material.

Outlook

The environment remains challenging as a result of the economic and social disruption resulting from the Covid-19 pandemic. Investor confidence continues to be undermined by the limited visibility on the longer-term impact of the pandemic and the political response to it across the world. In this environment, we will remain disciplined in our investment approach and focused on enhancing the value of our portfolio through organic growth and value-accretive add-ons. To date, our portfolio has been resilient to the shocks caused by the pandemic and while we continue to monitor developments closely, we have entered the second half of the year with good momentum across the Group. We will continue to navigate the challenges from the pandemic from a strong position with our resilient investment portfolio and a clear and proven strategy supported by rigorous asset management policies.

Simon Borrows
Chief Executive

Business and Financial review

Private Equity

Our Private Equity business performed strongly in the first half, generating a gross investment return of £1,245 million (September 2019: £666 million), or 19% of the opening portfolio value (September 2019: 11%), including a gain on foreign exchange on investments of £97 million (September 2019: £176 million).

Table 1: Gross investment return for the six months to 30 September

Investment basis	2020 £m	2019 £m
Realised profits over value on the disposal of investments	**3**	–
Unrealised profits on the revaluation of investments	**1,071**	429
Dividends	**43**	5
Interest income from investment portfolio	**25**	52
Fees receivable	**6**	4
Foreign exchange on investments	**97**	176
Gross investment return	**1,245**	666
Gross investment return as a % of opening portfolio value	**19%**	11%

Investment

Table 2: Private Equity cash investment in the six months to 30 September 2020

Investment	Type	Business description/bolt on description	Date	Proprietary capital investment £m
GartenHaus[1]	New	Online leader in retail of garden buildings, sheds, saunas and related products in Germany, Austria, Switzerland and Netherlands	September 2020	**64**
Havea	Further	Manufacturer of natural healthcare and cosmetics products	September 2020	**23**
Hans Anders	Further	Value-for-money optical retailer	April 2020	**20**
Basic-Fit	Further	Discount gyms operator	June 2020	**17**
Luqom	Return of funding	Online lighting specialist retailer	July 2020	**(8)**
Total Private Equity new cash, further investment and return of funding				**116**
Total Private Equity bolt-on investments from 3i balance sheet				**115**
Total Private Equity cash investment				**231**

1 Post 30 September 2020, GartenHaus returned £3 million of overfunding, reducing 3i's proprietary capital investment to £61 million.

During the first half of the year, our Private Equity business made net investment of £231 million (September 2019: £221 million), comprising £116 million of new and further investment and return of funding and £115 million of bolt-on investments.

A description of the new and bolt-on investments is provided in the Chief Executive's review. We have also used our capital to support the existing portfolio through the Covid-19 pandemic. In April 2020, we completed the £20 million equity injection in Hans Anders to provide liquidity support and in June 2020, we invested £17 million in Basic-Fit to provide expansion capital. In September 2020, we repurchased an equity stake in Havea for £23 million, following a reorganisation of shareholding. In July 2020, Luqom returned £8 million of overfunding that we had provided for the bolt-on acquisition of QLF in FY2020.

At the start of November 2020, we signed a c.£125 million investment in MPM, an international leader in branded premium natural pet food.

Realisations

In the period, we realised proceeds of £82 million (September 2019: £1 million). We completed the sale of Kinolt, generating proceeds of £81 million, of which £76 million was recognised as capital and the remainder as income. We also received further proceeds from the disposal of ACR, a legacy investment.

Table 3: Private Equity realisations in the six months to 30 September 2020

Investment	Country	Calendar year invested	31 March 2020 value £m	3i realised proceeds £m	Profit/(loss) in the year[1] £m	Uplift on opening value[1] %	Residual value £m	Money multiple[2]	IRR
Full realisations									
Kinolt	Belgium	2015	80	76	(3)	(3)%	–	1.6x	10%
Deferred consideration									
ACR	Singapore	2006	–	5	5	–	–	n/a	n/a
Other	n/a	n/a	–	1	1	–	–	n/a	n/a
Total Private Equity realisations			**80**	**82**	**3**	**n/a**	**–**	**n/a**	**n/a**

1 Cash proceeds realised in the period over opening value.
2 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 performance

The Covid-19 pandemic continues to drive uncertainty for the 2020 outlook. Since the valuation point at 31 March 2020 (see pages 22 and 23 of the FY2020 Annual report and accounts detailing our valuation approach at that date), our Private Equity portfolio has shown resilience and most of our portfolio companies outperformed our rebased Covid-19 full-year outlook during the period. Therefore, for most of our portfolio, we reverted to our usual valuation process for 30 September 2020. For the more challenged investments, particularly those in the travel and automotive sectors, we sought to gather a broader range of inputs, considered different methodologies and applied further judgement.

Table 4: Unrealised profits/(losses) on the revaluation of Private Equity investments[1] in the six months to 30 September

	2020 £m	2019 £m
Action		
Performance	**644**	381
Earnings based valuations (excluding Action)		
Performance	**238**	90
Multiple movements	**211**	(19)
Other bases		
Discounted cash flow (“DCF”)	**(60)**	–
Other movements in unquoted investments	**(1)**	(11)
Imminent sale	**11**	–
Quoted portfolio	**28**	(12)
Total	**1,071**	429

1 More information on our valuation methodology, including definitions and rationale, is included in our Annual report and accounts 2020 on pages 177 to 178.

Action valuation and performance

Following the reopening of all stores in May 2020, Action has experienced robust trading with an increase in the average basket size more than outweighing a decrease in footfall resulting from the implementation of social distancing measures. Strong earnings recovery and cash generation resulted in £644 million (September 2019: £381 million) of value growth, as shown in Table 4.

At 30 September 2020, Action was valued using its run-rate earnings to 30 September and a multiple of 18.0x net of the liquidity discount (31 March 2020: Fair value). This approach was consistent with the approach used at 30 June 2020. This resulted in a valuation of our 52.6% stake in Action of £4,269 million (31 March 2020: £3,536 million).

Performance (excluding Action)
We continue to see strong performance from our portfolio companies operating in the consumer, e-commerce, healthcare and business services sectors.

Royal Sanders has been able to capture a share of the surge in demand for handwash and hand gels, with all its factories remaining operational throughout the year. Additionally, the acquisition of the McBride sites in 2018 has created significant value. As a result, the business has generated strong earnings growth and cash since our investment in 2018, allowing the company to return £38 million of dividends to 3i.

Luqom has been supported by the structural shift of consumer demand towards e-commerce, coupled with an increasing demand and relevance of the home and living category, resulting in significant sales growth in the first half. E-commerce demand for lighting products has remained high even as economies have reopened.

Cirtec Medical delivered strong year-on-year growth in the first half. The neuromodulation and structural heart end markets recovered quickly from the deferral of procedures in late March and early April. Additionally, Cirtec Medical has benefited from platform-specific tailwinds, with a number of customers ramping up their purchases. The business also realised several margin optimisation initiatives, all of which have driven earnings growth.

Tato has seen increased demand for chemicals used in disinfectants and hygiene products and returned a £5 million dividend to 3i in July 2020.

Evernex's third-party IT equipment maintenance ("TPM") model has performed resiliently so far, with monthly subscriptions accounting for around two-thirds of total sales and with the benefit of variable operating costs. In addition, the acquisition of Technogroup in July 2020 secured its European leadership in the TPM sector.

Our retail businesses have recovered well from government-enforced temporary store closures across Europe at the beginning of FY2021. Since reopening its stores in May 2020, Hans Anders has experienced a strong recovery in order intake across all markets, with higher conversion rates in the stores. The business has shifted its emphasis from walk-ins to online bookings, leveraging the substantial investments in its omni-channel proposition since 3i's investment in 2017. Similarly, BoConcept has shown good performance with trading levels above those of the prior year and very limited store closures.

Our portfolio companies exposed to the travel sector continue to operate in more challenging conditions. Arrivia experienced an extended period of no cruise sailings and low level of resort vacations. Despite this, Arrivia's business model has proven resilient, due to the strength of its membership business that forms a significant part of its revenue. Audley Travel's trading has been acutely impacted by Covid-19, with minimal departure revenue since April 2020. Further details can be found under 'Discounted Cash Flow ("DCF")' on page 9.

With the on-set of the Covid-19 pandemic, the automotive market, which had already been under pressure, has been further negatively affected on both the supply and demand side, resulting in a reduction in volumes across Europe and the US in the period. Since passing the peak of the enforced temporary plant shutdowns in April 2020, Formel D's output recovery has been steady but slower than expected. Covid-19 has had a commercial impact on the automotive side of Q Holding's business whilst creating some operational disruption to its medical sites. However, these impacts are partially offset by an increase in demand for non-discretionary medical products.

Overall, 85% of the top 20 assets by value in our Private Equity portfolio grew their earnings in the 12 months to 30 June 2020 (September 2019: 91%). Nine companies experienced negative earnings growth in the 12 months to 30 June 2020. These include companies exposed to the challenging travel and automotive sectors and companies which experienced temporary interruptions in activity during April and May.

Table 5: Portfolio earnings growth of the top 20 Private Equity investments[1]

Last 12 months' earnings growth	Number of companies at 30 September 2020	3i carrying value at 30 September 2020 £m
<0%	9	1,204
0 - 9%	2	401
10 - 19%	3	4,818
20 - 40%	3	785
>40%	3	584

1 This represents 99% of the Private Equity portfolio by value (31 March 2020: 98%).

Across the portfolio leverage was 4.0x at 30 September 2020 (31 March 2020: 4.1x). Excluding Action, leverage across the portfolio at 30 September 2020 was 4.3x (31 March 2020: 3.7x). Table 6 shows the ratio of net debt to earnings by portfolio value at 30 September 2020.

