11 May 2023

3i Group plc announces results for the year to 31 March 2023

Very strong FY2023 performance in challenging markets

- **Total return of £4,585 million or 36%** on opening shareholders' funds (2022: £4,014 million, 44%) and **NAV per share of 1,745 pence** (31 March 2022: 1,321 pence). This includes a 65 pence per share gain on foreign exchange translation.

- **Our Private Equity business delivered a gross investment return of £4,966 million or 40%** (2022: £4,172 million, 47%). This result was driven primarily by Action's very strong performance in FY2023, with a good contribution from a number of our other portfolio companies operating in the value-for-money and private label, healthcare, industrial technology and business and technology services. We saw weaker trading in a small proportion of our portfolio, most notably our discretionary consumer segment.

- **Action** delivered annual revenue growth of 30% and EBITDA growth of 46% in 2022 and has started 2023 well. Action's LTM run-rate EBITDA to P3 2023, which ended on 2 April 2023, was €1,439 million (3 April 2022: €1,012 million), representing a 42% increase over the same period last year. This strong performance supported value growth of £3,708 million for Action in the year, in addition to cash dividend distributions to 3i of £325 million.

- The **Private Equity** team **invested £381 million** in the year, deploying capital in four new investments and three bolt-on acquisitions. In addition, our Private Equity portfolio companies completed a further eight bolt-on acquisitions funded through their own balance sheets. **Realisations** from the Private Equity portfolio totalled **£857 million** in the year and included the sales of Havea and Christ at uplifts of 50% and 45% respectively to their opening values, as well as the sales of Q Holding's QSR and Precision Components businesses, and of its Twinsburg site.

- **Our Infrastructure business generated a gross investment return of £86 million, or 6%** (2022: £241 million, 21%). This return was impacted by the decline in the share price of 3i Infrastructure plc ("3iN"), despite its strong NAV return in the year, offset in part by good contributions from our US Infrastructure assets, including notably Smarte Carte.

- The portfolio continues to trade resiliently in the current environment, with 83% exposure to the value-for-money and private label, infrastructure and healthcare sectors.

- Across the Group, we received over **£1.3 billion** of cash primarily via portfolio company realisations and income in the year. After repaying the £200 million fixed-rate bond due in March 2023, we ended the year with liquidity of £1.3 billion, net debt of £363 million and gearing of 2%.

- **Total dividend of 53.0 pence per share** for FY2023, with a second FY2023 dividend of 29.75 pence per share to be paid in July 2023 subject to shareholder approval.

Simon Borrows, 3i's Chief Executive, commented:
"Our portfolio has been carefully assembled and its resilience and consistent financial performance in recent years reflects the benefits of thematic investing, disciplined pricing and active asset management. No portfolio company reflects this approach better than Action, which continues to be 3i's largest and most resilient portfolio investment. We are now focused on developing a select number of other companies to fulfil their potential to also become long-term compounders for the Group. Whilst we expect macroeconomic conditions to remain challenging in the near term, we have started FY2024 with good momentum and are confident that we have the right people, portfolio and processes to continue to compound value from our portfolio and deliver consistent returns through the cycle."

Financial highlights

	Year to/as at 31 March 2023	Year to/as at 31 March 2022
Group		
Total return	**£4,585m**	£4,014m
Operating expenses	**£(138)m**	£(128)m
Operating cash profit	**£364m**	£340m
Realised proceeds	**£857m**	£788m
Gross investment return	**£5,104m**	£4,525m
- As a percentage of opening 3i portfolio value	**36%**	43%
Cash investment	**£397m**	£543m
3i portfolio value	**£18,388m**	£14,305m
Gross debt	**£775m**	£975m
Net debt	**£(363)m**	£(746)m
Gearing[1]	**2%**	6%
Liquidity	**£1,312m**	£729m
Net asset value	**£16,844m**	£12,754m
Diluted net asset value per ordinary share	**1,745p**	1,321p
Total dividend per share	**53.0p**	46.5p

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

ENDS

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For further information regarding the announcement of 3i's annual results to 31 March 2023, including a live webcast of the results presentation at 10.00am, please visit www.3i.com.

Notes to editors

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

Notes to the announcement of the results

Note 1

All of the financial data in this announcement is taken from the Investment basis financial statements. The statutory accounts are prepared under IFRS for the year to 31 March 2023 and have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2022 have been delivered to the Registrar of Companies. The auditor's reports on the statutory accounts for these years are unqualified and do not contain any matters to which the auditor drew attention by way of emphasis or any statements under section 498(2) or (3) of the Companies Act 2006. This announcement does not constitute statutory accounts.

Note 2

Copies of the Annual report and accounts 2023 will be posted to shareholders on or soon after Wednesday 24 May 2023

Note 3

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

Note 4

Subject to shareholder approval, the proposed second dividend is expected to be paid on Friday 28 July 2023 to holders of ordinary shares on the register on Friday 23 June 2023. The ex-dividend date will be Thursday 22 June 2023.

Chairman’s statement

“We delivered a very strong return in FY2023, as we continue to benefit from our clear strategy, consistent execution and investment discipline.
While we are not immune from the impacts of the current macroeconomic uncertainty, the Group’s financial strength and quality portfolio put us in a good position to continue to deliver attractive returns through the economic cycle.”

3i delivered a very strong result in FY2023, despite significant macroeconomic headwinds, as we continue to benefit from our clear strategy, consistent execution and investment discipline.

Performance

I am pleased to report that 3i delivered a very strong set of results in the financial year to 31 March 2023 (“FY2023”), with a total return of £4,585 million (2022: £4,014 million). Net asset value (“NAV”) increased to 1,745 pence per share (31 March 2022: 1,321 pence) and our total return on opening shareholders’ funds was 36% (2022: 44%). This result was driven predominantly by the strong performance of Action, our largest investment, as well as by good contributions from the majority of our remaining portfolio.

Market environment

FY2023 was dominated by the geopolitical and macroeconomic consequences of Russia’s invasion of Ukraine and the gradual global recovery from the pandemic. Governments and central banks have had to deal with the consequences of high inflation and increasing energy prices, which resulted in significant increases in interest rates globally. The defensive characteristics of many of our portfolio companies have enabled them to continue to mitigate many of these macroeconomic headwinds, and in some cases make value accretive acquisitions. A small pocket of our portfolio exposed to discretionary consumer spending did, however, see significant underperformance in the year.

Investment activity across the buyout market slowed in 2022 and we continued to deploy capital selectively in businesses that operate in sectors that we know well and are supported by long-term growth trends. The Group invested £397 million in the year in new acquisitions and further investments in our existing businesses.

Dividend

Our dividend policy is to maintain or grow the dividend year-on-year, subject to the strength of our balance sheet and the outlook for investment and realisations. In FY2023, we generated significant cash inflow of over £1.3 billion from our portfolio companies, whilst remaining cautious and disciplined in our investment activity and supporting portfolio companies, where necessary. Following the repayment of the £200 million fixed-rate 2023 bond in March 2023, we reduced our fixed debt to £775 million, which contributed to a reduction in gearing to 2% at 31 March 2023 (31 March 2022: 6%). In line with the Group’s policy and in recognition of the Group’s financial performance, the Board recommends a second FY2023 dividend of 29.75 pence (2022: 27.25 pence), subject to shareholder approval, which will take the total dividend to 53.0 pence (2022: 46.5 pence).

Board and people

As announced in November 2021, Julia Wilson, formerly Group Finance Director, retired from the Board on 30 June 2022 after the 2022 AGM. James Hatchley joined the Board as Group Finance Director Designate on 12 May 2022 and became Group Finance Director upon Julia’s retirement. Jasi Halai joined the Board as Chief Operating Officer on 12 May 2022. Both James and Jasi have settled very well into their respective roles.

After nine years’ service as a non-executive Director, Caroline Banszky will not be standing for re-election at the 2023 AGM and accordingly will retire from the Board at the end of that Meeting. I would like to thank her for her outstanding contribution to the Board’s deliberations.

Environmental, Social, and Governance (“ESG”)

I am pleased with the progress we have made across all areas of our ESG agenda and I am encouraged by the level of engagement across our portfolio of investments. Led by the Chief Executive’s ESG Committee, the focus has been principally on improving our ability to identify and manage climate risk across the portfolio and take advantage of any transition opportunities that may arise. We have embedded dedicated resource in our investment teams, to engage with the portfolio and explore opportunities to improve the sustainability of our investments. We also continue to prepare the Group to comply with ESG regulatory reporting requirements.

Outlook

We start FY2024 with a portfolio of assets that we have carefully constructed around sectors and themes supported by long-term growth trends, with a clear strategy of delivering sustainable returns through underlying organic growth and effective implementation of value accretive buy-and-build acquisitions. Whilst the Group and portfolio are not immune to a further sustained period of macroeconomic and geopolitical uncertainty, we are confident that our financial strength and quality portfolio will provide the Group with the flexibility to navigate these and continue to deliver attractive returns through all stages of the economic cycle.

David Hutchison
Chairman
10 May 2023

Chief Executive's statement

"Our portfolio has been carefully assembled and its resilience and consistent financial performance in recent years reflect the benefits of thematic investing, disciplined pricing and active asset management. We have started FY2024 with good momentum and are confident that we have the right people, portfolio and processes to continue to compound value from our portfolio and deliver consistent returns through the cycle."

Despite adverse global economic conditions, 3i delivered a very strong result in FY2023, underpinned by another year of excellent growth from Action and resilient performance across the majority of the rest of our portfolio. In challenging markets, we maintained our investment and pricing discipline, deploying capital across new investments and value accretive bolt-on acquisitions. We also continued to generate significant cash proceeds via realisations at healthy premiums to opening value and strong portfolio income.

In FY2023, we continued to execute our well-established strategy, making good progress against our key performance indicators ("KPIs"), and generated a total return on shareholders' funds of £4,585 million, or 36% (2022: £4,014 million, or 44%), ending the year with a NAV per share of 1,745 pence (31 March 2022: 1,321 pence). The majority of our portfolio companies have been navigating effectively through the high inflation, elevated interest rates, supply chain disruption, rising commodity prices and overall weaker consumer sentiment that have characterised FY2023. Whilst Action's performance was the most significant contribution to the Group's FY2023 return, we also saw particularly good or resilient trading from other portfolio companies operating in the value-for-money and private label, healthcare, industrial technology, business technology and services and infrastructure sectors. We are not, however, immune to the prevailing macroeconomic headwinds, and we saw softer trading in a small number of our portfolio companies. We therefore recognised a meaningful unrealised value loss in two of our companies with discretionary consumer end-markets, to reflect weaker trading and the derating of valuation peers.

Private Equity transaction activity across the market slowed considerably in 2022 compared to 2021, as debt markets became less supportive and pricing expectations remained difficult to align. We were nevertheless able to complete four new investments in Private Equity and two in Infrastructure, in sectors and markets supported by long-term growth trends.

Bolt-on acquisitions across both of our portfolios remain an integral part of our long-term value creation strategy, enabling growth in the portfolio without taking on costly leverage. Accordingly, in FY2023, we completed a total of 11 bolt-on acquisitions for our Private Equity portfolio companies and three for our North American Infrastructure portfolio.

We also generated significant realised proceeds in FY2023, capitalising on demand for assets with a proven track record of through-the-cycle growth and the ability to execute and integrate bolt-on acquisitions. In total, across the Group, we generated over £1.3 billion of cash in the year from realisations and portfolio income.

Including the impact from foreign exchange hedging, 71% of the Group's net assets are denominated in euros or US dollars and we generated a £623 million gain (2022: £9 million gain) on foreign exchange translation as a result of sterling weakness. This includes a £122 million gain from our new medium-term foreign exchange hedging programme that we implemented for the Group in October and November 2022, and the existing hedging programme for Scandlines. For further details on the Group's foreign exchange hedging programme see the Financial review later in this document.

Private Equity performance

In the year to 31 March 2023, our Private Equity portfolio, including Action, generated a Gross Investment Return ("GIR") of £4,966 million or 40% on opening value (2022: £4,172 million, or 47%). Action generated a GIR of £4,344 million, or 61%, on its opening value. The softer performance across some of our discretionary consumer portfolio companies detracted from the resilient performance of the remainder of the ex-Action portfolio, with 90% of our portfolio companies by value growing earnings in the last 12 months ("LTM") to the end of 31 December 2022. In addition, our Private Equity portfolio is prudently funded, with a long-dated maturity profile and the interest rate risk substantially hedged.

Action

Action, the fastest growing non-food discounter in Europe and our largest portfolio company, delivered another year of very impressive performance. For its financial year ending 1 January 2023, Action generated net sales of €8,859 million, 30% ahead of 2021 and like- for-like ("LFL") sales growth of 18.1% driven by higher footfall and a higher number of transactions. The removal of the remaining limited Covid-19 restrictions in the first quarter of 2022 also contributed to this performance. Sales grew across all of Action's 14 product categories, with particularly good sales of daily essential products.

In the 12 months to 1 January 2023, Action delivered operating EBITDA of €1,205 million, 46% ahead of 2021 and an all-time high EBITDA margin of 13.6%. Action's buying power, flexibility in its category assortment and ability to absorb some of the inflationary pressure enabled it to manage both cost and pricing effectively, whilst maintaining and, in many instances, increasing its pricing advantage compared to its competitors.

Action's simple, efficient and scalable operating model allows the business to expand seamlessly across existing and new geographies. The business added 280 new stores in 2022, setting another store opening record. Stores across all countries are performing well with some of the more recent markets, such as Poland and the Czech Republic, showing particularly strong growth. Action has also moved out of the pilot phase in Italy and Spain given these markets exceeded initial expectations and Action is now fully committed to a full scale expansion in these two sizable new countries. On 2 March 2023, Action opened its first store in Slovakia, its 11th country. At the end of Action's P3 2023 (which ended on 2 April 2023), Action had 2,297 stores across 11 countries, with considerable white space to roll out in both existing and new geographies.

Action largely mitigated external supply chain challenges in 2022. It did so by leveraging its heavy investment in network capacity and through improved planning capabilities and collaboration with logistics partners. This resulted in increased product availability in stores to meet high customer demand. In addition, Action continues to develop its mix of suppliers, with an increasing share of directly sourced products and further geographical diversification. In 2022, the business also continued to enhance its supply chain infrastructure, opening a new hub in Le Havre and ramped up capacity in the distribution centres ("DCs") in Verrières, Bieruń and Bratislava. Action plans to open two new DCs in 2023, which will increase its existing DC network capacity of c.2,700 stores by another c.400 stores.

Action's Sustainability Programme is a fundamental pillar of its strategy and growth trajectory, and the business has made significant progress in its delivery. In 2022, Action completed a circularity assessment of all 14 product categories looking at design and use, which has enabled the business to define circular improvements in the buying process going forward. The business also increased its use of sustainably sourced cotton to 90% and sustainably sourced timber to 92% and reduced its Scope 1 and 2 CO_2 emissions by 40% from a 2021 baseline, which is an important step towards achieving its pledge to reduce the emissions from its own operations by 60% by 2030, from a baseline year of 2021.

Action continues to generate very strong cash flow, with cash conversion of 78% in 2022, as a result of its one-year cash payback for new stores and low capital intensity. The business paid an interim dividend to shareholders in December 2022, of which 3i received £159 million, and a second dividend in March 2023 of which 3i received £166 million. After paying the dividends, Action had a cash balance of €365 million as at 2 April 2023 and a net debt to run-rate earnings ratio of 1.8x.

In March 2023, we completed a transaction to provide liquidity for existing external investors in Action, who are invested via our 3i 2020 Co-investment Programme ("Programme"). As part of this transaction, we purchased a small additional stake in Action, investing £30 million through the Programme based on the December 2022 net asset value, increasing our equity stake from 52.7% to 52.9%. At the same time, we crystallised a portion of the carried interest liability relating to Action, which is expected to result in a payment by 3i of c.£200 million in carried interest to the participants in the relevant carry plans in May 2023.

The valuation of our 52.9% stake in Action at 31 March 2023 of £11,188 million (2022: £7,165 million) reflects the robust growth in Action's LTM run-rate EBITDA to €1,439 million (P3 2023), its low leverage and its current LTM run-rate EBITDA valuation multiple of 18.5x net of the liquidity discount. We take a long-term, through-the-cycle view on the multiple we use to value Action and take comfort from the fact that its continued excellent growth meant that its valuation at 31 March 2022 translated to only 13.0x the run-rate EBITDA achieved one year later. In addition, its most important operating KPIs compare very favourably with those of its peer group, which consists of North American and European value-for-money retailers.

In the first three periods to 2 April 2023, Action performed strongly, with LFL sales growth of 24.3% and 34 new stores added. Since 31 March 2023, we successfully allocated and signed an amendment and extension of Action's senior debt facilities on attractive terms. This included upsizing and extending the final maturities of a substantial portion of Action's senior term debt and revolving credit facility ("RCF"). Action's total senior debt facilities after the closing of the transaction will be €3,625 million including a €500m undrawn multi-currency RCF.

Healthcare portfolio companies

Our healthcare portfolio continues to demonstrate its resilient and secular growth characteristics, driving good performance in FY2023. **SaniSure** followed up a very strong 2021 with further outperformance in 2022, as a result of operational efficiencies and elevated demand for its products. Whilst industry demand has moderated since the start 2023, we remain very confident of SaniSure's fundamental growth prospects. The business and its growth potential will continue to be enhanced by its active buy-and-build strategy, including the recent acquisition of Q Holding's Twinsburg site, which has added to its capability and diversified its client portfolio.

Cirtec Medical delivered another year of top-line growth, offsetting short-term supply chain headwinds which have now largely been resolved. The business continued to add high value, differentiated capabilities and end-market diversification, with its strategic acquisition of Precision Components from Q Holding.

We continued to support the development of **ten23 Health**, our pharmaceutical products contract development and manufacturing organisation ("CDMO"), with a further investment of £36 million in the year.

Consumer portfolio companies (excluding Action)

Our value-for-money and private label businesses continued to perform well in FY2023, but a number of our discretionary consumer businesses have been disproportionately impacted by weaker consumer sentiment.

Despite significant raw material and energy price inflation in 2022, **Royal Sanders** sustained its strong growth through increased volumes with key customers and outperformance of the four bolt-on acquisitions completed since our initial investment in 2018. In April 2023, Royal Sanders completed the acquisition of Lenhart, its fifth since we first invested, further strengthening its position in the DACH region, and reinforcing its role as a key consolidator in a highly fragmented market. A combination of effective operational performance and positive contributions from recent bolt-on acquisitions has supported **Dutch Bakery**'s good result in 2022.

nexeye delivered good top-line growth and margin performance in its financial year ending January 2023, driven by a comparatively attractive price point for its customers. It added 23 stores in the year and accelerated online appointments across its German business. Trading at the start of 2023 has recovered, following softer trading in Q3 2022 as consumer uncertainty impacted overall market demand.

Over the last 12 months, we have seen a significant recovery in bookings for **Audley Travel** and **arrivia**, two of our travel assets. Audley Travel's key destinations gradually reopened in 2022, leading to a strong recovery in bookings, driven by pent-up demand and supported by Audley's differentiated brand proposition. arrivia has seen good performance in its membership business, as well as a strong pick up in cruise and travel bookings.

Following a solid first quarter of 2022, both **Luqom** and **YDEON** experienced a significant drop in order intake across their online platforms for the remainder of the calendar year, as a result of weaker consumer confidence and inflationary concerns. Across this same period, e-commerce peers of both portfolio companies de-rated materially, reflecting the challenging external trading conditions. These were key considerations in support of the combined £357 million unrealised value decrease we recognised across these two portfolio companies in FY2023. We believe the longer-term growth fundamentals of each business remain and, through initiatives such as Luqom's further international expansion and YDEON's addition of lower cost products to its range, both businesses are positioning themselves for recovery.

BoConcept has to an extent mitigated lower footfall and order intake through its international diversification, franchise model and effective margin management.

Business and Technology Services portfolio companies

WilsonHCG delivered strong organic growth in 2022, and in January 2023 it completed the bolt-on acquisition of Personify, enabling it to accelerate its growth in the life sciences and healthcare end markets. The business is well positioned to navigate any prolonged slowdown in the North American hiring market, whilst new customer wins continue to diversify its customer base. **MAIT** traded resiliently in the year, as the IT services market continues to demonstrate a strong growth outlook. Following the bolt-on acquisition in June 2022 of Nittmann & Pekoll, an Austrian ERP specialist, the business has now completed five bolt-on acquisitions since we first invested in 2021, all of which are integrating well.

Evernex continued its buy-and-build activity, with the strategic acquisitions of XS International and Integra, enabling the business to expand its footprint in the US, Nordic, and Benelux markets. Short-term trading has been impacted by a post-pandemic increase in new IT equipment investment, affecting the renewal of maintenance contracts, although this was largely offset by a number of new contract wins in the year.

Industrial Technology portfolio companies

AES performed very well financially, strategically and operationally throughout 2022 and into the first quarter of 2023, driven by strong demand in its global pump and rotating equipment end market. The business has continued to invest and scale up, driving further reliability in its offering and helping to generate new customer wins.

Having traded strongly in the first half of 2022, **Tato** saw trading soften through the second half of 2022 with weaker end market demand and supply challenges for key input chemicals resulting in price inflation and margin pressure. Tato successfully leveraged its scale and global footprint to maintain good customer supply, and margin performance has improved since the turn of the year.

Following three years of significant operational and market disruption, **Formel D** has made encouraging steps in its earnings recovery. Whilst trading was soft through the first half of 2022 driven by prolonged Covid-19 shutdowns in China and intermittent supply chain issues as a result of Russia's invasion of Ukraine, the second half of 2022 and start of 2023 have been more encouraging with an easing of supply chain issues and margin improvement from contract renegotiations.

Private Equity investment

Unfavourable debt markets and economic uncertainty suppressed buyout market activity in 2022 compared to a more buoyant market in 2021. Our approach to new investment has remained consistent and we maintain our selective and disciplined approach, leveraging our offices and international network to identify attractive and sensibly priced new investments and value accretive bolt-on acquisitions for our portfolio companies.

In FY2023 we completed four new Private Equity investments totalling £221 million. Our digitalisation, automation and big data investment theme underpins three of these new investments: the £94 million investment in **xSuite**, an accounts payable invoice automation software provider; the £37 million investment in **dé VakantieDiscounter** ("VakantieDiscounter"), a technology-enabled online travel agency in the Benelux focused on affordable holidays; and the £30 million investment in **Digital Barriers**, a provider of unique video compression technology.

Our extensive consumer sector expertise will enable us to support the global expansion thesis for our £60 million investment in **Konges Sløjd**, which offers apparel and other products for babies and children.

Across the Private Equity portfolio, we completed 11 bolt-on acquisitions in the year. We supported **Luqom**'s acquisition of Brumberg, a B2B lighting brand, **arrivia**'s acquisition of RedWeek, an online timeshare rental marketplace, and **WilsonHCG**'s acquisition of Personify, a provider of RPO to specialised end markets, with total further investment of £63 million. Our portfolio companies also completed eight self-funded bolt-on investments in the year, including the acquisitions by **SaniSure** and **Cirtec Medical** of two components of Q Holding's medical business, as well as bolt-on acquisitions by **Dutch Bakery**, **MAIT**, **Evernex** and **AES**.

Further details on our Private Equity investment activity can be found in the Private Equity section.

Private Equity realisations

Despite challenging market conditions, we generated total capital realisation proceeds of £857 million in the year, demonstrating the appeal of our portfolio companies, many of which have shown resilience at all stages of the economic cycle.

Our sale of **Havea** in October 2022 endorsed our long-standing buy-and-build approach. During our five-year holding period, the business delivered double-digit organic growth and completed and integrated five acquisitions which, combined with a significant strategic transformation, transitioned Havea from a family-owned business to a European leader in consumer healthcare and wellbeing. This disposal generated proceeds for 3i of £471 million, representing a 50% uplift on the value of the investment at 31 March 2022, a sterling money multiple of 3.1x and an IRR of 24%.