Table 6: **Ratio of net debt to earnings**[1]

Ratio of net debt to earnings	Number of companies at 30 September 2020	3i carrying value at 30 September 2020 £m
<1x	**1**	**228**
1 - 2x	**1**	**130**
2 - 3x	**2**	**317**
3 - 4x	**2**	**4,643**
4 - 5x	**4**	**839**
5 - 6x	**7**	**898**

1 This represents 89% of the Private Equity portfolio by value (31 March 2020: 91%). Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation.

Multiple movements

In setting or changing a multiple, we consider a number of factors such as relative performance, investment size, comparable recent transactions and exit plans, and monitor external equity markets. Where appropriate, we adjust the multiples for the impact of the applicable lease accounting standards.

In valuing the portfolio at 30 September 2020, we adjusted a small number of multiples to reflect the strong performance in the medical sector and took account of the recent transformational acquisitions in the multiples of Evernex and SaniSure. We have also taken some recovery in multiples for businesses that we believe are experiencing a short-term impact on earnings driven by the pandemic, but in general, we have not assumed that exceptional performance as a result of changed behavior in the pandemic should also be reflected in a rerating of the business.

The multiple of run-rate earnings used to value Action at 30 September 2020 was 18.0x net of the liquidity discount. As at 30 September 2020, a 1.0x movement in Action's post-discount multiple would have increased or decreased the valuation of 3i's investment by £299 million.

DCF

In the period, we moved Audley Travel's valuation basis from earnings to DCF and reflected the deterioration in travel market sentiment and broader market outlook in the short to medium term in the valuation. In early November 2020, we invested a further c.£50 million of capital to support the business through this difficult trading period.

Imminent sale

At 30 September 2020, we moved Navayuga, an Asian legacy asset, to an imminent sale valuation basis following the completion of a commercial settlement. We received proceeds of £17 million from this sale in October 2020.

Quoted portfolio

Basic-Fit is the only quoted asset in the Private Equity portfolio. In June 2020, we invested £17 million in the business to provide expansion capital. We recognised an unrealised value gain of £28 million from Basic-Fit in the period (September 2019: £12 million loss) as its share price increased to €20.30 at 30 September 2020 (31 March 2020: €15.20). At 30 September 2020, our residual 12.8% shareholding was valued at £141 million (31 March 2020: 12.7% shareholding valued at £93 million).

Private Equity proprietary capital

At 30 September 2020, the portfolio consisted of 32 assets (31 March 2020: 32 assets). The value of 3i's Private Equity proprietary capital increased to £7.9 billion (31 March 2020: £6.6 billion) due to value growth, net investment and gains from foreign exchange translation on investment in the period.

Table 7: **Private Equity proprietary capital**

Vintages[1]	Proprietary capital value 30 September 2020 £m	Vintage money multiple[3] 30 September 2020	Proprietary capital value 31 March 2020 £m	Vintage money multiple[3] 31 March 2020
Buyouts 2010-2012	**1,470**	**10.0x**	1,623	9.5x
Growth 2010-2012	**19**	**2.1x**	20	2.1x
2013-2016	**776**	**2.2x**	869	2.2x
2016-2019	**1,850**	**1.3x**	1,472	1.0x
2019-2022	**523**	**1.2x**	281	1.0x
Other[2]	**3,252**	**n/a**	2,287	n/a
Total	**7,890**		6,552	

1 Assets included in these vintages are disclosed in the glossary on pages 45 and 46.

2 Includes value of £2,799 million (31 March 2020: £1,913 million) held in Action through the 2020 Co-investment vehicles and 3i.

3 Vintage money multiple includes unrealised value.

The value of the Private Equity portfolio including third-party capital increased to €11.6 billion (31 March 2020: €9.9 billion) due to the increase in the valuation of Action, strong performance from our more recent vintages, net investment and favourable foreign exchange gains.

Table 8: Private Equity proprietary capital by 3i office location

3i office location	Number of companies	3i carrying value at 30 September 2020 £m
Netherlands	5	**5,106**
France	2	**549**
Germany	6	**689**
UK	8	**503**
US	7	**1,004**
Other	4	**39**
Total	32	**7,890**

Infrastructure

Our Infrastructure business performed well and generated a gross investment return of £134 million, or 12% on the opening portfolio value in the period (September 2019: £88 million, 9%). This was driven by the recovery of 3iN's share price and by dividend income.

Table 9: Gross investment return for the six months to 30 September

Investment basis	2020 £m	2019 £m
Unrealised profits on the revaluation of investments	**127**	59
Dividends	**14**	12
Interest income from investment portfolio	**5**	5
Foreign exchange on investments	**(16)**	17
Movement in the fair value of derivatives	**4**	(5)
Gross investment return	**134**	88
Gross investment return as a % of opening portfolio value	**12%**	9%

3iN performance

The 3iN portfolio continues to demonstrate its resilience to the effects of the Covid-19 pandemic, generating a total return on opening NAV of 4% in the six months to 30 September 2020 (September 2019: 6%). 3iN is on track to deliver its dividend target which is up 6.5% on last year. In the first half, Infinis completed the acquisition of the development rights for a 6MW solar PV project at the Ling Hall landfill and Tampnet agreed to purchase a 1,200km offshore fibre cable system in the Gulf of Mexico. Furthermore, 3iN committed additional capital to ESVAGT to fund further growth in its offshore wind servicing segment.

As 3iN's investment manager, we received a management fee of £12 million for the six-month period to 30 September 2020 (September 2019: £15 million).

Performance of 3i's proprietary capital Infrastructure portfolio

Table 10: Unrealised profits on the revaluation of Infrastructure investments[1] in the six months to 30 September

	2020 £m	2019 £m
Quoted	**113**	53
DCF	**7**	4
Fund	**1**	2
Imminent sale	**6**	–
Total	**127**	59

1 More information on our valuation methodology, including definitions and rationale, is included in our Annual report and accounts 2020 on pages 177 to 178.

Quoted stake in 3iN

3iN's share price increased by 17% in the first half of the year and closed at 289 pence on 30 September 2020 (31 March 2020: 247 pence). We recognised £113 million of unrealised value growth on our 3iN investment and £12 million of dividend income (September 2019: £53 million of unrealised value growth and £12 million of dividend income). At 30 September 2020, our investment in 3iN was valued at £778 million (31 March 2020: £665 million).

US Infrastructure

Our US infrastructure portfolio has been relatively resilient throughout the pandemic, as both assets have been deemed to provide essential services. Regional Rail has continued to perform well. The business benefited from opportunistic growth in offerings like car storage and better than expected operational efficiency at its newly acquired Carolina Coastal Railway line. It also added new customers on its Florida lines, offsetting some freight softness in Northeast America. Smarte Carte's operations have been relatively resilient despite the reduction in air travel across the US, benefiting from a diverse offering and broad penetration across the country. However, the business continues to operate in very challenging market conditions. Whilst US air traffic has marginally recovered, the Company benefits from leisure travel that is recovering faster than business travel.

Imminent sale

At 30 September 2020, we valued Krishnapatnam Port, the largest asset remaining in our 3i India Infrastructure Fund, on an imminent sale valuation basis following completion of a commercial settlement. We received proceeds of £30 million from this sale in October 2020.

Fund management

The 3i European Operational Projects Fund completed the acquisition of a portfolio of eight operational projects in France. The Fund has now deployed c.60% of its total commitments and has a good pipeline of potential investments. The Fund is outperforming its yield objective.

We established a new 3i-managed vehicle in the period that will co-invest alongside 3iN in certain transactions, with a commitment of €400 million from Industriens Pension of Denmark.

Infrastructure AUM increased to £4.9 billion (31 March 2020: £4.4 billion) and we generated fee income of £19 million from our fund management activities in the period (September 2019: £22 million).

Table 11: Assets under management as at 30 September 2020

Fund/strategy	Close date	Fund size	3i commitment/ share	Remaining 3i commitment	% invested at September 2020	AUM £m	Fee income earned in the period £m
3iN[1]	Mar 07	n/a	£778m	n/a	n/a	**2,576**	**12**
3i Managed Infrastructure Acquisitions LP	Jun 17	£698m	£35m	£5m	86%	**784**	**3**
3i European Operational Projects Fund	Apr 18	€456m	€40m	€16m	59%	**244**	**1**
BIIF	May 08	£680m	n/a	n/a	90%	**477**	**2**
3i India Infrastructure Fund	Mar 08	US$1,195m	US$250m	US$35m	73%	**119**	**–**
3i managed accounts	various	n/a	n/a	n/a	n/a	**326**	**1**
US Infrastructure	various	n/a	n/a	n/a	n/a	**367**	**–**
Total						**4,893**	**19**

1 AUM based on the share price at 30 September 2020.

Scandlines

Scandlines generated a gross investment return of £15 million (September 2019: £44 million) or 3% of opening portfolio value (September 2019: 8%).

Table 12: Gross investment return for the six months to 30 September

Investment basis	2020 £m	2019 £m
Unrealised profit on the revaluation of investments	12	10
Dividends	–	27
Foreign exchange on investments	11	16
Movement in the fair value of derivatives	(8)	(9)
Gross investment return	15	44
Gross investment return as a % of opening portfolio value	3%	8%

Performance

Scandlines delivered a solid performance. Its strategic importance to supply chains between Denmark, Germany and Scandinavia remains evident, with freight volumes at over 90% in the nine months to September compared to the prior comparable period. Car volumes continue to be impacted on a month-by-month basis by regional and national travel and quarantine restrictions, although they demonstrated good momentum following the removal of travel restrictions in the summer. The company continues to be well positioned to manage the further uncertainty developing in Northern Europe due to the pandemic. As indicated previously, we do not expect to receive any dividends from Scandlines in FY2021. At 30 September 2020, Scandlines was valued at £452 million (31 March 2020: £429 million) on a DCF basis.