During the year, we received total proceeds of £332 million from three partial disposals by **Q Holding**. In Q1 FY2023 we completed the disposal of Q Holding's QSR division receiving total proceeds of £199 million and in Q4 FY2023 we received £133 million relating primarily to the disposal of Q Holding's Twinsburg site and Precision Components business. The valuation of Q Holding at 31 March 2023 of £117 million (31 March 2022: £398 million) includes our remaining value of Q Holding's device assembly business Catheter Technologies. This means that over the last two years, through a combination of realised proceeds and residual value, we have recognised an uplift for Q Holding of over 100% on the opening value at 31 March 2021, which takes our money multiple, including proceeds received to date and remaining residual value, to 2.8x.

In January 2023 we completed the sale of **Christ**, our last investment in Eurofund V ("EFV"), for gross proceeds to 3i of £47 million, representing a 45% uplift on the 31 March 2022 opening value. When added to the proceeds generated by the sale of Amor (another German player in the jewellery space which we considered as part of the same investment thesis and sold in 2016 crystallising a money multiple of 2.3x), the multiple generated by this sale is 1.0x. Following the disposal of Christ, EFV reached a final gross money multiple of 3.0x, a top quartile performance.

Further details on our Private Equity realisation activity can be found in the Private Equity section.

Infrastructure performance

In the year to 31 March 2023, our Infrastructure portfolio generated a GIR of £86 million or 6% on opening value (2022: £241 million, or 21%).

3i Infrastructure plc's ("3iN") carefully selected portfolio continues to benefit from its exposure to identified long-term growth trends. As a result, 3iN generated a total return on opening NAV of 14.7%, which was materially ahead of its 8-10% return objective, and delivered its dividend target of 11.15 pence, a 6.7% increase on last year. In February 2023, 3iN completed a £100 million placing of new shares at a price of 330 pence per share. The funds were used to part pay drawings on 3iN's RCF and partly used to fund its acquisition of Future Biogas. 3i did not participate in this placing and its holding in 3iN was therefore diluted from 30% to 29%. At 31 March 2023, our 29% stake (31 March 2022: 30%) in 3iN was valued at £841 million (31 March 2022: £934 million), as a result of a 10% year-on-year decline in its share price to 313 pence. However, this was partially offset by dividend income from 3iN of £29 million in the year. We see considerable unrealised value in 3iN's existing portfolio, with the platform investments generating substantial bolt-on investment opportunities, which can be funded from cash generated by those companies, together with portfolio company debt facilities. The additional equity raised by 3iN during the year gives further headroom to take advantage of this growth potential.

Demand for Infrastructure assets is strong and the team has continued to deploy capital while retaining its pricing discipline. As 3iN's investment manager, we oversaw 3iN's completion of its new investments in **Global Cloud Xchange** ("GCX") and **Future Biogas** in the year, as well as the purchase of an additional stake in **TCR**, a portion of which was subsequently syndicated to external investors. The team also completed the sale by 3iN of its European projects portfolio to the **3i European Operational Projects Fund** ("3i EOPF") for £106 million.

Following robust US domestic travel demand and continued volume recovery from international travellers, our proprietary capital investment in **Smarte Carte** delivered strong performance across all lines of its business. Over the last 12 months, the business has continued to differentiate its offering with further ancillary services and also completed a refinancing at attractive terms.

Our North American Infrastructure platform delivered solid performance in FY2023. **Regional Rail** closed two bolt-on acquisitions, including three short-line railroads in the Midwest region of the US and several short-line railroads in Canada, whilst the existing freight rail platform delivered good volumes. **EC Waste** continued to benefit from strong landfill revenues.

As a result of our fund management activities and dividends from the portfolio we generated strong cash income of £107 million (2022: £91 million) from our Infrastructure business in the year.

Scandlines performance

Scandlines performed well in the year, generating a GIR of 10% (2022: 26%). The business delivered a second consecutive year of record growth in freight volumes in 2022, whilst leisure volumes saw good recovery driven by a strong summer peak season, offsetting the impact of Covid-19 at the start of 2022. Following continued good cash generation, we received total dividends of £38 million from Scandlines in FY2023.

Progress on our sustainability agenda

We made significant progress on our sustainability agenda in FY2023. We embedded dedicated ESG resource in our Private Equity and Infrastructure investment teams, as well as in our central Group function. This has accelerated the implementation of a range of sustainability initiatives at the Group level and across the portfolio, enhanced the quality of our engagement with portfolio companies on ESG themes, and improved our assessment of sustainability factors in our investment and value creation processes.

Our work on sustainability is driven by our ESG Committee, whose principal activities in FY2023 focused on portfolio data collection and management, climate training, and climate scenario analysis. Importantly, on 5 April 2023 we wrote to the Science Based Targets initiative ("SBTi") to indicate our commitment to set near-term science-based targets for 3i. We are now working to formulate our targets, with the intention to submit them to SBTi for validation in FY2024. Our science-based targets will cover our direct Scope 1 and 2 emissions, as well as our Scope 3 emissions associated with our portfolio and will be formulated in line with the guidance published by SBTi for the private equity sector.

Further details on our Task Force on Climate-related Financial Disclosures ("TCFD") and more information on how we assess and manage climate-related risks and opportunities can be found in the Sustainability section in our Annual report and accounts 2023.

During the year, we continued to support our nine charity partners which work across a variety of areas, including helping homeless people, enabling disabled students to go to university, helping elderly people regain some independence and battle loneliness, and providing veterans with mental health support and helping them back into work. We donated £1 million across these initiatives. In addition, we donated £500,000 to the Turkey Mozaik Foundation in support of victims of the earthquake in Turkey and Syria.

Conservative balance sheet and management of foreign exchange movements

Our conservative balance sheet strategy is fundamental to our proprietary capital model enabling us to invest with speed and flexibility without the need to accelerate any realisations. We also continue to place great weight on cost discipline and once again covered our cash operating costs with cash income. Our activity during the year is set out in the financial review including the details of the medium-term partial foreign exchange hedging programme we put in place at a time when we had the advantage of sterling weakness in October and November of 2022.

Active asset management

As investors in private equity and infrastructure companies, we pursue a highly involved form of asset management. This approach is only practical given the concentrated nature of the 3i portfolio. We start at the outset of our purchase with an investment case which we author in conjunction with company management with the simple goal of growing the business to at least double its profits over a five to six-year time-scale. As part of this plan, we define key milestones and KPIs which we track on a monthly basis in order to ensure the execution of the plan remains on track.

Management are closely aligned to the plan outcome and to 3i through their participation in equity and equity-linked plans as co-owners of the business. These long-term equity plans (five years or more) are much more meaningful than shorter-term annual variable pay, and in successful investments will deliver significant capital sums to the management teams. The nature of this incentive ensures real alignment with 3i's long-term approach to compounding capital.

The management team is supported in the execution of the investment case by a board primarily made up of experienced 3i executives or others hired by 3i who bring particular sector or specialist skills to the situation. The board and 3i investment team have regular monthly involvement with the company and are assisted by other members of the local investment team, being regularly involved at different levels throughout the organisation of the investee company. Active and involved governance is one of the key ingredients of our success.

3i also provides specialist legal, corporate finance, banking, ESG and digital resource to assist investee management teams in sharing best practice, particularly in relation to specific projects in funding and M&A as well as their overall ESG and digital agendas.

We believe this form of active management is key to the high returns we have achieved across both Private Equity and Infrastructure over the last 10 years. Management are allowed to drive a long-term rather than annual or quarterly agenda, and are encouraged to make the necessary investments to meet or exceed ambitious long-term growth plans. Action is a very good example of this approach.

The 3i Investment Committee and the senior partners in the Private Equity team review in detail progress against the investment case every March and September. It is in these reviews that the Investment Committee challenges the investment teams on the progress against the investment case and may agree to changes which could either prolong 3i's ownership by marking the asset as having potential for our "long-term portfolio" or even shorten the life of the plan to capitalise on current opportunities in the M&A market.

This highly-intensive approach to asset management was adopted at 3i in 2012, and has been refined over the last decade. It has been key to our strong investment performance since that time and together with our long-term, permanent capital approach gives us real competitive advantage against other forms of stewardship, be they more hands off-private or shorter-term focused public ownership models.

The benefits of compounding

3i's portfolio has been carefully assembled and its resilience over recent years is a reflection of the benefits of thematic investing, disciplined pricing and active asset management. Sustained returns over a number of years demonstrate the value of compounding, and no portfolio company better illustrates this than Action, which has become one of the fastest-growing retailers in the world, and 3i's largest and most resilient portfolio investment. Action has achieved 12 years of consistent, significant growth under 3i's ownership. The bedrock of this performance has been Action's very low prices and customer-centric approach. The company has performed well through all phases of the economic cycle and its low price leadership through this current period of very high shop price inflation has been particularly strong with high LFL sales across all 14 product categories and all countries.

Action has been welcomed in all 11 countries it now operates in and the company has recently been voted "favourite retail brand" in France by a large panel of consumers. France is now Action's largest market with some 730 stores, having opened its first store in that market in 2012. There are very few retailers that are close comparators to Action and very few of them can move seamlessly into new geographic markets as Action does.

Action has considerable growth potential across mainland Europe and elsewhere. It has opened over 2,000 stores across Europe under 3i's ownership and has the potential to open multiples of this number in the future. This organic expansion puts Action on track to join a very rare group of retailers where growth extends over decades, rather than years. Action is already a very large, well-spread and resilient business and will become even broader and larger as it grows its presence in new geographic markets. Action's business model produces high returns on equity and significant cash flows based on high store sales densities and one-year average historical paybacks on new store capital expenditure. So Action's store expansion is self-funding, allowing the group to increase its operating leverage through size and scale and deliver significant dividends to 3i and other shareholders as it grows.

3i invests permanent rather than time-limited fund capital. This allows us to capture the significant compounding benefits from Action's growth and consistent financial performance. We are now focused on developing a select number of other portfolio companies to fulfil their potential to also become long-term compounders for the Group. These other portfolio companies are likely to grow in prominence in our results over the coming years.

Outlook

Whilst we expect macroeconomic conditions to remain challenging in the near term, we have started FY2024 with good momentum and are confident that we have the right people, portfolio and processes to continue to deliver consistent returns for our shareholders through the cycle.

I would like to close by thanking the team at 3i and the teams in our portfolio companies for another very good performance in far from straightforward circumstances.

Simon Borrows
Chief Executive
10 May 2023

Private Equity

At a glance

Gross investment return

£4,966m
or 40%

(2022: £4,172m or 47%)

Cash investment

£381m

(2022: £457m)

Realised proceeds

£857m

(2022: £684m)

Portfolio dividend income

£345m

(2022: £331m)

Portfolio growing earnings

90%[1]

(2022: 93%)

Portfolio value

£16,425m

(2022: £12,420m)

1 LTM adjusted earnings to 31 December 2022. Includes 31 portfolio companies.

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

In the year to 31 March 2023, our Private Equity portfolio delivered a GIR of £4,966 million, or 40%, on the opening portfolio value (2022: £4,172 million or 47%) and the portfolio value increased to £16,425 million (31 March 2022: £12,420 million). This result was driven predominantly by Action's very strong performance in FY2023, as well as by a good contribution from a number of our other assets operating in the value-for-money and private label, healthcare, industrial technology, and business and technology services sectors that have responded well to, and so far largely mitigated, high inflation, increased energy prices and interest rates and weaker consumer sentiment. We recognised a material unrealised value decline in two of our discretionary consumer portfolio companies, as a result of weaker trading and of the derating of external peers.

In FY2023, we made four new investments and continued to implement our buy-and-build strategy, completing 11 bolt-on acquisitions, three of which required additional funding from 3i. We ended the year as net divestors, with significant proceeds achieved from realisations and portfolio income. Average leverage across the portfolio remains low at 2.5x, or 4.0x excluding Action and our Private Equity portfolio is funded with all senior debt structures, with long-dated maturity profiles. The recent banking disruption has had no impact on our portfolio to date.

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

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

Investment basis	2023 £m	2022 £m
Realised profits over value on the disposal of investments	**169**	228
Unrealised profits on the revaluation of investments	**3,746**	3,545
Dividends	**345**	331
Interest income from investment portfolio	**77**	73
Fees receivable	**7**	6
Foreign exchange on investments	**493**	(11)
Movement in fair value of derivatives	**129**	–
Gross investment return	**4,966**	4,172
Gross investment return as a % of opening portfolio value	**40%**	47%

Investment activity

Across the US and European markets, private equity investment activity trended downwards in 2022, having reached near record levels in 2021. The significant deceleration from the second half of the year was driven by persistent macroeconomic headwinds and less supportive debt markets with pricing expectations that were difficult to align. Against this backdrop, we remained selective and disciplined in deploying our capital, investing £221 million in four new portfolio companies. All four of these investments were completed in the first half of FY2023.

We invested £94 million in **xSuite**, an accounts payable invoice automation software provider, and £30 million in **Digital Barriers**, a provider of unique video compression technology. These investments offer 3i exposure to their unique technology and high-growth end markets and both are transitioning to a subscription-based model. We also completed the £37 million investment in **VakantieDiscounter**, a highly scalable, technology-driven travel business with a value-for-money offering that is benefiting from the recovery of the travel market, as well as the £60 million investment in **Konges Sløjd**, a premium baby and child apparel and accessories business with an established international footprint that has significant scalability potential in a highly fragmented market.

Our buy-and-build strategy remains an integral part of our approach to value creation and, in FY2023, our portfolio companies completed 11 bolt-on acquisitions. We invested £63 million to support three bolt-on acquisitions for **Luqom**, **arrivia** and **WilsonHCG**, whilst the remaining eight bolt-on acquisitions completed in the year were funded by the portfolio companies' own balance sheets. Two of the bolt-on acquisitions involved carving out elements of **Q Holding**, an existing portfolio company, with **SaniSure** acquiring Q Holding's Twinsburg site and **Cirtec Medical** acquiring Q Holding's Precision Components. Further details of selected portfolio bolt-on acquisitions are in the Private Equity business review of our Annual report and accounts 2023.

In addition, we continued to develop **ten23 health** with a further investment of £36 million and used our capital to support two portfolio companies through challenging trading conditions, with a further investment of £14 million in **YDEON** and of £11 million in **Formel D**.

In March 2023, we completed a transaction to provide liquidity for existing external investors in **Action** who are invested via our 3i 2020 Co-investment Programme. As part of this transaction, we invested £30 million to purchase an additional small stake in Action from this Programme at the December 2022 net asset value, increasing our equity stake from 52.7% to 52.9%. At the same time, we crystallised a portion of the outstanding carried interest liability in relation to Action. For further details on carried interest see the Financial review later in this document.

In total, in the year to 31 March 2023, our Private Equity team invested £381 million across new, bolt-on and further investments.

	Portfolio company	Business description	Date	Proprietary capital investment £m
New investment	**Digital Barriers**	Provider of unique video compression technology	August and December 2022	30
	Konges Sløjd	Premium brand offering apparel and accessories for babies and children	August 2022	60
	VakantieDiscounter	Online travel agency in the Benelux focused on affordable holidays	August 2022	37
	xSuite	Accounts payable process automation specialist focused on the SAP ecosystem	August 2022	94
	Total new investment			**221**

	Portfolio company	Name of acquisition	Business description of bolt-on investment	Date	Proprietary capital investment £m
Further investment to finance portfolio bolt-on acquisitions	**Luqom**	Brumberg	B2B manufacturer and distributor of luminaries and lighting products	June 2022	34
	arrivia	RedWeek	Online timeshare marketplace	September 2022	23
	WilsonHCG	Personify	Provider of recruitment processing outsourcing services	January 2023	6
	Total further investment to finance portfolio bolt-on acquisitions				**63**

	Portfolio company	Business description	Date	Proprietary capital investment £m
Further investment to support portfolio companies	**YDEON**	Online retailer of garden buildings, sheds, saunas and related products	December 2022	14
	Formel D	Quality assurance provider for the automotive industry	November 2022	11
	Total further investment to support portfolio companies			**25**

	Portfolio company	Type	Business description	Date	Proprietary capital investment £m
Other investment	**ten23 health**	Further	Pharmaceutical product CDMO	Various	36
	Action	Further	General merchandise discount retailer	March 2023	30
	Luqom	Further	Online specialist lighting retailer	Various	5
	Other	Further	Various	Various	1
	Total other investment				**72**

Total FY2023 Private Equity gross investment	**381**

	Portfolio company	Name of acquisition	Business description of bolt-on investment	Date
Private Equity portfolio bolt-on acquisitions funded by the portfolio company balance sheets	**MAIT**	Nittmann & Pekoll	Austrian abas ERP partner	June 2022
	Evernex	XS International	Specialist in a suite of IT lifecycle services and IT hardware lifecycle support	September 2022
	Evernex	Integra	Provider of IT maintenance and cloud services	September 2022
	AES	Vibtech Analysis	Reliability service provider	October 2022
	SaniSure	Twinsburg	Silicone extrusion business	December 2022
	Cirtec Medical	Precision Components	Elastomeric solutions provider in the medical device outsourcing market	January 2023
	AES	DATUM RMS	Reliability and vibration monitoring service provider	January 2023
	Dutch Bakery	Trade Factory	Supplier of bapao buns	February 2023

Realisation activity

During the year we received total proceeds of £332 million from three partial disposals completed by **Q Holding**. These included the disposal of Q Holding's QSR business, completed in May 2022, and the disposals of its Twinsburg site and Precision Components business, which completed in December 2022 and January 2023 respectively. Q Holding's remaining business was valued at £117 million at 31 March 2023. Over the last two years, through a combination of realised proceeds and residual value, we have recognised an uplift of over 100% on the value of our investment in Q Holding at 31 March 2021, taking our money multiple, including realised proceeds to date and remaining value at 31 March 2023, to 2.8x.

In October 2022 we completed the sale of **Havea** after a five-year holding period, during which we partnered with the business to deliver a significant strategic transformation, completed five bolt-on acquisitions and generated double-digit organic growth. We received proceeds of £471 million from this divestment, representing a 50% uplift on the value of the investment at 31 March 2022, a sterling money multiple of 3.1x and an IRR of 24%.

In January 2023, we completed the disposal of **Christ**, our last investment in EFV, for realised proceeds of £47 million, at a 45% uplift on our 31 March 2022 opening value. When added to the proceeds generated by the sale of Amor (another German player in the jewellery space which we considered as part of the same investment thesis and sold in 2016 crystallising a money multiple of 2.3x), the multiple generated by this sale is 1.0x. Following the disposal of Christ our final fund multiple for EFV is 3.0x, a top quartile performance.

In total, we generated total Private Equity proceeds of £857 million (2022: £684 million) and realised profits of £169 million (2022: £228 million).

Table 2: Private Equity realisations in the year to 31 March 2023

Investment	Country	Calendar year invested	31 Mar 2022 value[1] £m	3i realised proceeds £m	Profit in the year £m	Uplift on opening value[2]	Residual value £m	Money multiple[3]	IRR
Full realisations									
Havea	France	2017	304	471	158	50 %	–	3.1x	24%
Christ	Germany	2014	31	47	14	45 %	–	0.4x	–%
Total realisations			**335**	**518**	**172**	**n/a**	**n/a**	**n/a**	**n/a**
Partial realisations[1,3]									
Q Holding	US	2014	332	332	–	–	117	2.8x	15%
Other	n/a	n/a	9	2	(8)	n/a	n/a	n/a	n/a
Deferred consideration									
Other	n/a	n/a	–	5	5	n/a	n/a	n/a	n/a
Total Private Equity realisations			**676**	**857**	**169**	**n/a**	**n/a**	**n/a**	**n/a**

1 For partial realisations, 31 March 2022 value represents value of stake sold.
2 Profit in the year over opening value.
3 Cash proceeds over cash invested. For partial realisations, valuations of any remaining investment are included in the multiple. Money multiples are quoted on a GBP basis.

Action performance and valuation

As detailed in the Chief Executive's statement, Action continues to deliver excellent growth driven by higher footfall, a higher number of transactions and further international store openings. In the 12 months to the end of Action's P3 2023 (which ended on 2 April 2023), Action generated run-rate EBITDA growth of 42% and strong cash inflow.

At 31 March 2023, Action was valued using its LTM run-rate EBITDA to the end of P3 2023 of €1,439 million. These included our normal adjustment to reflect stores opened in the year. Action has consistently outperformed the peers that we currently reference across its most important KPIs, supporting our valuation multiple, which remained unchanged at 18.5x net of the liquidity discount (31 March 2022: 18.5x).

Action ended P3 2023 with cash of €365 million and a net debt to run-rate earnings ratio of 1.8x after paying two dividend distributions in FY2023, of which 3i received £325 million.

At 31 March 2023, the valuation of our 52.9% stake in Action was £11,188 million (31 March 2022: 52.7%, £7,165 million) and we recognised unrealised profits from Action of £3,708 million (March 2022: £2,655 million) as shown in Table 3.

Performance (excluding Action)

Excluding Action, the private equity portfolio generated £520 million (March 2022: £584 million) of value growth from performance increases driven by good contributions from a number of assets operating in the value-for-money and private label, healthcare, industrial technology and business and technology services sectors, as well as good recovery from our travel assets. This good performance has more than offset performance decreases of £310 million (March 2022: £101 million), predominantly driven by some of our discretionary consumer businesses, principally Luqom and YDEON, which have been disproportionately impacted by weaker consumer sentiment.

Over the last two years **SaniSure** has delivered significant outperformance due to strong demand and customers stockpiling in mitigation of external supply chain concerns. Whilst recent demand has normalised as customers work down inventory levels, SaniSure remains well positioned to capitalise on expected continued annual double-digit growth across the bioprocessing market. **Cirtec Medical** maintained top-line growth from its key customers in 2022, largely offsetting short-term operational headwinds that impacted margin performance. The integration of Precision Components, its recent acquisition, is already progressing well and the business has a good 2023 outlook, with significant new contracts coming online.

Royal Sanders generated strong growth in 2022 despite increases across all key input costs. The business increased volumes with its key customers, including its value-for-money retailers that have seen robust growth. It also continues to consolidate a highly fragmented market, completing its fifth bolt-on since our initial acquisition, with an investment in Lenhart in April 2023, strengthening its position in the DACH region. **Dutch Bakery** generated a good result in 2022 as recent bolt-on acquisitions are integrating well, with the potential to deliver new customer wins. The underlying business has effectively managed its own operations during a period of rising input and energy costs.

nexeye maintained good top-line growth in 2022 despite softer trading in Q3 2022, which was caused by lower store footfall due to consumer uncertainty. Throughout the year, the business has sustained healthy margin performance whilst retaining a very attractive value-for-money price point for its customers compared to its competitors. The business added 23 new stores in the year and further accelerated its digitalisation agenda with its online appointment system in Germany. Trading at the start of 2023 has recovered from softer performance in Q3 2022.

Audley Travel and **arrivia** are recovering well from the pandemic. Pent-up demand for travel has driven a significant increase in bookings and departure revenue in 2022 for Audley Travel, supporting a return to the good cash generation characteristics that the business demonstrated pre-pandemic. At 31 March 2023, Audley Travel was valued on an earnings basis, having been valued on a DCF basis since June 2020 (31 March 2022: DCF basis), reflecting this recovery in performance. arrivia recorded a good recovery in membership bookings throughout 2022, and saw a strong improvement in the performance of its cruise product category. Both Audley Travel and arrivia have started 2023 with good bookings momentum.