Foreign exchange

We hedge our investment in Scandlines for foreign exchange translation risk. We recognised a £3 million net gain on foreign exchange translation (September 2019: £7 million) including an £8 million fair value loss (September 2019: £9 million) from derivatives in our hedging programme.

Overview of financial performance

3i generated a total return of £1,142 million, or a profit on opening shareholders' funds of 15%, in the six months to 30 September 2020 (September 2019: £767 million, or 10%). The diluted NAV per share at 30 September 2020 increased to 905 pence (31 March 2020: 804 pence) after the payment of the second FY2020 dividend of £169 million, or 17.5 pence per share (September 2019: £194 million, 20 pence per share) and the 12 pence one-off negative accounting impact of the pension buy-in transaction.

Table 13: Gross investment return for the six months to 30 September

Investment basis	2020 £m	2019 £m
Private Equity	**1,245**	666
Infrastructure	**134**	88
Scandlines	**15**	44
Gross investment return	**1,394**	798
Gross investment return as a % of opening portfolio value	**17%**	11%
Total comprehensive income ("Total return")	**1,142**	767
Total return on opening shareholders' funds	**15%**	10%

Gross investment return was £1,394 million in the period (September 2019: £798 million) driven by the strong performance of Action and several other portfolio companies, as well as good dividend income from the portfolio. The GIR also includes a £88 million net foreign currency gain on translation of our investments (September 2019: £195 million gain). Further information on the Private Equity, Infrastructure and Scandlines valuations is included in their respective sections of this Business and Financial review.

Operating cash profit

Table 14: Operating cash profit/(loss) for the six months to 30 September

	2020 £m	2019 £m
Cash fees from external funds	**19**	19
Cash portfolio fees	**2**	3
Cash portfolio dividends and interest	**62**	55
Cash income	**83**	77
Cash operating expenses[1]	**(69)**	(79)
Operating cash profit/(loss)	**14**	(2)

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

3i generated an operating cash profit of £14 million in the period (September 2019: £2 million loss). Cash income increased to £83 million (September 2019: £77 million) principally due to good dividend income. Cash operating expenses incurred during the period decreased to £69 million (September 2019: £79 million) driven principally by lower variable compensation costs and a reduction in travel as a result of the Covid-19 travel restrictions.

Foreign exchange

At 30 September 2020, 83% of the Group's assets were denominated in euros or US dollars (31 March 2020: 78%). Following the weakening of sterling against the euro and strengthening of sterling against the US dollar, the Group recorded a total foreign exchange gain of £80 million net of derivatives during the period (September 2019: £196 million).

Table 15: Net assets and sensitivity by currency at 30 September 2020

	FX rate	Net assets £m	%	1% sensitivity £m
Sterling	n/a	**1,268**	15	n/a
Euro[1]	1.1027	**5,954**	68	59
US dollar[1]	1.2932	**1,347**	15	13
Danish krone	8.2091	**130**	2	1
Other	n/a	**42**	–	n/a
Total		**8,741**		

1 Sensitivity impact is net of derivatives.

Carried interest and performance fees payable and receivable

We pay carried interest to participants in plans relating to our proprietary capital invested. We also receive performance fees from third-party funds and pay a portion of that carry received to participants in our carry plans. Carried interest at 30 September 2020 was calculated assuming that remaining assets in the portfolio were realised at their fair value at that date.

Table 16: **Carried interest and performance fees** for the six months to 30 September

Consolidated statement of comprehensive income	2020 £m	2019 £m
Carried interest and performance fees receivable		
Private Equity	**(2)**	81
Total	**(2)**	81
Carried interest and performance fees payable		
Private Equity	**(61)**	(63)
Infrastructure	**(2)**	(5)
Total	**(63)**	(68)
Net carried interest (payable)/receivable	**(65)**	13

Table 17: **Carried interest and performance fees**

Consolidated statement of financial position	30 September 2020 £m	31 March 2020 £m
Carried interest and performance fees receivable		
Private Equity	**9**	11
Infrastructure	**–**	6
Total	**9**	17
Carried interest and performance fees payable		
Private Equity	**(564)**	(998)
Infrastructure	**(24)**	(40)
Total	**(588)**	(1,038)

Carried interest and performance fees receivable

Following the disposal of its stake in Action by Eurofund V ("EFV") in FY2020, the only material carried interest and performance fees receivable will be generated from our management of 3iN's portfolio.

Carried interest and performance fees payable

In Private Equity, we typically accrue net carried interest payable at between 10% and 13% of gross investment return. We accrued carried interest payable of £61 million (September 2019: £63 million) for Private Equity in the period. At 30 September 2020, we were not accruing carried interest payable on the 2016-19 or 2019-22 vintage.

Carried interest is paid to participants when the performance hurdles are passed in cash terms following cash proceeds received from a realisation, refinancing event or other cash distribution. Due to the 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. In FY2020, we crystallised carried interest due on the EFV share of Action, along with the carried interest due on 3i's share of the refinancing proceeds from Action in the Buyouts 2010-12 scheme. As a result, £502 million was paid to participants in the Buyouts 2010-12 scheme, of which £109 million was previously held in escrow.

Overall, the effect of the income statement charge, cash payments, as well as the currency translation meant that the balance sheet carried interest and performance fees payable decreased to £588 million (31 March 2020: £1,038 million). During the period, we crystallised further carried interest in the Buyouts 2010-12 scheme relating to Action, which is expected to result in a c.£112 million carried interest payment to participants in the Buyouts 2010-12 scheme in November 2020.

Balance sheet and NAV

Table 18: Simplified consolidated balance sheet

Investment basis	30 September 2020 £m	31 March 2020 £m
Investment portfolio	**9,578**	8,098
Gross debt	**(975)**	(575)
Cash and deposits	**687**	845
Net (debt)/cash	**(288)**	270
Carried interest and performance fees receivable	**9**	17
Carried interest and performance fees payable	**(588)**	(1,038)
Other net assets	**30**	410
Net assets	**8,741**	7,757
Gearing[1]	**3.3%**	nil

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

The investment portfolio value increased to £9,578 million at 30 September 2020 (31 March 2020: £8,098 million) driven by unrealised value growth of £1,210 million, net investment and gains on foreign exchange translation.

At 30 September 2020 the Group had net debt of £288 million (31 March 2020: £270 million net cash) after a £400 million carried interest payment, net cash investment of £15 million and the payment of the second FY2020 dividend of £169 million.

Going concern and liquidity

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

Liquidity reduced to £1,087 million at 30 September 2020 (31 March 2020: £1,245 million) and comprised cash and deposits of £687 million (31 March 2020: £845 million) and undrawn facility of £400 million (31 March 2020: £400 million). In June we successfully issued a 20-year £400 million bond at a coupon of 3.75%, providing further liquidity to the Group.

Pension

During the period, the 3i Group Pension Plan Trustees completed a £650 million buy-in transaction with Legal & General. This transaction was completed without additional contributions from 3i. The 3i Group Pension Plan benefits are now fully insured through buy-in policies which are held as assets of the Plan. This means that 3i is no longer exposed to any material longevity, interest or inflation risk in the plan and therefore any financing requirements. As a result of the transaction we have reduced the IAS 19 plan surplus to reflect this commercial outcome. Consequently, at 30 September 2020, the IAS 19 Plan surplus was £57 million (31 March 2020: £173 million) which included a total re-measurement loss recognised in other comprehensive income of £118 million (September 2019: £6 million gain) and interest income recognised in the Consolidated statement of comprehensive income of £2 million (September 2019: £2 million).

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 from page 19. The table below defines our additional APMs and should be read in conjunction with the Annual report and accounts 2020.

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 2020.	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 consolidated statement of comprehensive income and the Reconciliation of 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 2020.	The cash received from the disposal of investments in the period 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 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 2020.	The cash paid to acquire investments in the period 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 consolidated cash flow statement.
Operating cash profit/(loss)	By covering the cash cost of running the business with cash income, we reduce the potential dilution of capital returns. For further information, see the Group KPIs in our Annual report and accounts 2020.	The cash income from the portfolio (interest, dividends and fees) together with fees received from external funds less cash operating expenses and leases payments as shown on the Investment basis Consolidated cash flow statement. The calculation is shown in Table 14 of the Overview of financial performance.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of 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 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 consolidated statement of financial position.

Principal risks and uncertainties

3i's risk appetite statement, approach to risk management and governance structure are set out in the Risk section of the Annual report and accounts 2020, which can be accessed on the Group's website at **www.3i.com**.

The principal risks to the achievement of the Group's strategic objectives for the remaining six months of its financial year are unchanged from those reported on pages 55 to 59 of the Annual report and accounts 2020. There have been no material changes to the impact and likelihood of the Group's principal risks in the period, which are outlined below.

Covid-19

The restrictions to combat the Covid-19 pandemic have resulted in a significant contraction of economic activity across the G20 countries and downgrading of global economic growth forecasts. The outlook remains very uncertain. These economic headwinds have the potential to affect trading, liquidity and valuations in varying degrees across the portfolio. As outlined below, 3i has a well-funded balance sheet and the impact on the investment portfolio, which is now clearer, has been concentrated on a small number of assets in the most exposed sectors.

Principal risks

External – Risks arising from external factors including political, legal, regulatory, economic and competitor changes, which affect the Group's investment portfolio and operations. There is significant continuing uncertainty in the outlook for the global economy and the potential for periods of increased market volatility, both of which will be influenced by the extent of Covid-19 related restrictions, their economic impact and government economic policies. 3i is not immune to these wider market conditions; however, our balance sheet is well funded with low holding company debt and we have a diverse portfolio of international companies.