Luqom and **YDEON**, which have a discretionary product offering, experienced a significant decline in order intake in 2022 as a result of declining consumer confidence across their markets. Luqom somewhat offset weaker performance in its core markets with growth in more recently launched regions in southern and eastern Europe. The business is also undertaking a significant programme of operational and cost efficiencies. YDEON has responded to weaker trading with a number of sales, cost and cash initiatives including the introduction of products at a much lower price point for which volumes are easily scalable. Across both assets we recognised a combined unrealised value loss of £357 million, part of which is attributable to the soft trading performance and part is based on a multiple reductions (see 'Multiple movements' later on in this section). **BoConcept** also saw pressure on store footfall due to the discretionary nature of its offering, but has to an extent mitigated lower footfall and order intake through its international diversification, franchise model and effective margin management.

WilsonHCG secured a significant number of new recruitment customers in 2022 and with new clients coming online in 2023 and the opportunity to accelerate its growth in the life sciences and healthcare end markets following its acquisition of Personify, the business is well positioned to navigate the recent slowdown in the North American hiring market.

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

	2023 £m	2022 £m
Earnings based valuations		
Action performance	**3,708**	2,655
Performance increases (excluding Action)	**520**	584
Performance decreases (excluding Action)	**(310)**	(101)
Multiple movements	**(167)**	241
Other bases		
Sum of the parts	**–**	132
Discounted cash flow	**4**	7
Other movements on unquoted investments	**4**	2
Quoted portfolio	**(13)**	25
Total	**3,746**	3,545

1 Further information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation section in our Annual report and accounts 2023.

Since our initial investment in **MAIT** in September 2021, we have completed five bolt-on acquisitions, including one in June 2022. These acquisitions have been value accretive and have driven good growth in addition to that achieved by the underlying business. **Evernex** also completed two further bolt-on acquisitions in the US and Europe in the year but saw softer trading in the short-term as a result of lower renewals of third-party maintenance contracts, driven by a pick-up in investment in new IT equipment post the pandemic.

AES saw a significant increase in demand across its key global end markets in 2022 and continued to maintain intelligent cost control, resulting in strong earnings growth. The business continues to benefit from long-term investment improving the reliability and range of its product offering and also continued to pursue bolt-on acquisitions, completing the acquisitions of DATUM RMS and Vibtech Analysis in the year. Having traded strongly in the first half of 2022 with sustained demand for its core biocides products, **Tato** saw trading soften through the second half of 2022 with weaker end demand for paints and coatings from the DIY and construction markets and supply challenges for key input chemicals resulting in price inflation and margin pressure. Tato successfully leveraged its scale and global footprint to maintain good customer supply and margin performance has improved since the turn of the year. Both Tato and AES were cash generative in the year and distributed dividends to 3i of £17 million in total.

Overall, 90% of the portfolio by value grew LTM adjusted earnings in the year (2022: 93%). Table 4 shows the earnings growth of our top 20 Private Equity investments.

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

	Number of companies	**3i value at 31 March 2023 £m**
<0%	5	**1,495**
0-9%	4	**1,341**
10-19%	3	**350**
20-29%	3	**596**
≥30%	5	**12,055**

1 Includes top 20 Private Equity companies by value excluding ten23 health. This represents 96% of the Private Equity portfolio by value (31 March 2022: 96%). Last 12 months' adjusted earnings to 31 December 2022 and Action based on LTM run-rate earnings to the end of P3 2023.

Leverage

Our Private Equity portfolio is funded with all senior debt structures, with long-dated maturity profiles and c.40% repayable from 2026 and beyond. Across our Private Equity portfolio, term debt is well protected against interest rate rises, with over 70% of total term debt hedged at a weighted average tenor of more than three years with the interest rate element capped at a weighted average hedge rate below 2%. The average margin across the portfolio is under 4%, so the all-in debt cost across over 70% of the portfolio is capped below 6%. Average leverage across the portfolio was 2.5x (31 March 2022: 3.3x). Excluding Action, leverage across the portfolio was 4.0x (31 March 2022: 4.6x).

Following the successful amendment and extension of Action's senior debt facilities post 31 March 2023, as detailed in the Chief Executive's statement, the above long dated debt maturity profile for the Private Equity portfolio extends to 80% repayable from 2026 and beyond. The amend and extend transaction does not impact the interest rate hedging position at 31 March 2023.

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

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

	Number of companies	3i value at 31 March 2023 £m
<1x	1	**40**
1-2x	4	**11,583**
2-3x	6	**992**
3-4x	3	**942**
4-5x	4	**452**
5-6x	2	**857**
>6x	3	**290**

1 This represents 92% of the Private Equity portfolio by value (31 March 2022: 92%). Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation. Net debt and adjusted earnings at 31 December 2022 and Action based on LTM run-rate earnings to the end of P3 2023.

Multiple movements

We have continued our established approach of taking a long-term, through-the-cycle view on the multiples used to value our portfolio companies, consistent with how we drive value creation in our portfolio. When selecting multiples to value our portfolio companies we consider a number of factors including recent performance and outlook, comparable recent transactions and exit plans, and the performance of quoted comparable companies. FY2023 was characterised by significant volatility in the capital markets driven by Russia's invasion of Ukraine, global fiscal and monetary interventions to mitigate inflation and the more recent disruption in the banking sector. The consistency of our approach to valuation multiples has enabled us largely to mitigate the impact of such market volatility and, since the turn of the year, we have seen a gradual increase in the average multiples of our comparable sets, increasing the difference to our valuation multiples, which in the vast majority of cases are lower than the peer group average.

However, we did adjust eight multiples downwards where we experienced significant declines in selected peers groups and in some cases weaker trading performance. This included the reduction of multiples for Luqom and YDEON, accounting for £107 million of the total net £167 million (March 2022: increase of £241 million) multiple decrease in the year. Towards the end of our financial year, we saw stronger equity markets and we increased multiples for three of our portfolio companies which have consistently outperformed over many periods.

Our approach to valuing Action, our largest investment, is no different to the remainder of our portfolio in that we take a long-term, through-the-cycle view on the LTM run-rate EBITDA post-discount multiple of 18.5x used to value Action at 31 March 2023. We take comfort from the fact that Action's continued excellent growth meant that its valuation at 31 March 2022 translated to only 13.0x run-rate EBITDA achieved one year later. In addition, its most important operating KPIs compare very favourably to those of its peer group, consisting of North American and European value-for-money retailers. Based on the valuation at 31 March 2023, a 1.0x movement in Action's post discount multiple would increase or decrease the valuation of 3i's investment by £669 million.

Quoted portfolio

Basic-Fit is the only quoted investment in our Private Equity portfolio. The business performed well in 2022, recovering strongly following the temporary Covid-19 related closures in 2021. Memberships increased by 51% in the year and the business expanded its club base by 185 clubs.

At 31 March 2023, our residual 5.7% shareholding in Basic-Fit was valued at £121 million reflecting a 10% year-on-year decrease in its share price to €36.32 (31 March 2022: 5.7% shareholding valued at £129 million based on a share price of €40.42).

Assets under management

The value of the Private Equity portfolio, including third-party capital, increased to £22.9 billion (31 March 2022: £16.7 billion), primarily due to unrealised value movements in the year.

Table 6: Private Equity assets by geography as at 31 March 2023

3i office location	**Number of companies**	**3i carrying value 2023 £m**
Netherlands	**10**	**12,520**
France	**1**	**305**
Germany	**7**	**777**
UK	**9**	**1,144**
US	**9**	**1,652**
Other	**3**	**27**
Total	**39**	**16,425**

Table 7: Private Equity assets by sector as at 31 March 2023

Sector	**Number of companies**	**3i carrying value 2023 £m**
Action (Consumer)	**1**	**11,188**
Consumer	**13**	**1,983**
Industrial Technology	**7**	**1,168**
Business & Technology Services	**13**	**917**
Healthcare	**5**	**1,169**
Total	**39**	**16,425**

Table 8: Private Equity 3i proprietary capital as at 31 March

Vintages	**3i proprietary capital value[3] 2023 £m**	**Vintage money multiple[4] 2023**	3i proprietary capital value[3] 2022 £m	Vintage money multiple[4] 2022
Buyouts 2010–2012[1]	**2,968**	**15.1x**	2,462	12.3x
Growth 2010–2012[1]	**23**	**2.1x**	18	2.1x
2013–2016[1]	**814**	**2.5x**	1,022	2.3x
2016–2019[1]	**1,872**	**1.8x**	2,210	1.8x
2019–2022[1]	**1,524**	**1.5x**	1,319	1.3x
2022-2025[1]	**228**	**1.0x**	–	n/a
Others[2]	**8,996**	**n/a**	5,389	n/a
Total	**16,425**		12,420	

1 Assets included in these vintages are disclosed in the Glossary.
2 Includes value of £8,220 million (31 March 2022: £ 4,703 million) held in Action through the 2020 Co-investment vehicles and 3i.
3 3i proprietary capital is the unrealised value for the remaining investments in each vintage.
4 Vintage money multiple (GBP) includes realised value and unrealised value as at the reporting date.

Infrastructure

At a glance

Gross investment return

£86m
or 6%

(2022: £241m or 21%)

AUM

£6.4bn

(2022: £5.7bn)

Cash income

£107m

(2022: £91m)

We manage a range of funds investing principally in mid-market economic infrastructure and operational projects in Europe and North America. Infrastructure is a defensive asset class that provides a good source of income and fund management fees for the Group, enhancing returns on our proprietary capital. The team has been active in its deployment of capital across the portfolio and in new investments.

Our Infrastructure portfolio generated a GIR of £86 million or 6% on the opening portfolio value (2022: £241 million, 21%) primarily driven by portfolio income and good value growth contribution across our US assets, offset by a decrease in the share price of our quoted stake in 3iN, despite its strong NAV return in the year. We completed two new investments and three further investments in 3iN and three bolt-on acquisitions for our North American Infrastructure platform. We also completed the disposal of 3iN's operational projects portfolio to the 3i European Operational Projects Fund ("3i EOPF").

Table 9: Gross investment return for the year to 31 March

Investment basis	**2023 £m**	2022 £m
Realised profits over value on the disposal of investments	**–**	10
Unrealised profits on the revaluation of investments	**23**	178
Dividends	**33**	31
Interest income from investment portfolio	**14**	12
Fees payable	**–**	(3)
Foreign exchange on investments	**16**	13
Movement in fair value of derivatives	**–**	–
Gross investment return	**86**	241
Gross investment return as a % of opening portfolio value	**6%**	21%

Fund management

3iN

3iN's total return on opening NAV of 14.7% for the year to 31 March 2023 was materially ahead of its total return target of 8% to 10% per annum. 3iN also delivered its dividend target of 11.15 pence per share, a 6.7% increase on last year.

Underpinning this strong return was the excellent performance of 3iN's investment portfolio, which was driven by exposure to long-term growth trends. We have seen particularly strong trading from assets operating in the utilities sector exposed to energy transition (such as **Infinis** and **Attero**), the communication sector (such as **Tampnet)** and the transport and logistics sector (such as **TCR**).

As investment manager to 3iN, in FY2023 we received a management and support services fee of £49 million (2022: £44 million) and a NAV-based performance fee of £35 million (2022: £26 million). This performance fee comprised a third of the potential performance fee for each of FY2023, FY2022 and FY2021 after the performance hurdle was met in each year.

The market for infrastructure investments remains competitive, with strong demand for quality infrastructure assets. Against this backdrop, 3iN was active in the year whilst remaining disciplined on price, completing a £318 million new investment in **Global Cloud Xchange**, a global data communications service provider and a £28 million new investment in **Future Biogas**, a producer of biomethane in the UK. 3iN also completed a £338 million further investment in **TCR**, acquiring an additional 48% stake from a co-investor, a £15 million further investment in **DNS:NET** to support its continued fibre roll-out programme and a £30 million further investment in **Infinis** to fund the development of its solar roll-out programme.

We continue to utilise our relationship with external co-investors to manage our underlying risk exposure across certain assets, demonstrated in the year with two syndications. We syndicated 28% of 3iN's stake in TCR for proceeds of £190 million and a 17% stake in **ESVAGT** for proceeds of £87 million.

In June 2022, 3iN completed the sale of its European projects portfolio to the 3i EOPF for £106 million.