Whilst the outcome of UK / EU trade negotiations remains unclear, we have in place the necessary regulatory and investment structures to ensure continuity of our EU based activities based on a range of reasonably foreseeable scenarios. The exposure of the portfolio to possible disruption to UK / EU trade flows is very limited.

Investment – Risks in respect of specific asset investment decisions, the subsequent performance of an investment or exposure concentrations across business line portfolios. Although the extension of Covid-19 restrictions continues to affect a limited number of portfolio assets in the most exposed sectors e.g. travel, the majority of the portfolio continues to show a resilient performance.

Operational – Risks arising from inadequate or failed processes, people and systems or from external factors affecting these. The Group's day-to-day operations have been largely unaffected by the impact of Covid-19 related restrictions and remote working arrangements. This includes the resilience and security of the Group's IT systems; maintaining robust processes and internal controls; and providing appropriate levels of support for our staff.

The Half-year report provides an update on 3i's strategy and business performance, as well as on market conditions, which is relevant to the Group's overall risk profile and should be viewed in the context of the Group's risk management framework and principal risks as disclosed in the Annual report and accounts 2020.

Reconciliation of the Investment basis to IFRS

Background to Investment basis numbers used in the Half-year report

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 the Group to fair value a number of investment entity subsidiaries. This fair value approach, applied at the investment entity subsidiary level, effectively obscures the performance of our proprietary capital investments and associated transactions occurring in the investment entity subsidiaries. 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.

To aid understanding of our results, we include a separate non-GAAP “Investment basis” consolidated statement of comprehensive income, financial position and cash flow. The Investment basis is an APM and the Chief Executive’s review and the Business and financial review are 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.

A more detailed explanation of the effect of IFRS 10 is provided in the Annual report and accounts 2020 on page 43.

Reconciliation between Investment basis and IFRS

A detailed reconciliation from the Investment basis to IFRS basis of the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated cash flow statement is shown on pages 20 to 24.

Reconciliation of consolidated statement of comprehensive income

		Six months to 30 September 2020			Six months to 30 September 2019		
	Notes	Investment basis £m	IFRS adjustments £m	IFRS basis (unaudited) £m	Investment basis £m	IFRS adjustments £m	IFRS basis (unaudited) £m
Realised profits over value on the disposal of investments	1,2	**3**	**2**	**5**	–	–	–
Unrealised profits on the revaluation of investments	1,2	**1,210**	**(605)**	**605**	498	(436)	62
Fair value movements on investment entity subsidiaries	1	**–**	**634**	**634**	–	602	602
Portfolio income							
Dividends	1,2	**57**	**(27)**	**30**	44	(31)	13
Interest income from investment portfolio	1,2	**30**	**(20)**	**10**	57	(39)	18
Fees receivable	1,2	**6**	**1**	**7**	4	1	5
Foreign exchange on investments	1,4	**92**	**(78)**	**14**	209	(168)	41
Movement in the fair value of derivatives		**(4)**	**–**	**(4)**	(14)	–	(14)
Gross investment return		**1,394**	**(93)**	**1,301**	798	(71)	727
Fees receivable from external funds		**21**	**–**	**21**	23	–	23
Operating expenses	1,3	**(58)**	**1**	**(57)**	(60)	–	(60)
Interest received		**(1)**	**1**	**–**	2	–	2
Interest paid		**(23)**	**–**	**(23)**	(18)	–	(18)
Exchange movements	1,4	**(8)**	**5**	**(3)**	1	19	20
Income from investment entity subsidiaries	1	**–**	**12**	**12**	–	10	10
Other income		**–**	**–**	**–**	3	(1)	2
Operating profit before carried interest		**1,325**	**(74)**	**1,251**	749	(43)	706
Carried interest							
Carried interest and performance fees receivable	1,3	**(2)**	**–**	**(2)**	81	(18)	63
Carried interest and performance fees payable	1,3	**(63)**	**68**	**5**	(68)	59	(9)
Operating profit before tax		**1,260**	**(6)**	**1,254**	762	(2)	760
Income taxes	1,3	**–**	**–**	**–**	(1)	–	(1)
Profit for the period		**1,260**	**(6)**	**1,254**	761	(2)	759
Other comprehensive income that may be reclassified to the income statement							
Exchange differences on translation of foreign operations	1,4	**–**	**6**	**6**	–	2	2
Other comprehensive income that will not be reclassified to the income statement							
Re-measurement of defined benefit plans		**(118)**	**–**	**(118)**	6	–	6
Other comprehensive (expense)/ income for the period		**(118)**	**6**	**(112)**	6	2	8
Total comprehensive income for the period ("Total return")		**1,142**	**–**	**1,142**	767	–	767

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

Reconciliation of consolidated statement of comprehensive income continued

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 periods. 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 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.

4 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 entity subsidiaries".

Reconciliation of consolidated statement of financial position

	Notes	As at 30 September 2020 Investment basis £m	IFRS adjustments £m	IFRS basis (unaudited) £m	As at 31 March 2020 Investment basis £m	IFRS adjustments £m	IFRS basis (audited) £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	919	(430)	489	758	(340)	418
Unquoted investments	1	8,659	(4,838)	3,821	7,340	(4,304)	3,036
Investments in investment entity subsidiaries	1,2	–	4,871	4,871	–	3,936	3,936
Investment portfolio		9,578	(397)	9,181	8,098	(708)	7,390
Carried interest and performance fees receivable	1	9	1	10	11	–	11
Other non-current assets	1	34	(1)	33	26	(3)	23
Intangible assets		8	–	8	9	–	9
Retirement benefit surplus		57	–	57	173	–	173
Property, plant and equipment		5	–	5	5	–	5
Right of use asset		17	–	17	19	–	19
Derivative financial instruments		2	–	2	7	–	7
Deferred income taxes		1	–	1	–	–	–
Total non-current assets		9,711	(397)	9,314	8,348	(711)	7,637
Current assets							
Carried interest and performance fees receivable	1	–	–	–	6	1	7
Other current assets	1	29	(2)	27	296	(152)	144
Current income taxes		2	–	2	2	–	2
Derivative financial instruments		3	–	3	6	–	6
Cash and cash equivalents	1	687	(126)	561	845	(74)	771
Total current assets		721	(128)	593	1,155	(225)	930
Total assets		10,432	(525)	9,907	9,503	(936)	8,567
Liabilities							
Non-current liabilities							
Trade and other payables	1	(8)	8	–	(5)	5	–
Carried interest and performance fees payable	1	(469)	410	(59)	(505)	439	(66)
Loans and borrowings		(975)	–	(975)	(575)	–	(575)
Derivative financial instruments		(3)	–	(3)	(2)	–	(2)
Lease liability		(13)	–	(13)	(16)	–	(16)
Retirement benefit deficit		(26)	–	(26)	(25)	–	(25)
Deferred income taxes		(1)	–	(1)	(1)	–	(1)
Provisions		(3)	–	(3)	(3)	–	(3)
Total non-current liabilities		(1,498)	418	(1,080)	(1,132)	444	(688)
Current liabilities							
Trade and other payables	1	(68)	(2)	(70)	(73)	–	(73)
Carried interest and performance fees payable	1	(119)	109	(10)	(533)	492	(41)
Derivative financial instruments		(1)	–	(1)	(2)	–	(2)
Lease liability		(4)	–	(4)	(4)	–	(4)
Current income taxes		(1)	–	(1)	(2)	–	(2)
Total current liabilities		(193)	107	(86)	(614)	492	(122)
Total liabilities		(1,691)	525	(1,166)	(1,746)	936	(810)
Net assets		8,741	–	8,741	7,757	–	7,757
Equity							
Issued capital		719	–	719	719	–	719
Share premium		788	–	788	788	–	788
Other reserves	3	7,301	–	7,301	6,328	–	6,328
Own shares		(67)	–	(67)	(78)	–	(78)
Total equity		8,741	–	8,741	7,757	–	7,757

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

Reconciliation of consolidated statement of financial position continued

Notes:

1 Applying IFRS 10 to the consolidated statement of financial position aggregates the line items of investment entity subsidiaries 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 of 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

	Notes	Six months to 30 September 2020 Investment basis £m	IFRS adjustments £m	IFRS basis (unaudited) £m	Six months to 30 September 2019 Investment basis £m	IFRS adjustments (restated)[1] £m	IFRS basis (unaudited) (restated)[1] £m
Cash flow from operating activities							
Purchase of investments	1	(202)	141	(61)	(312)	158	(154)
Proceeds from investments	1	187	(79)	108	71	(71)	–
Drawdowns paid to investment entity subsidiaries	1	–	(647)	(647)	–	(148)	(148)
Distributions received from investment entity subsidiaries	1	–	192	192	–	117	117
Net cash flow from derivatives		3	–	3	1	–	1
Portfolio interest received	1	5	(5)	–	9	(3)	6
Portfolio dividends received	1	57	(27)	30	46	(31)	15
Portfolio fees received	1	2	–	2	3	1	4
Fees received from external funds		19	–	19	19	–	19
Carried interest and performance fees received	1	6	–	6	53	(19)	34
Carried interest and performance fees paid	1	(400)	374	(26)	(40)	14	(26)
Carried interest held in non-current assets	1	–	–	–	(11)	11	–
Operating expenses paid		(67)	–	(67)	(77)	–	(77)
Co-investment loans received	1	13	–	13	–	–	–
Income taxes received		–	–	–	10	–	10
Other cash income		–	–	–	2	–	2
Net cash flow from operating activities		(377)	(51)	(428)	(226)	29	(197)
Cash flow from financing activities							
Purchase of own shares		–	–	–	(18)	–	(18)
Dividend paid		(169)	–	(169)	(194)	–	(194)
Proceeds from long-term borrowing		395	–	395	–	–	–
Lease payments		(2)	–	(2)	(2)	–	(2)
Interest received	1	(1)	1	–	1	1	2
Interest paid		(12)	–	(12)	(12)	–	(12)
Net cash flow from financing activities		211	1	212	(225)	1	(224)
Cash flow from investing activities							
Purchase of property, plant and equipment		–	–	–	(1)	–	(1)
Net cash flow from investing activities		–	–	–	(1)	–	(1)
Change in cash and cash equivalents	2	(166)	(50)	(216)	(452)	30	(422)
Cash and cash equivalents at the start of the period	2	845	(74)	771	1,020	(37)	983
Effect of exchange rate fluctuations	1	8	(2)	6	7	(3)	4
Cash and cash equivalents at the end of the period	2	687	(126)	561	575	(10)	565

1 Refer to the basis of preparation and accounting policies on page 29.

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 consolidated 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.