North American Infrastructure platform

The investments in our North American Infrastructure platform generated good organic and acquisitive growth in FY2023. **Regional Rail** expanded its footprint through two bolt-on acquisitions and one new rail services contract, including three short-line railroads in the Midwest region of the US and several short-line railroads in Canada. Its existing freight lines delivered good volumes offsetting the impact of cost inflation. **EC Waste** completed the self-funded bolt-on acquisition of A&A Waste Management, a business that provides non-hazardous solid waste collections in Puerto Rico. This acquisition, combined with an increase in landfill volumes, contributed to the top-line growth of the business in the year.

Other funds

3i EOPF and 3i Managed Infrastructure Acquisitions Fund ("**3i MIA**") performed well in the year. 3i EOPF purchased the European projects portfolio from 3iN for £106 million. Following this acquisition, 3i EOPF has now deployed 86% of its total commitments.

3i's proprietary capital infrastructure portfolio

The Group's proprietary capital infrastructure portfolio consists of its 29% quoted stake in 3iN, its investment in **Smarte Carte** and direct stakes in other managed funds.

Quoted stake in 3iN

In February 2023, 3iN successfully completed a share placing of £100 million. The funds were used to part pay drawings on their RCF and partly used to fund the acquisition of Future Biogas. 3i did not participate in this placing and its holding in 3iN was therefore diluted from 30% to 29%. At 31 March 2023, our 29% stake in 3iN (31 March 2022: 30%) was valued at £841 million (31 March 2022: £934 million) as a result of a 10% year-on-year decline in its share price to 313 pence (31 March 2022: 347 pence), which was caused by broader market volatility. As a result we recognised an unrealised loss of £93 million (2022: unrealised gain of £137 million), partially offset by £29 million of dividend income (2022: £27 million).

North America Infrastructure proprietary capital

Smarte Carte traded strongly in 2022 driven by robust US travel and retail demand across each of its lines of business, coupled with a steady recovery in international volumes. The business continues to leverage its existing footprint to expand into financially attractive ancillary services such as porter services and bag storage at its airports and other locations and recently completed a refinancing at attractive terms. At 31 March 2023, Smarte Carte was valued at £300 million on a DCF basis (31 March 2022: £207 million).

Assets under management

Infrastructure AUM increased to £6.4 billion (2022: £5.7 billion), principally due to an increase in 3i managed accounts and good performance across 3i MIA and our US infrastructure portfolio, offset by a decline in the share price of 3iN.

Table 10: Assets under management as at 31 March 2023

Fund/strategy	Close date	Fund size	3i commitment/ share	Remaining 3i commitment	% invested[3] at 31 March 2023	AUM £m	Fee income earned in 2023 £m
3iN[1]	Mar-07	n/a	£841m	n/a	**n/a**	**2,882**	**49**
3i Managed Infrastructure Acquisitions LP	Jun-17	£698m	£35m	£5m	**87%**	**1,280**	**4**
3i managed accounts	various	n/a	n/a	n/a	**n/a**	**744**	**5**
BIIF	May-08	£680m	n/a	n/a	**91%**	**457**	**4**
3i North American Infrastructure platform	Mar-22[2]	US$495m	US$300m	US$108m	**64%**	**389**	**2**
3i European Operational Projects Fund	Apr-18	€456m	€40m	€5m	**86%**	**359**	**2**
US Infrastructure	Nov-17	n/a	n/a	n/a	**n/a**	**300**	**–**
3i India Infrastructure Fund	Mar-08	US$1,195m	US$250m	n/a	**73%**	**–**	**–**
Total						**6,411**	**66**

1 AUM based on the share price at 31 March 2023.
2 First close completed in March 2022.
3 % invested is the capital deployed into investments against the total Fund commitment.

Table 11: Unrealised profits/(losses) on the revaluation of Infrastructure investments in the year to 31 March

	2023 £m	2022 £m
Quoted	**(93)**	137
Discounted cash flow ("DCF")	**103**	36
Fund/other	**13**	5
Total	**23**	178

Further information on our valuation methodology, including definitions and rationale, is included in the portfolio valuation – an explanation section in our Annual report and accounts 2023.

Table 12: Infrastructure portfolio movement for the year to 31 March 2023

Investment	Valuation	Opening value at 1 April 2022 £m	Investment £m	Disposals at opening book value £m	Unrealised profit/(loss) movement £m	Other movements[1] £m	Closing value at 31 March 2023 £m
3iN	Quoted	934	–	–	(93)	–	**841**
Smarte Carte	DCF	207	–	–	83	10	**300**
Regional Rail	DCF	48	7	–	13	2	**70**
EC Waste	DCF	86	–	–	7	5	**98**
3i MIA	Fund	53	–	–	12	–	**65**
3i EOPF	Fund	24	6	–	1	1	**32**
Other	Other	–	3	–	–	–	**3**
Total		1,352	16	–	23	18	**1,409**

1 Other movements include foreign exchange.

Scandlines

At a glance

Gross investment return

£52m
or 10%

(2022: £112m or 26%)

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

Performance

Scandlines performed well in the year, generating a GIR of £52 million, or 10% of opening portfolio value (2022: £112 million, 26%). The business delivered a second consecutive year of record growth in freight volumes in 2022, reaffirming Scandlines' position as a critical part of the Scandinavian trade infrastructure. Covid-19 impacted leisure volumes at the start of 2022, but a strong summer peak season resulted in overall 2022 leisure volumes marginally ahead of pre-pandemic levels. The business continues to benefit from the operational efficiencies implemented throughout the pandemic. As a result of good cash flow generation, the business returned total dividends to 3i of £38 million in FY2023 (2022: £13 million).

Scandlines continues to progress its zero-emission fleet ambition with the construction of its new electric freight ferry, which is expected to be operational in 2024. Further details can be found in the Sustainability section of our Annual report and accounts 2023.

We continue to value Scandlines on a DCF basis and at 31 March 2023 its value of £554 million (31 March 2022: £533 million) reflects the dividends received in the year and a degree of caution on the outlook.

Foreign exchange

We hedge the balance sheet value of our investment in Scandlines. In September 2022, we increased the size of this hedging programme from €500 million to €600 million to cover the higher underlying valuation of our investment.

We recognised a £21 million gain on foreign exchange translation (March 2022: loss of £4 million) offset by a £7 million fair value loss (March 2022: gain of £2 million) from derivatives in our hedging programme.

Table 13: Gross investment return for the year to 31 March

Investment basis	**2023 £m**	2022 £m
Unrealised profit on the revaluation of investments	**–**	101
Dividends	**38**	13
Foreign exchange on investments	**21**	(4)
Movement in fair value of derivatives	**(7)**	2
Gross investment return	**52**	112
Gross investment return as a % of opening portfolio value	**10%**	26%

Financial review

Very strong financial performance

Highlights - Investment basis

Gross investment return

£5,104m

(2022: £4,525m)

Operating profit before carried interest

£4,956m

(2022: £4,417m)

Total return

£4,585m

(2022: £4,014m)

Total return on opening shareholders' funds

36%

(2022: 44%)

Diluted NAV per share at 31 March 2023

1,745p

(31 March 2022: 1,321p)

Total dividend

53.0p

(31 March 2022: 46.5p)

Table 14: Total return for the year to 31 March

Investment basis	2023 £m	2022 £m
Realised profits over value on the disposal of investments	**169**	238
Unrealised profits on the revaluation of investments	**3,769**	3,824
Portfolio income		
Dividends	**416**	375
Interest income from investment portfolio	**91**	85
Fees receivable	**7**	3
Foreign exchange on investments	**530**	(2)
Movement in the fair value of derivatives	**122**	2
Gross investment return	**5,104**	4,525
Fees receivable from external funds	**70**	62
Operating expenses	**(138)**	(128)
Interest receivable	**4**	–
Interest payable	**(54)**	(53)
Exchange movements	**(29)**	9
Other (expense)/income	**(1)**	2
Operating profit before carried interest	**4,956**	4,417
Carried interest		
Carried interest and performance fees receivable	**41**	54
Carried interest and performance fees payable	**(418)**	(454)
Operating profit before tax	**4,579**	4,017
Tax charge	**(2)**	(5)
Profit for the year	**4,577**	4,012
Re-measurements of defined benefit plans	**8**	2
Total comprehensive income for the year ("Total return")	**4,585**	4,014
Total return on opening shareholders' funds	**36%**	44%

Investment basis and alternative performance measures ("APMs")

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

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

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

Realised profits
We generated total realised proceeds of £857 million (2022: £788 million) and realised profits of £169 million in the year (2022: £238 million), all of which were generated from Private Equity.

Unrealised value movements
We recognised an unrealised profit of £3,769 million (2022: £3,824 million). Action's continued strong performance contributed £3,708 million (2022: £2,655 million). We also saw good contributions from a number of our other Private Equity investments including SaniSure, AES, WilsonHCG, Royal Sanders, Audley Travel, nexeye and Dutch Bakery offsetting negative contributions from Luqom, YDEON, BoConcept, Formel D and Mepal. Our US infrastructure portfolio also delivered good value growth in the year offsetting a 10% year-on-year share price reduction in our quoted holding in 3iN.

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

Table 15: Unrealised value movements on the revaluation of investments for the year to 31 March

Investment basis	**2023 £m**	2022 £m
Private Equity	**3,746**	3,545
Infrastructure	**23**	178
Scandlines	**–**	101
Total	**3,769**	3,824

Portfolio income
Portfolio income increased to £514 million during the year (2022: £463 million), primarily due to strong dividend income of £416 million (2022: £375 million), particularly from Action. Interest income from portfolio companies, the majority of which is non-cash, increased to £91 million (2022: £85 million), whilst fee income increased in the year to £7 million (2022: £3 million), reflecting the monitoring and negotiation fees receivable relating to new investments within our Private Equity portfolio.

Fees receivable from external funds
Fees received from external funds increased to £70 million (2022: £62 million). 3i receives a fund management fee from 3iN, which amounted to £49 million in FY2023 (2022: £44 million).

3i also received fee income of £4 million (2022: £6 million) from 3i MIA through management fees and continued to generate fee income from 3i managed accounts and other funds. In Private Equity, we recognised a £4 million (2022: £4 million) administration fee for our management of the 3i 2020 Co-investment Programme related to Action.

Operating expenses
Operating expenses increased to £138 million (2022: £128 million) reflecting the full-year impact of new hires in both Private Equity and Infrastructure, increased business activity and inflationary impacts on travel, marketing and professional fee costs.

Interest payable
The Group recognised interest payable of £54 million (2022: £53 million). Interest payable predominantly includes interest on the Group's loans and borrowings and amortisation of capitalised fees.

Operating cash profit
We generated an operating cash profit of £364 million in the year (2022: £340 million). Cash income increased to £497 million (2022: £450 million), principally due to an increase in dividend income. We received £325 million of cash dividends from Action (2022: £284 million). We also received cash dividends from Scandlines, 3iN, Tato and AES, as well as a good level of cash fees from our external funds in Infrastructure. Excluding the dividends received from Action, the operating cash profit was £39 million.

Cash operating expenses increased to £133 million (2022: £110 million), driven principally by higher fixed and variable compensation costs, as well as by inflationary impacts on travel and marketing costs, as well as professional fees.

Table 16: Operating cash profit for the year to 31 March

Investment basis	2023 £m	2022 £m
Cash fees from external funds	**67**	68
Cash portfolio fees	**5**	9
Cash portfolio dividends and interest	**425**	373
Cash income	**497**	450
Cash operating expenses[1]	**(133)**	(110)
Operating cash profit	**364**	340

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

Carried interest and performance fees

We receive carried interest and performance fees from third-party funds and 3iN. We also pay carried interest and performance fees to participants in plans relating to returns from investments. These are received and/or paid subject to meeting certain performance conditions. In Private Equity (excluding Action), we typically accrue net carried interest payable of c.12% of GIR, based on the assumption that all investments are realised at their balance sheet value. Carried interest is paid to participants when cash proceeds have actually been received following a realisation, refinancing event or other cash distribution and performance hurdles are passed in cash terms. Due to the length of time between investment and realisation, the schemes are usually active for a number of years and their participants include both current and previous employees of 3i.