IFRS Financial statements

Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2020 (unaudited) £m	Six months to 30 September 2019 (unaudited) £m
Realised profits over value on the disposal of investments	2	**5**	–
Unrealised profits on the revaluation of investments	3	**605**	62
Fair value movements on investment entity subsidiaries	8	**634**	602
Portfolio income			
Dividends		**30**	13
Interest income from investment portfolio		**10**	18
Fees receivable	4	**7**	5
Foreign exchange on investments		**14**	41
Movement in the fair value of derivatives		**(4)**	(14)
Gross investment return		**1,301**	727
Fees receivable from external funds	4	**21**	23
Operating expenses		**(57)**	(60)
Interest received		**–**	2
Interest paid		**(23)**	(18)
Exchange movements		**(3)**	20
Income from investment entity subsidiaries		**12**	10
Other income		**–**	2
Carried interest			
Carried interest and performance fees receivable	4	**(2)**	63
Carried interest and performance fees payable		**5**	(9)
Operating profit before tax		**1,254**	760
Income taxes		**–**	(1)
Profit for the period		**1,254**	759
Other comprehensive income that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**6**	2
Other comprehensive income that will not be reclassified to the income statement			
Re-measurements of defined benefit plans	12	**(118)**	6
Other comprehensive (expense)/income for the period		**(112)**	8
Total comprehensive income for the period ("Total return")		**1,142**	767
Earnings per share			
Basic (pence)	5	**130.1**	78.4
Diluted (pence)	5	**130.0**	78.2

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

Condensed consolidated statement of financial position

	Notes	30 September 2020 (unaudited) £m	31 March 2020 (audited) £m
Assets			
Non-current assets			
Investments			
Quoted investments	7	**489**	418
Unquoted investments	7	**3,821**	3,036
Investments in investment entity subsidiaries	8	**4,871**	3,936
Investment portfolio		**9,181**	7,390
Carried interest and performance fees receivable		**10**	11
Other non-current assets		**33**	23
Intangible assets		**8**	9
Retirement benefit surplus		**57**	173
Property, plant and equipment		**5**	5
Right of use asset		**17**	19
Derivative financial instruments		**2**	7
Deferred income taxes		**1**	–
Total non-current assets		**9,314**	7,637
Current assets			
Carried interest and performance fees receivable		**–**	7
Other current assets		**27**	144
Current income taxes		**2**	2
Derivative financial instruments		**3**	6
Cash and cash equivalents		**561**	771
Total current assets		**593**	930
Total assets		**9,907**	8,567
Liabilities			
Non-current liabilities			
Carried interest and performance fees payable		**(59)**	(66)
Loans and borrowings		**(975)**	(575)
Retirement benefit deficit		**(26)**	(25)
Lease liability		**(13)**	(16)
Derivative financial instruments		**(3)**	(2)
Deferred income taxes		**(1)**	(1)
Provisions		**(3)**	(3)
Total non-current liabilities		**(1,080)**	(688)
Current liabilities			
Trade and other payables		**(70)**	(73)
Carried interest and performance fees payable		**(10)**	(41)
Lease liability		**(4)**	(4)
Derivative financial instruments		**(1)**	(2)
Current income taxes		**(1)**	(2)
Total current liabilities		**(86)**	(122)
Total liabilities		**(1,166)**	(810)
Net assets		**8,741**	7,757
Equity			
Issued capital		**719**	719
Share premium		**788**	788
Capital redemption reserve		**43**	43
Share-based payment reserve		**27**	33
Translation reserve		**4**	(2)
Capital reserve		**6,298**	5,432
Revenue reserve		**929**	822
Own shares		**(67)**	(78)
Total equity		**8,741**	7,757

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

Condensed consolidated statement of changes in equity

For the six months to 30 September 2020 (unaudited)	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the period	**719**	**788**	**43**	**33**	**(2)**	**5,432**	**822**	**(78)**	**7,757**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**1,164**	**90**	**–**	**1,254**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**6**	**–**	**–**	**–**	**6**
Re-measurements of defined benefit plans	**–**	**–**	**–**	**–**	**–**	**(118)**	**–**	**–**	**(118)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**6**	**1,046**	**90**	**–**	**1,142**
Share-based payments	**–**	**–**	**–**	**11**	**–**	**–**	**–**	**–**	**11**
Release on exercise/forfeiture of share awards	**–**	**–**	**–**	**(17)**	**–**	**–**	**17**	**–**	**–**
Exercise of share awards	**–**	**–**	**–**	**–**	**–**	**(11)**	**–**	**11**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**(169)**	**–**	**–**	**(169)**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total equity at the end of the period	**719**	**788**	**43**	**27**	**4**	**6,298**	**929**	**(67)**	**8,741**

1 Refer to the glossary on pages 45 to 46 for the nature of the capital and revenue reserves.

For the six months to 30 September 2019 (unaudited)	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[2] £m	Revenue reserve[2] £m	Own shares £m	Total equity £m
Total equity at the start of the period[1]	719	787	43	36	(3)	5,590	779	(42)	7,909
Profit for the period	–	–	–	–	–	665	94	–	759
Exchange differences on translation of foreign operations	–	–	–	–	2	–	–	–	2
Re-measurements of defined benefit plans	–	–	–	–	–	6	–	–	6
Total comprehensive income for the period	–	–	–	–	2	671	94	–	767
Share-based payments	–	–	–	11	–	–	–	–	11
Release on exercise/forfeiture of share awards	–	–	–	(16)	–	–	16	–	–
Exercise of share awards	–	–	–	–	–	(23)	–	23	–
Ordinary dividends	–	–	–	–	–	(194)	–	–	(194)
Purchase of own shares	–	–	–	–	–	–	–	(18)	(18)
Total equity at the end of the period	719	787	43	31	(1)	6,044	889	(37)	8,475

1 The adoption of IFRS 16 on 1 April 2019 resulted in the recognition of a right of use asset of £23 million and lease liability of £23 million, with nil impact on retained earnings.
2 Refer to the glossary on pages 45 to 46 for the nature of the capital and revenue reserves.

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

Condensed consolidated cash flow statement

	Six months to 30 September 2020 (unaudited) £m	Six months to 30 September 2019 (unaudited) (restated)[1] £m
Cash flow from operating activities		
Purchase of investments	(61)	(154)
Proceeds from investments	108	–
Drawdowns paid to investment entity subsidiaries	(647)	(148)
Distributions received from investment entity subsidiaries	192	117
Net cash flow from derivatives	3	1
Portfolio interest received	–	6
Portfolio dividends received	30	15
Portfolio fees received	2	4
Fees received from external funds	19	19
Carried interest and performance fees received	6	34
Carried interest and performance fees paid	(26)	(26)
Operating expenses paid	(67)	(77)
Co-investment loans received	13	–
Income taxes received	–	10
Other cash income	–	2
Net cash flow from operating activities	(428)	(197)
Cash flow from financing activities		
Purchase of own shares	–	(18)
Dividend paid	(169)	(194)
Proceeds from long-term borrowing	395	–
Lease payments	(2)	(2)
Interest received	–	2
Interest paid	(12)	(12)
Net cash flow from financing activities	212	(224)
Cash flow from investing activities		
Purchase of property, plant and equipment	–	(1)
Net cash flow from investing activities	–	(1)
Change in cash and cash equivalents	(216)	(422)
Cash and cash equivalents at the start of the period	771	983
Effect of exchange rate fluctuations	6	4
Cash and cash equivalents at the end of the period	561	565

1 Refer to the basis of preparation and accounting policies on page 29.

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

Notes to the condensed consolidated financial statements

Basis of preparation and accounting policies

Compliance with International Financial Reporting Standards ("IFRS")

The Half-year condensed consolidated financial statements of 3i Group plc have been prepared in accordance with the Disclosure Rules and Transparency Rules of the Financial Conduct Authority and IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union. The Half-year condensed consolidated financial statements should be read in conjunction with the Annual report and accounts 2020. The accounting policies applied by 3i Group plc for the Half-year condensed consolidated financial statements are consistent with those described on pages 126 to 164 of the Annual report and accounts 2020. There was no change in the current period to the critical accounting estimates and judgements applied in 2020, which are stated on page 128 of the Annual report and accounts 2020.

The financial information for the year ended 31 March 2020 contained within this Half-year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for the year to 31 March 2020, prepared under IFRS as endorsed by the EU, have been reported on by Ernst & Young LLP and delivered to the Registrar of Companies. The report of the Auditor on these statutory accounts was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006. At the 2020 AGM held on 25 June 2020 shareholders appointed KPMG LLP as the Company's new external auditor for the year ending 31 March 2021, in succession to Ernst & Young LLP.

In this Half year report, we have changed the presentation of the Condensed consolidated cash flow statement to present net cash flows from investment entity subsidiaries on a gross basis in two line items; Drawdowns paid to investment entity subsidiaries and Distributions received from investment entity subsidiaries. Presentation of the six months to September 2019 have been changed to reflect this split.

Going concern

The Half-year condensed consolidated financial statements are prepared on a going concern basis and presented to the nearest million sterling (£m), the functional currency of the Group.

The Directors have made an assessment of going concern, taking into account the Group's current performance, and outlook, and performed additional analysis to support the going concern assessment considering the ongoing impact of the Covid-19 pandemic on the Group portfolio. The Group has maintained a conservative balance sheet structure for the past eight years, positioning the Group well to navigate the current uncertain business environment. As part of this assessment the Directors considered:

- an analysis of the Group's liquidity, solvency and regulatory capital position. The Group manages and monitors liquidity regularly, ensuring it is adequate and sufficient and is underpinned by its monitoring of investments, realisations, operating expenses and receipt of portfolio cash income. The Group successfully issued a bond of £400 million in June 2020. At 30 September 2020, liquidity remained strong at £1,087 million (31 March 2020: £1,245 million). Liquidity comprised of cash and deposits of £687 million (31 March 2020: £845 million) and undrawn facility of £400 million (31 March 2020: £400 million);

- the business review starting on page 6 reflects that to date, our portfolio has been resilient to the effects of the pandemic, but we continue to monitor developments closely particularly in the travel and automotive sectors. The approach to valuations was consistent with the normal valuation process and where needed we continue to apply judgement. At 30 September 2020 our portfolio companies exposed to the travel and automotive industries have been most negatively impacted by the Covid-19 pandemic and where required, we have assessed their ability to generate earnings and cash flows, and also the longer-term view of their ability to recover; and

- the operational resilience of the Group's critical functions includes the wellbeing of 3i's staff and the resilience of IT systems. Covid-19 has emphasised the importance of 3i and its portfolio companies' focus on keeping employees safe, motivated and able to continue to fulfil their roles effectively.

Having performed an assessment on going concern, the Directors consider it appropriate for the going concern basis to be adopted in preparing the Half-year report and condensed consolidated financial statements.

1 Segmental analysis

The tables below are presented on the Investment basis which is the basis used by the chief operating decision maker, the Chief Executive, to monitor the performance of the Group. A description of the Investment basis and a reconciliation of the Investment basis to the IFRS financial statements is provided on pages 19 to 24. Further detail on the Group's segmental analysis can be found on pages 130 to 132 of the Annual report and accounts 2020. The remaining Notes are prepared on an IFRS basis.

Investment basis Six months to 30 September 2020	Private Equity £m	*Of which is Action £m*	Infrastructure £m	Scandlines £m	Total[4] £m
Realised profits over value on the disposal of investments	3	–	–	–	3
Unrealised profits on the revaluation of investments	1,071	*644*	127	12	1,210
Portfolio income					
Dividends	43	–	14	–	57
Interest income from investment portfolio	25	–	5	–	30
Fees receivable	6	–	–	–	6
Foreign exchange on investments	97	*89*	(16)	11	92
Movement in the fair value of derivatives	–	–	4	(8)	(4)
Gross investment return	1,245	*733*	134	15	1,394
Fees receivable from external funds	2		19	–	21
Operating expenses	(36)		(20)	(2)	(58)
Interest received					(1)
Interest paid					(23)
Exchange movements					(8)
Operating profit before carried interest					1,325
Carried interest					
Carried interest and performance fees receivable	(2)		–	–	(2)
Carried interest and performance fees payable	(61)		(2)	–	(63)
Operating profit					1,260
Income taxes					–
Other comprehensive income					
Re-measurements of defined benefit plans					(118)
Total return					1,142
Net divestment/(investment)					
Realisations[1]	82	–	–	–	82
Cash investment[2]	(231)	–	(2)	–	(233)
	(149)	–	(2)	–	(151)
Balance sheet					
Opening portfolio value at 1 April 2020	6,552	*3,536*	1,117	429	8,098
Investment[3]	300	–	2	–	302
Value disposed	(80)	–	–	–	(80)
Unrealised value movement	1,071	*644*	127	12	1,210
Other movement (including foreign exchange)	47	*89*	(10)	11	48
Closing portfolio value at 30 September 2020	7,890	*4,269*	1,236	452	9,578

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

1 Segmental analysis continued

Investment basis

Six months to 30 September 2019	Private Equity £m	*Of which is Action £m*	Infrastructure £m	Scandlines[2] £m	Total[3] £m
Realised profits over value on the disposal of investments	–	–	–	–	–
Unrealised profits on the revaluation of investments	429	*381*	59	10	498
Portfolio income					
Dividends	5	–	12	27	44
Interest income from investment portfolio	52	–	5	–	57
Fees receivable	4	–	–	–	4
Foreign exchange on investments	176	*71*	17	16	209
Movement in the fair value of derivatives	–	–	(5)	(9)	(14)
Gross investment return	666	*452*	88	44	798
Fees receivable from external funds	1		22	–	23
Operating expenses	(38)		(21)	(1)	(60)
Interest received					2
Interest paid					(18)
Exchange movements					1
Other income					3
Operating profit before carried interest					749
Carried interest					
Carried interest and performance fees receivable	81		–	–	81
Carried interest and performance fees payable	(63)		(5)	–	(68)
Operating profit					762
Income taxes					(1)
Other comprehensive income					
Re-measurements of defined benefit plans					6
Total return					767
Net divestment/(investment)					
Realisations	1	–	–	70	71
Cash investment	(221)	*(60)*	(91)	–	(312)
	(220)	*(60)*	(91)	70	(241)
Balance sheet					
Opening portfolio value at 1 April 2019	6,023	*2,731*	1,001	529	7,553
Investment[1]	289	*60*	91	–	380
Value disposed	(1)	–	–	(70)	(71)
Unrealised value movement	429	*381*	59	10	498
Other movement (including foreign exchange)	163	*71*	12	16	191
Closing portfolio value at 30 September 2019	6,903	*3,243*	1,163	485	8,551

1 Includes capitalised interest and other non-cash investment. £60 million investment in Action relates to the purchase of LP stakes in EFV.

2 During FY2020 Corporate Assets was renamed Scandlines, which is the only asset in that segment.

3 The total is the sum of Private Equity, Infrastructure and Scandlines. "Of which is Action" is part of Private Equity.

2 Realised profits over value on the disposal of investments

Six months to 30 September 2020	Unquoted investments £m	Total £m
Realisations	5	5
Valuation of disposed investments	–	–
	5	5
Of which:		
– profit recognised on realisations	5	5
– losses recognised on realisations	–	–
	5	5

Six months to 30 September 2019	Unquoted investments £m	Total £m
Realisations	–	–
Valuation of disposed investments	–	–
	–	–
Of which:		
– profit recognised on realisations	–	–
– losses recognised on realisations	–	–
	–	–

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

Six months to 30 September 2020	Unquoted investments £m	Quoted investments £m	Total £m
Movement in the fair value of investments	534	71	605
Of which:			
– unrealised gains	549	71	620
– unrealised losses	(15)	–	(15)
	534	71	605

Six months to 30 September 2019	Unquoted investments £m	Quoted investments £m	Total £m
Movement in the fair value of investments	29	33	62
Of which:			
– unrealised gains	60	33	93
– unrealised losses	(31)	–	(31)
	29	33	62

4 Revenue

Items from the Consolidated statement of comprehensive income which fall within the scope of IFRS 15 are included in the table below:

Six months to 30 September 2020	Private Equity £m	Infrastructure £m	Total £m
Total revenue by geography[1]			
UK	(1)	17	16
Northern Europe	3	2	5
North America	2	–	2
Other	3	–	3
Total	7	19	26
Revenue by type			
Fees receivable[2] from portfolio	7	–	7
Fees receivable from external funds	2	19	21
Carried interest and performance fees receivable[2]	(2)	–	(2)
Total	7	19	26

Six months to 30 September 2019	Private Equity £m	Infrastructure £m	Total £m
Total revenue by geography[1]			
UK	64	21	85
Northern Europe	2	1	3
North America	3	–	3
Total	69	22	91
Revenue by type			
Fees receivable[2] from portfolio	5	–	5
Fees receivable from external funds	1	22	23
Carried interest and performance fees receivable[2]	63	–	63
Total	69	22	91

1 For fees receivable from external funds and carried interest and performance fees receivable the geography is based on the domicile of the fund.
2 Fees receivable and carried interest receivable above are different to the Investment basis figures included in Note 1. This is due to the fact that Note 1 is disclosed on the Investment basis and the table above is shown on the IFRS basis. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 19 to 24.

5 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.

	30 September 2020	31 March 2020
Net assets per share (£)		
Basic	9.07	8.06
Diluted	9.05	8.04
Net assets (£m)		
Net assets attributable to equity holders of the Company	8,741	7,757

	30 September 2020	31 March 2020
Number of shares in issue		
Ordinary shares	973,129,833	973,074,585
Own shares	(9,028,495)	(10,398,032)
	964,101,338	962,676,553
Effect of dilutive potential ordinary shares		
Share awards	1,823,955	1,649,348
Diluted shares	965,925,293	964,325,901

The calculation of basic earnings per share is based on the profit attributable to shareholders and the weighted average number of shares in issue. 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.