The continued excellent performance of Action in the Buyouts 2010-12 vintage and good performance in our other vintages led to a £392 million increase in carried interest payable in FY2023. During the year, £24 million (2022: £13 million) was paid to participants in Private Equity, of which £23 million was paid to participants in the Private Equity Buyouts 2010-12 carry plan.

In March 2023, we completed a transaction to provide liquidity for existing external investors in Action who are invested via our 3i 2020 Co-investment Programme and at the same time a portion of the outstanding carried interest liability in the Buyouts 2010-12 scheme relating to Action was crystallised, which is expected to result in a c.£200 million carried interest payment to participants in the Buyouts 2010-12 scheme in May 2023. This payment continues a series of carried interest payments to participants in the Buyouts 2010-12 scheme, the first of which occurred in May 2020, following the sale of EFV's interest in Action in FY2020. The economic result of this transaction is to increase 3i's investment in Action, net of carry, from 47.7% to 48.9%. 3i's gross investment in Action also increased to 52.9% (31 March 2022: 52.7%) following the purchase of a further small (£30 million) equity stake in Action.

3iN pays a performance fee based on its NAV on an annual basis, subject to a hurdle rate of return. The continued strong performance of the assets held by 3iN resulted in the recognition of £35 million (2022: £26 million) of performance fees receivable. £25 million (2022: £22 million) was recognised as an expense with the remaining fees payable deferred for an expense in future years. During the year, £27 million was paid to the Infrastructure team including payments for the 3i MIA performance plan. The cumulative total potential payable for performance fees including fees generated and deferred from prior periods amounts to £55 million.

Overall, the effect of the income statement charge, cash payments of £51 million (2022: £23 million), as well as currency translation meant that the balance sheet carried interest and performance fees payable was £1,351 million (31 March 2022: £963 million).

Table 17: Carried interest and performance fees for the year to 31 March

Investment basis Statement of comprehensive income	2023 £m	2022 £m
Carried interest and performance fees receivable		
Private Equity	**4**	3
Infrastructure	**37**	51
Total	**41**	54
Carried interest and performance fees payable		
Private Equity	**(392)**	(416)
Infrastructure	**(26)**	(38)
Total	**(418)**	(454)
Net carried interest payable	**(377)**	(400)

Table 18: Carried interest and performance fees at 31 March

Investment basis Statement of financial position	2023 £m	2022 £m
Carried interest and performance fees receivable		
Private Equity	**6**	8
Infrastructure	**37**	51
Total	**43**	59
Carried interest and performance fees payable		
Private Equity	**(1,325)**	(926)
Infrastructure	**(26)**	(37)
Total	**(1,351)**	(963)

Table 19: Carried interest and performance fees paid in the year to 31 March

Investment basis cash flow statement	2023 £m	2022 £m
Carried interest and performance fees cash paid		
Private Equity	**24**	13
Infrastructure	**27**	10
Total	**51**	23

Net foreign exchange movements

The Group recorded a total foreign exchange translation gain of £623 million including the impact of foreign exchange hedging in the year (March 2022: £9 million), as a result of sterling weakening by 4% against the euro and by 6% against the US dollar.

In October and November 2022, we took advantage of the weakness of sterling against the euro and US dollar by implementing a medium-term foreign exchange hedging programme to partially reduce the sensitivity of the Group's net asset value and impact of mismatched currency cash flows to changes in euro and US dollar exchange movements. The exposure of the Group's underlying investment portfolio to euro and US dollar has increased significantly in recent years through the organic growth of our existing European and US portfolio companies and due to the majority of our new investments being denominated in euro and US dollar.

We locked in favourable euro and US dollar rates compared to historical market averages, with forward foreign exchange contracts of a notional amount of €2 billion and $1.2 billion. In addition, during the year we also increased the size of our hedging programme for Scandlines, increasing the notional amount from €500 million to €600 million. Including the impact from foreign exchange hedging, 71% of the Group's net assets are denominated in euros or US dollars. Based on the Group's net assets, including the impact from foreign exchange hedging, a 1% movement in euro and US dollar foreign exchange rates would impact total return by £106 million and £12 million, as shown in Table 20 below.

Table 20: Net assets[1] and sensitivity by currency at 31 March

	FX rate	£m	%	1% sensitivity £m
Sterling	n/a	**4,797**	28	**n/a**
Euro[2]	1.1377	**10,641**	64	**106**
US dollar[2]	1.2361	**1,154**	7	**12**
Danish krone	8.4752	**222**	1	**2**
Other	n/a	**30**	–	**n/a**

1 The net assets position includes the impact from foreign exchange hedging.
2 The sensitivity impact calculated on the net assets position includes the impact from foreign exchange hedging.

Pension

The Group's UK defined benefit plan ("the Plan") is fully insured following previous buy-in policies with Legal & General in May 2020 and February 2019 and Pension Insurance Corporation in March 2017. These polices provide long-term security for the Plan members and 3i is no longer exposed to any material longevity, interest or inflation risk in the Plan or any ongoing requirement to fund the Plan. During the year the Group gave notice to terminate the Plan. The Trustees have taken steps to commence a buy-out and wind up of the Plan, the completion of which could take up to 18 months.

During the year the Group recognised an £8 million re-measurement gain (2022: £3 million) on the German defined benefit plan. The liability of this plan decreased in the year following an increase in the discount rate.

Tax
The Group's parent company continues to operate in the UK as an approved investment trust company. An approved investment trust is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its tax status. This approval allows certain investment profits of the Company, broadly its capital profits, to be exempt from tax in the UK. The Group's tax charge for the year was £2 million (2022: £5 million).

The Group's overall UK tax position for the financial year is dependent on the finalisation of tax returns of the various corporate and partnership entities in the UK group.

Balance sheet and liquidity
At 31 March 2023, the Group had net debt of £363 million (31 March 2022: £746 million) and gearing of 2% after the receipt of strong cash income of £497 million and net cash proceeds of £555 million, offsetting dividend payments of £485 million and repayment of our £200 million fixed-rate 2023 bond in the year.

The Group had liquidity of £1,312 million as at 31 March 2023 (31 March 2022: £729 million) comprising cash and deposits of £412 million (31 March 2022: £229 million) and an undrawn RCF of £900 million. During the year, we increased our available liquidity by introducing a two-year £400 million tranche to the existing base £500 million RCF. Since 31 March 2023, we extended the maturity of the £400 million additional tranche to July 2025.

The investment portfolio value increased to £18,388 million at 31 March 2023 (31 March 2022: £14,305 million) mainly driven by unrealised profits of £3,769 million in the year.

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

Table 21: Simplified consolidated balance sheet at 31 March

Investment basis Statement of financial position	2023 £m	2022 £m
Investment portfolio	**18,388**	14,305
Gross debt	**(775)**	(975)
Cash and deposits	**412**	229
Net debt	**(363)**	(746)
Carried interest and performance fees receivable	**43**	59
Carried interest and performance fees payable	**(1,351)**	(963)
Other net assets	**127**	99
Net assets	**16,844**	12,754
Gearing[1]	**2%**	6%

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

Going concern
The Annual report and accounts 2023 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. Further details on going concern can be found in the Resilience statement in our Annual report and account 2023.

Dividend
The Board has recommended a second FY2023 dividend of 29.75 pence per share (2022: 27.25 pence), taking the total dividend for the year to 53.0 pence per share (2022: 46.5 pence). Subject to shareholder approval, the dividend will be paid to shareholders in July 2023.

Key accounting judgments and estimates

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

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

Given the importance of the valuation of investments, the Board has a separate Valuations Committee to review the valuation policy, process and application to individual investments. However, asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. At 31 March 2023, 95% by value of the investment assets were unquoted (31 March 2022: 93%).

The valuation of the proprietary capital portfolio is a primary input into the carried interest payable and receivable balances, which are determined by reference to the valuation at 31 March 2023 and the underlying investment management agreements.

Investment basis

Consolidated statement of comprehensive income

for the year to 31 March

	2023 £m	2022 £m
Realised profits over value on the disposal of investments	**169**	238
Unrealised profits on the revaluation of investments	**3,769**	3,824
Portfolio income		
Dividends	**416**	375
Interest income from investment portfolio	**91**	85
Fees receivable	**7**	3
Foreign exchange on investments	**530**	(2)
Movement in the fair value of derivatives	**122**	2
Gross investment return	**5,104**	4,525
Fees receivable from external funds	**70**	62
Operating expenses	**(138)**	(128)
Interest receivable	**4**	–
Interest payable	**(54)**	(53)
Exchange movements	**(29)**	9
Other (expense)/income	**(1)**	2
Operating profit before carried interest	**4,956**	4,417
Carried interest		
Carried interest and performance fees receivable	**41**	54
Carried interest and performance fees payable	**(418)**	(454)
Operating profit before tax	**4,579**	4,017
Tax charge	**(2)**	(5)
Profit for the year	**4,577**	4,012
Other comprehensive income		
Re-measurements of defined benefit plans	**8**	2
Total comprehensive income for the year ("Total return")	**4,585**	4,014

Consolidated statement of financial position
as at 31 March

	2023 £m	2022 £m
Assets		
Non-current assets		
Investments		
Quoted investments	**962**	1,063
Unquoted investments	**17,426**	13,242
Investment portfolio	**18,388**	14,305
Carried interest and performance fees receivable	**3**	8
Other non-current assets	**33**	50
Intangible assets	**5**	6
Retirement benefit surplus	**53**	53
Property, plant and equipment	**3**	3
Right of use asset	**9**	13
Derivative financial instruments	**73**	7
Deferred income taxes	**–**	1
Total non-current assets	**18,567**	14,446
Current assets		
Carried interest and performance fees receivable	**40**	51
Other current assets	**41**	105
Current income taxes	**1**	1
Derivative financial instruments	**48**	10
Cash and cash equivalents	**412**	229
Total current assets	**542**	396
Total assets	**19,109**	14,842
Liabilities		
Non-current liabilities		
Trade and other payables	**(11)**	(21)
Carried interest and performance fees payable	**(1,049)**	(915)
Loans and borrowings	**(775)**	(775)
Derivative financial instruments	**(3)**	–
Retirement benefit deficit	**(20)**	(26)
Lease liability	**(5)**	(9)
Deferred income taxes	**(1)**	(1)
Provisions	**(4)**	(3)
Total non-current liabilities	**(1,868)**	(1,750)
Current liabilities		
Trade and other payables	**(85)**	(81)
Carried interest and performance fees payable	**(302)**	(48)
Loans and borrowings	**–**	(200)
Derivative financial instruments	**(1)**	–
Lease liability	**(5)**	(5)
Current income taxes	**(4)**	(4)
Total current liabilities	**(397)**	(338)
Total liabilities	**(2,265)**	(2,088)
Net assets	**16,844**	12,754
Equity		
Issued capital	**719**	719
Share premium	**790**	789
Other reserves	**15,443**	11,346
Own shares	**(108)**	(100)
Total equity	**16,844**	12,754

Consolidated cash flow statement
for the year to 31 March

	2023 £m	2022 £m
Cash flow from operating activities		
Purchase of investments	**(330)**	(596)
Proceeds from investments	**885**	758
Net cash flow from derivatives	**23**	11
Portfolio interest received	**19**	4
Portfolio dividends received	**406**	369
Portfolio fees received	**5**	9
Fees received from external funds	**67**	68
Carried interest and performance fees received	**58**	10
Carried interest and performance fees paid	**(51)**	(23)
Operating expenses paid	**(128)**	(106)
Co-investment loans received/(paid)	**3**	(5)
Tax received	**–**	1
Interest received	**4**	–
Net cash flow from operating activities	**961**	500
Cash flow from financing activities		
Issue of shares	**1**	1
Purchase of own shares	**(30)**	(54)
Dividends paid	**(485)**	(389)
Repayment of long-term borrowing	**(200)**	–
Lease payments	**(5)**	(4)
Interest paid	**(54)**	(52)
Net cash flow from financing activities	**(773)**	(498)
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	**187**	2
Cash and cash equivalents at the start of year	**229**	225
Effect of exchange rate fluctuations	**(4)**	2
Cash and cash equivalents at the end of year	**412**	229