	6 months to 30 September 2020	6 months to 30 September 2019
Earnings per share (pence)		
Basic	130.1	78.4
Diluted	130.0	78.2
Earnings (£m)		
Profit for the period attributable to equity holders of the Company	1,254	759

Basic earnings per share is calculated on weighted average shares in issue of 963,542,371 for the period to 30 September 2020 (2019: 968,015,436). Diluted earnings per share is calculated on diluted weighted average shares of 964,863,213 for the period to 30 September 2020 (2019: 970,176,172).

6 Dividends

	6 months to 30 September 2020 pence per share	6 months to 30 September 2020 £m	6 months to 30 September 2019 pence per share	6 months to 30 September 2019 £m
Declared and paid during the period				
Second dividend	17.5	169	20.0	194
	17.5	169	20.0	194
Proposed first dividend	17.5	169	17.5	169

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 as at 31 March 2020 were £3,863 million (31 March 2019: £2,226 million) and the Board reviews the distributable reserves bi-annually, including consideration of any material changes since the most recent audited accounts, ahead of proposing any dividend. The Board also reviews the proposed dividends in the context of the requirements of being an approved investment trust. Shareholders are given the opportunity to approve the total dividend for the year at the Company's Annual General Meeting. Details of the Group's continuing viability and going concern can be found in the Risk management section on pages 48 to 59 of the Annual report and accounts 2020.

7 Investment portfolio

This section should be read in conjunction with Note 11 on page 139 of the Annual report and accounts 2020, which provides more detail about initial recognition and subsequent measurement of investments at fair value.

Non-current	6 months to 30 September 2020 £m	Year to 31 March 2020 £m
Opening book value	**3,454**	1,662
Additions	**504**	1,929
– of which loan notes with nil value	**(20)**	(6)
Disposals, repayments and write offs[1]	**(258)**	(142)
Fair value movement[2]	**605**	(28)
Other movements and net cash movements[3]	**25**	39
Closing book value	**4,310**	3,454
Quoted investments	**489**	418
Unquoted investments	**3,821**	3,036
Closing book value	**4,310**	3,454

1 Represents an intercompany transfer to investment entity subsidiaries for the six months to 30 September 2020.

2 All fair value movements relate to assets held at the end of the period.

3 Other movements includes the impact of foreign exchange.

The holding period of 3i's investment portfolio is on average greater than one year. For this reason, the portfolio is classified as non-current. It is not possible to identify with certainty investments that will be sold within one year.

Additions include cash investment of £61 million (31 March 2020: £650 million) and the transfer of assets of £423 million (31 March 2020: £1,251 million) from the Buyouts 10-12 partnerships which are classified as investment entity subsidiaries related to Action, and £20 million (31 March 2020: £28 million) in capitalised interest received by way of loan notes, of which £20 million (31 March 2020: £6 million) was written down in the period to nil.

Included within the Consolidated statement of comprehensive income is £10 million (31 March 2020: £37 million) of interest income. This comprised of nil capitalised interest as noted above (31 March 2020: £22 million), nil cash income (31 March 2020: £10 million) and the capitalisation of prior year accrued income and non-capitalised income of £10 million (31 March 2020: £5 million).

Quoted investments are classified as Level 1 in the fair value hierarchy and unquoted investments are classified as Level 3 in the fair value hierarchy; see Note 9 for details.

8 Investments in investment entity subsidiaries

Investments in investment entity subsidiaries are accounted for as financial instruments at fair value through profit and loss in accordance with IFRS 9. We determine that in the ordinary course of business, the net asset value of investment entity subsidiaries is considered to be the most appropriate to determine fair value. At each reporting period, we consider whether any additional fair value adjustments need to be made to the net asset value of the investment entity subsidiaries. These adjustments may be required to reflect market participants' considerations about fair value that may include, but are not limited to, liquidity and the portfolio effect of holding multiple investments within the investment entity subsidiary. There was no particular circumstance to indicate that a fair value adjustment was required and, after due consideration, we concluded that the net asset values were the most appropriate reflection of fair value at 30 September 2020.

Level 3 fair value reconciliation – investments in investment entity subsidiaries

Non-current	6 months to 30 September 2020 £m	Year to 31 March 2020 £m
Opening fair value	**3,936**	5,159
Drawdowns and distributions to/(from) investment entity subsidiaries	**455**	(186)
Fair value movement on investment entity subsidiaries	**634**	191
Transfer of assets from investment entity subsidiaries[1]	**(154)**	(1,228)
Closing fair value	**4,871**	3,936

1 During the period the Company received a transfer of assets of £165 million (31 March 2020: £1,251 million) from investment entity subsidiaries relating to Action.

All investment entity subsidiaries are classified as Level 3 in the fair value hierarchy, see Note 9 for details.

A 5% movement in the closing fair value of investments in investment entity subsidiaries would have an impact of £244 million (31 March 2020: £197 million).

Restrictions
3i Group plc, the ultimate parent company, receives dividend income from its subsidiaries. There are no restrictions on the ability to transfer funds from these subsidiaries to the Group at 30 September 2020. At 31 March 2020 a cash balance of £109 million was held in escrow in investment entity subsidiaries for carry payable paid in June 2020.

Support
3i Group plc provides, where necessary, ongoing support to its investment entity subsidiaries for the purchase of portfolio investments.

9 Fair values of assets and liabilities

This section should be read in conjunction with Note 13 on pages 141 to 143 of the Annual report and accounts 2020 which provides more detail about accounting policies adopted, the definitions of the three levels of fair value hierarchy, valuation methods used in calculating fair value, and the valuation framework which governs oversight of valuations. There have been no changes in the accounting policies adopted or the valuation methodologies used.

Valuation

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

9 Fair values of assets and liabilities continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 30 September 2020:

	As at 30 September 2020				As at 31 March 2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Quoted investments	489	–	–	489	418	–	–	418
Unquoted investments	–	–	3,821	3,821	–	–	3,036	3,036
Investments in investment entity subsidiaries	–	–	4,871	4,871	–	–	3,936	3,936
Other financial assets	–	5	33	38	–	13	44	57
Liabilities								
Other financial liabilities	–	(4)	–	(4)	–	(4)	–	(4)
Total	489	1	8,725	9,215	418	9	7,016	7,443

We determine that in the ordinary course of business, the net asset value of an investment entity subsidiary is considered to be the most appropriate to determine fair value. The underlying portfolio is valued under the same methodology as directly held investments, with any other assets or liabilities within investment entity subsidiaries held at their carrying value considered to be their fair value. Note 8 details the Directors' considerations about the fair value of the investment entity subsidiaries.

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 loans and borrowings is £1,152 million (31 March 2020: £671 million), determined with reference to their published market prices. The carrying value of the loans and borrowings is £975 million (31 March 2020: £575 million) and accrued interest payable (included within trade and other payables) is £20 million (31 March 2020: £8 million).

Level 3 fair value reconciliation – unquoted investments

	Six months to 30 September 2020 £m	Year to 31 March 2020 £m
Opening fair value	3,036	1,193
Additions	504	1,929
– of which loan notes with nil value	(20)	(6)
Disposals and repayments and write-offs[1]	(258)	(142)
Fair value movement[2]	534	20
Other movements and net cash movements[3]	25	42
Closing fair value	3,821	3,036

1 Represents an intercompany transfer to investment entity subsidiaries for the six months to 30 September 2020.
2 All fair value movements relate to assets held at the end of the period.
3 Other movements includes the impact of foreign exchange and accrued interest.

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 investment of £5 million (September 2019: nil), dividend income of £22 million (September 2019: £6 million) and foreign exchange gains of £19 million (September 2019: £42 million).

Level 3 inputs are sensitive to assumptions made when ascertaining fair value as described in the 'Portfolio valuation – an explanation' section on pages 177 to 178 of the Annual report and accounts 2020. On an IFRS basis, of the unquoted assets held at 30 September 2020 classified as Level 3, 90% (31 March 2020: 33%) were valued using a multiple of earnings and the remaining 10% (31 March 2020: 67%) were valued using alternative valuation methodologies. Of the underlying portfolio held by investment entity subsidiaries, 85% (31 March 2020: 41%) were valued using a multiple of earnings and the remaining 15% (31 March 2020: 59%) were valued using alternative valuation methodologies.

9 Fair values of assets and liabilities continued

Assets move between Level 1 and Level 3 when an unquoted equity investment lists on a quoted market exchange. There were no transfers into or out of Level 3 in the period. In the six months to 30 September 2020, four assets changed valuation basis, two moving to an imminent sales basis, one moving from an earnings-based valuation to a DCF and one moving from fair value to an earnings-based valuation. The changes in valuation methodology in the period reflect our view of the most appropriate method to determine the fair value of the four assets at 30 September 2020. Further information can be found in the Private Equity and Infrastructure sections of the Business and Financial review starting on page 6.

Earnings multiple is the main assumption applied to an 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. This continues to be an important exercise given the market volatility we have seen as a result of the Covid-19 pandemic in the six months to 30 September 2020.

The pre-discount multiple used to value the portfolio ranged between 9.0x and 18.95x (31 March 2020: 8.0x and 14.5x).

If the multiple used to value each unquoted investment valued on an earnings multiple basis as at 30 September 2020 decreased by 5%, the investment portfolio value would decrease by £221 million (31 March 2020: £68 million) or 5% (31 March 2020: 2%). If the same sensitivity was applied to the underlying portfolio held by investment entity subsidiaries, this would have a negative value impact of £292 million (31 March 2020: £148 million) or 6% (31 March 2020: 3%).

If the multiple increased by 5% then the investment portfolio value would increase by £215 million (31 March 2020: £68 million) or 5% (31 March 2020: 2%). If the same sensitivity was applied to the underlying portfolio held by investment entity subsidiaries, this would have a positive value impact of £281 million (31 March 2020: £148 million) or 5% (31 March 2020: 3%).

Earnings – Earnings multiples are applied to the earnings of a portfolio company to determine the enterprise value. Earnings are usually obtained from the management accounts of the portfolio company and where necessary, are adjusted for non-recurring items such as restructuring expenses or significant corporate actions, and, in exceptional cases, run rate adjustments to arrive at maintainable earnings. At 30 September 2020, for most of the portfolio we used the last twelve months earnings to 30 June 2020 or forecast earnings. In a small number of assets we used maintainable earnings reflecting the impact of Covid-19. Action was valued on run-rate earnings.

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 pages 177 to 178 of the Annual report and accounts 2020.

Each methodology is used for a proportion of assets by value, and at 30 September 2020 the following techniques were used under an IFRS basis: nil transaction value (31 March 2020: 55%), 8% DCF (31 March 2020: 10%) and 2% other (31 March 2020: 2%).

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 £19 million (31 March 2020: £101 million) or 1% (31 March 2020: 3%). If the same sensitivity was applied to the underlying portfolio held by investment entity subsidiaries, this would have a value impact of £36 million (31 March 2020: £126 million) or 1% (31 March 2020: 3%).

10 Contingent liabilities

The Company has provided a guarantee to the Trustees of the 3i Group Pension Plan in respect of liabilities of 3i plc to the Plan. 3i plc is the sponsor of the 3i Group Pension Plan. On 4 April 2012 the Company transferred eligible assets (£150 million of ordinary shares in 3i Infrastructure plc) as defined by the agreement to a wholly owned subsidiary of the Group. The Company will retain all income and capital rights in relation to the 3i Infrastructure plc shares, as eligible assets, unless the Company becomes insolvent or fails to comply with material obligations in relation to the agreement with the Trustees, all of which are under its control. The fair value of eligible assets held by this subsidiary at 30 September 2020 was £289 million (31 March 2020: £247 million).

At 30 September 2020, there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

11 Related parties

All related party transactions that took place in the six months ending 30 September 2020 are consistent in nature with the disclosures in Note 29 on pages 158 to 160 of the Annual report and accounts 2020. Related party transactions which took place in the period and materially affected performance or the financial position of the Group, together with any material changes in related party transactions as described in the Annual report and accounts 2020 that could materially affect the performance or the financial position of the Group are detailed below.

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:

Consolidated statement of comprehensive income	Six months to 30 September 2020 £m	Six months to 30 September 2019 £m
Realised profits over value on the disposal of investments	5	–
Unrealised profits on the revaluation of investments	67	18
Portfolio income	9	5

Consolidated statement of financial position	30 September 2020 £m	31 March 2020 £m
Unquoted investments	421	354

Management arrangements

The Group acted as Investment Manager to 3i Infrastructure plc (“3iN”), which is listed on the London Stock Exchange, for the period to 30 September 2020. The following amounts have been recognised in respect of the management and advisory relationship:

Consolidated statement of comprehensive income	Six months to 30 September 2020 £m	Six months to 30 September 2019 £m
Unrealised profits on the revaluation of investments	71	33
Dividends	8	7
Fees receivable from external funds	12	16

Consolidated statement of financial position	30 September 2020 £m	31 March 2020 £m
Quoted equity investments	489	418
Performance fees receivable	–	6

12 Retirement benefits

The Group operates a final salary defined benefit plan for qualifying employees of its subsidiaries in the UK ("the Plan"). The Plan is approved by HMRC for tax purposes and is operated separately from the Group and managed by an independent set of Trustees, whose appointment and powers are determined by the Plan's documentation.

During the period, the Plan's Trustees completed a £650 million buy-in transaction with Legal & General. This insurance policy, alongside previous bulk annuity contracts entered into with Pension Insurance Corporation and Legal & General in March 2017 and February 2019 respectively, means that the Plan benefits are now fully insured through buy-in policies. The Plan's Trustees have yet to conclude on the timeframe for any potential buyout. Consequently, for the purposes of IAS19, the buy-in transaction is not considered to be a settlement, and the purchase of this further insurance policy is treated as an investment decision by the Plan's Trustees. Accordingly, at 30 September 2020, the IAS 19 Plan surplus was £57 million (31 March 2020: £173 million) which included a total re-measurement loss recognised in other comprehensive income of £118 million (September 2019: £6 million gain) and interest income recognised in the Consolidated statement of comprehensive income of £2 million (September 2019: £2 million).

Independent review report to 3i Group plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 which comprises the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in 'Basis of preparation and accounting policies', the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Jonathan Mills
For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

11 November 2020

Statement of Directors' responsibilities

The Directors, who are required to prepare the financial statements on a going concern basis unless it is not appropriate, are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered information relating to present and future conditions, including future projections of profitability and cash flows.

The Directors confirm that to the best of their knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU; and

b) the Half-year report includes a fair review of the information required by:

i) DTR 4.2.7R of the Disclosure Rules and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year ending 31 March 2021 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

ii) DTR 4.2.8R of the Disclosure Rules and Transparency Rules, being (i) related party transactions that have taken place in the first six months of the financial year ending 31 March 2021 which have materially affected the financial position or performance of 3i Group during that period; and (ii) any changes in the related party transactions described in the Annual report and accounts 2020 that could materially affect the financial position or performance of 3i Group during the first six months of the financial year ending 31 March 2021.

The Directors of 3i Group plc and their functions are listed below.

The report is authorised for issue by order of the Board.

K J Dunn, Secretary
11 November 2020

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, Deputy Chairman and non-executive Director
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, Senior Independent Director and Chairman of the Valuations Committee
Coline McConville, non-executive Director and Chairman of the Remuneration Committee
Alexandra Schaapveld, non-executive Director

Portfolio and other information

20 large investments

The 20 investments listed below account for 95% of the portfolio value at 30 September 2020 (31 March 2020: 95%).

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] September 2020 £m**	Residual cost[1] March 2020 £m	**Valuation September 2020 £m**	Valuation March 2020 £m	Relevant transactions in the period
Action* General merchandise discount retailer	Private Equity Netherlands 2011/2020 Earnings	**614**	614	**4,269**	3,536	
3i Infrastructure plc* Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	**305**	305	**778**	665	
Scandlines Ferry operator between Denmark and Germany	Scandlines Denmark/Germany 2018 DCF	**529**	529	**452**	429	
Cirtec Medical* Outsourced medical device manufacturing	Private Equity US 2017 Earnings	**172**	172	**374**	302	
Evernex* Provider of third-party maintenance services for data centre infrastructure	Private Equity France 2019 Earnings	**265**	219	**296**	217	Acquisition of Technogroup in July 2020
Royal Sanders* Private label and contract manufacturing producer of personal care products	Private Equity Netherlands 2018 Earnings	**135**	135	**294**	198	£38 million dividend received in July 2020
Hans Anders* Value-for-money optical retailer	Private Equity Netherlands 2017 Earnings	**265**	221	**272**	196	Further investment of £20 million in April 2020
WP* Supplier of plastic packaging solutions	Private Equity Netherlands 2015 Earnings	**214**	206	**260**	244	
Havea* Manufacturer of natural healthcare and cosmetics products	Private Equity France 2017 Earnings	**183**	155	**253**	182	Further investment of £23 million in September 2020
Tato Manufacturer and seller of speciality chemicals	Private Equity UK 1989 Earnings	**2**	2	**247**	196	£5 million dividend received in July 2020
Luqom* **(formerly Lampenwelt)** Online lighting specialist retailer	Private Equity Germany 2017 Earnings	**108**	113	**228**	144	Return of funding of £8 million in July 2020
Q Holding* Manufacturer of precision engineered elastomeric components	Private Equity US 2014 Earnings	**162**	162	**203**	222	
Regional Rail* Owns and operates short-line freight railroads and rail-related businesses	Infrastructure US 2019 DCF	**175**	175	**199**	195	
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	**30**	30	**175**	158	

20 large investments continued

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost[1] September 2020 £m	Residual cost[1] March 2020 £m	Valuation September 2020 £m	Valuation March 2020 £m	Relevant transactions in the period
SaniSure* (formerly Bioprocessing platform) Manufacturer, distributor and integrator of single-use bioprocessing systems and components	Private Equity US 2019 Earnings	**135**	60	**165**	64	Acquisition of Sani-Tech West in July 2020
Smarte Carte* Provider of self-serve vended luggage carts, electronic lockers and concession carts	Infrastructure US 2017 DCF	**172**	167	**165**	172	
Basic-Fit Discount gyms operator	Private Equity Netherlands 2013 Quoted	**23**	6	**141**	93	Further investment of £17 million in June 2020
BoConcept* Urban living designer	Private Equity Denmark 2016 Earnings	**165**	149	**130**	119	
Magnitude Software* Leading provider of unified application data management solutions	Private Equity US 2019 Earnings	**139**	139	**116**	121	
Formel D* Quality assurance provider for the automotive industry	Private Equity Germany 2017 Earnings	**154**	154	**110**	141	
		3,947	3,713	**9,127**	7,594	

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

Glossary

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

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

2019-2022 vintage includes Evernex, SaniSure and GartenHaus.

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.

Buyouts 2010-2012 vintage includes Action, Amor, 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.

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.

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.

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.

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.

IRR Internal Rate of Return

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

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

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

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

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

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

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

Portfolio 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.

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.

Total return comprises of 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.

Information for shareholders

Note

The first FY2021 dividend is expected to be paid on 13 January 2021 to holders of ordinary shares on the register on 4 December 2020. The ex-dividend date will be 3 December 2020.

3i Group plc

Registered office:
16 Palace Street,
London SW1E 5JD, UK

Registered in England No. 1142830
An investment company as defined by section 833 of the Companies Act 2006.