Background to Investment basis financial statements

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

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

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

Reconciliation of Investment basis and IFRS

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

Reconciliation of Investment basis and IFRS

Reconciliation of consolidated statement of comprehensive income

for the year to 31 March

	Notes	Investment basis 2023 £m	IFRS adjustments 2023 £m	IFRS basis 2023	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m
Realised profits over value on the disposal of investments	1,2	**169**	**(105)**	**64**	238	(149)	89
Unrealised profits on the revaluation of investments	1,2	**3,769**	**(1,872)**	**1,897**	3,824	(2,043)	1,781
Fair value movements on investment entity subsidiaries	1	**–**	**2,112**	**2,112**	–	1,974	1,974
Portfolio income							
Dividends	1,2	**416**	**(187)**	**229**	375	(169)	206
Interest income from investment portfolio	1,2	**91**	**(62)**	**29**	85	(55)	30
Fees receivable	1,2	**7**	**3**	**10**	3	3	6
Foreign exchange on investments	1,3	**530**	**(327)**	**203**	(2)	(7)	(9)
Movement in the fair value of derivatives		**122**	**–**	**122**	2	–	2
Gross investment return		**5,104**	**(438)**	**4,666**	4,525	(446)	4,079
Fees receivable from external funds		**70**	**–**	**70**	62	–	62
Operating expenses	4	**(138)**	**1**	**(137)**	(128)	1	(127)
Interest receivable	1	**4**	**–**	**4**	–	–	–
Interest payable		**(54)**	**–**	**(54)**	(53)	–	(53)
Exchange movements	1,3	**(29)**	**23**	**(6)**	9	7	16
Income from investment entity subsidiaries	1	**–**	**30**	**30**	–	32	32
Other (expense)/income		**(1)**	**–**	**(1)**	2	–	2
Operating profit before carried interest		**4,956**	**(384)**	**4,572**	4,417	(406)	4,011
Carried interest							
Carried interest and performance fees receivable	1,4	**41**	**–**	**41**	54	(1)	53
Carried interest and performance fees payable	1,4	**(418)**	**380**	**(38)**	(454)	408	(46)
Operating profit before tax		**4,579**	**(4)**	**4,575**	4,017	1	4,018
Tax charge	1,4	**(2)**	**–**	**(2)**	(5)	–	(5)
Profit for the year		**4,577**	**(4)**	**4,573**	4,012	1	4,013
Other comprehensive income/(expense)							
Exchange differences on translation of foreign operations	1,3	**–**	**4**	**4**	–	(1)	(1)
Re-measurements of defined benefit plans		**8**	**–**	**8**	2	–	2
Other comprehensive income for the year		**8**	**4**	**12**	2	(1)	1
Total comprehensive income for the year ("Total return")		**4,585**	**–**	**4,585**	4,014	–	4,014

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

Notes to the Reconciliation of consolidated statement of comprehensive income above:

1. Applying IFRS 10 to the Consolidated statement of comprehensive income consolidates the line items of a number of previously consolidated subsidiaries into a single line item "Fair value movements on investment entity subsidiaries". In the "Investment basis" accounts we have disaggregated these line items to analyse our total return as if these Investment entity subsidiaries were fully consolidated, consistent with prior years. The adjustments simply reclassify the Consolidated statement of comprehensive income of the Group, and the total return is equal under the Investment basis and the IFRS basis.
2. Realised profits, unrealised profits and portfolio income shown in the IFRS accounts only relate to portfolio companies that are held directly by 3i Group plc and not those portfolio companies held through Investment entity subsidiaries. Realised profits, unrealised profits and portfolio income in relation to portfolio companies held through Investment entity subsidiaries are aggregated into the single "Fair value movement on investment entity subsidiaries" line. This is the most significant reduction of information in our IFRS accounts.
3. Foreign exchange movements have been reclassified under the Investment basis as foreign currency asset and liability movements. Movements within the Investment entity subsidiaries are included within "Fair value movements on investment entities".
4. Other items also aggregated into the "Fair value movements on investment entity subsidiaries" line include fees receivable from external funds, audit fees, administration expenses, carried interest and tax.

Notes to Reconciliation of consolidated statement of financial position on the next page:

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

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

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

Reconciliation of consolidated statement of financial position
as at 31 March

	Notes	Investment basis 2023 £m	IFRS adjustments 2023 £m	IFRS basis 2023 £m	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	**962**	**(121)**	**841**	1,063	(129)	934
Unquoted investments	1	**17,426**	**(8,749)**	**8,677**	13,242	(7,534)	5,708
Investments in investment entity subsidiaries	1,2	**–**	**7,844**	**7,844**	–	6,791	6,791
Investment portfolio		**18,388**	**(1,026)**	**17,362**	14,305	(872)	13,433
Carried interest and performance fees receivable	1	**3**	**–**	**3**	8	1	9
Other non-current assets	1	**33**	**(3)**	**30**	50	(5)	45
Intangible assets		**5**	**–**	**5**	6	–	6
Retirement benefit surplus		**53**	**–**	**53**	53	–	53
Property, plant and equipment		**3**	**–**	**3**	3	–	3
Right of use asset		**9**	**–**	**9**	13	–	13
Derivative financial instruments		**73**	**–**	**73**	7	–	7
Deferred income taxes		**–**	**–**	**–**	1	–	1
Total non-current assets		**18,567**	**(1,029)**	**17,538**	14,446	(876)	13,570
Current assets							
Carried interest and performance fees receivable	1	**40**	**–**	**40**	51	–	51
Other current assets	1	**41**	**(11)**	**30**	105	(1)	104
Current income taxes		**1**	**–**	**1**	1	–	1
Derivative financial instruments		**48**	**–**	**48**	10	–	10
Cash and cash equivalents	1	**412**	**(250)**	**162**	229	(17)	212
Total current assets		**542**	**(261)**	**281**	396	(18)	378
Total assets		**19,109**	**(1,290)**	**17,819**	14,842	(894)	13,948
Liabilities							
Non-current liabilities							
Trade and other payables	1	**(11)**	**7**	**(4)**	(21)	7	(14)
Carried interest and performance fees payable	1	**(1,049)**	**1,006**	**(43)**	(915)	873	(42)
Loans and borrowings		**(775)**	**–**	**(775)**	(775)	–	(775)
Derivative financial instruments		**(3)**	**–**	**(3)**	–	–	–
Retirement benefit deficit		**(20)**	**–**	**(20)**	(26)	–	(26)
Lease liability		**(5)**	**–**	**(5)**	(9)	–	(9)
Deferred income taxes		**(1)**	**–**	**(1)**	(1)	–	(1)
Provisions		**(4)**	**–**	**(4)**	(3)	–	(3)
Total non-current liabilities		**(1,868)**	**1,013**	**(855)**	(1,750)	880	(870)
Current liabilities							
Trade and other payables	1	**(85)**	**9**	**(76)**	(81)	1	(80)
Carried interest and performance fees payable	1	**(302)**	**268**	**(34)**	(48)	13	(35)
Loans and borrowings		**–**	**–**	**–**	(200)	–	(200)
Derivative financial instruments		**(1)**	**–**	**(1)**	–	–	–
Lease liability		**(5)**	**–**	**(5)**	(5)	–	(5)
Current income taxes		**(4)**	**–**	**(4)**	(4)	–	(4)
Total current liabilities		**(397)**	**277**	**(120)**	(338)	14	(324)
Total liabilities		**(2,265)**	**1,290**	**(975)**	(2,088)	894	(1,194)
Net assets		**16,844**	**–**	**16,844**	12,754	–	12,754
Equity							
Issued capital		**719**	**–**	**719**	719	–	719
Share premium		**790**	**–**	**790**	789	–	789
Other reserves	3	**15,443**	**–**	**15,443**	11,346	–	11,346
Own shares		**(108)**	**–**	**(108)**	(100)	–	(100)
Total equity		**16,844**	**–**	**16,844**	12,754	–	12,754

The IFRS basis is audited and the Investment basis is unaudited. Notes: see page before.

Reconciliation of consolidated cash flow statement
for the year to 31 March

	Notes	Investment basis 2023 £m	IFRS adjustments 2023 £m	IFRS basis 2023 £m	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m
Cash flow from operating activities							
Purchase of investments	1	**(330)**	**284**	**(46)**	(596)	272	(324)
Proceeds from investments	1	**885**	**(658)**	**227**	758	(464)	294
Amounts paid to investment entity subsidiaries	1	**–**	**(535)**	**(535)**	–	(349)	(349)
Amounts received from investment entity subsidiaries	1	**–**	**841**	**841**	–	685	685
Net cash flow from derivatives		**23**	**–**	**23**	11	–	11
Portfolio interest received	1	**19**	**(7)**	**12**	4	(1)	3
Portfolio dividends received	1	**406**	**(183)**	**223**	369	(165)	204
Portfolio fees received	1	**5**	**–**	**5**	9	–	9
Fees received from external funds		**67**	**–**	**67**	68	–	68
Carried interest and performance fees received	1	**58**	**–**	**58**	10	–	10
Carried interest and performance fees paid	1	**(51)**	**22**	**(29)**	(23)	9	(14)
Operating expenses paid	1	**(128)**	**–**	**(128)**	(106)	1	(105)
Co-investment loans received/(paid)	1	**3**	**2**	**5**	(5)	2	(3)
Tax received	1	**–**	**–**	**–**	1	–	1
Interest received	1	**4**	**–**	**4**	–	–	–
Net cash flow from operating activities		**961**	**(234)**	**727**	500	(10)	490
Cash flow from financing activities							
Issue of shares		**1**	**–**	**1**	1	–	1
Purchase of own shares		**(30)**	**–**	**(30)**	(54)	–	(54)
Dividends paid		**(485)**	**–**	**(485)**	(389)	–	(389)
Repayment of long-term borrowing		**(200)**	**–**	**(200)**	–	–	–
Lease payments		**(5)**	**–**	**(5)**	(4)	–	(4)
Interest paid		**(54)**	**–**	**(54)**	(52)	–	(52)
Net cash flow from financing activities		**(773)**	**–**	**(773)**	(498)	–	(498)
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	**187**	**(234)**	**(47)**	2	(10)	(8)
Cash and cash equivalents at the start of year	2	**229**	**(17)**	**212**	225	(9)	216
Effect of exchange rate fluctuations	1	**(4)**	**1**	**(3)**	2	2	4
Cash and cash equivalents at the end of year	2	**412**	**(250)**	**162**	229	(17)	212

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

Notes to Reconciliation of consolidated cash flow statement above:

1 The Consolidated cash flow statement is impacted by the application of IFRS 10 as cash flows to and from Investment entity subsidiaries are disclosed, rather than the cash flows to and from the underlying portfolio. Therefore in our Investment basis financial statements, we have disclosed our cash flow statement on a "look through" basis, in order to reflect the underlying sources and uses of cash flows and disclose the underlying investment activity.
2 There is a difference between the change in cash and cash equivalents of the Investment basis financial statements and the IFRS financial statements because there are cash balances held in Investment entity subsidiaries. Cash held within Investment entity subsidiaries will not be shown in the IFRS statements but will be seen in the Investment basis statements.

Alternative Performance Measures ("APMs")

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies. Our Investment basis is itself an APM. The explanation of and rationale for the Investment basis and its reconciliation to IFRS is provided above. The table below defines our additional APMs.

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.	It is calculated as the gross investment return, as shown in the Investment basis Consolidated statement of comprehensive income, as a % of the opening portfolio value.	The equivalent balances under IFRS and the reconciliation to the Investment basis are shown in the Reconciliation of the consolidated statement of comprehensive income and the Reconciliation of the consolidated statement of financial position respectively. For further information see the Group KPIs in our Annual report and accounts 2023.
Cash realisations		
Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities.	The cash received from the disposal of investments in the year as shown in the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement. For further information see the Group KPIs in our Annual report and accounts 2023.
Cash investment[1]		
Identifying new opportunities in which to invest proprietary capital is the primary driver of the Group's ability to deliver attractive returns.	The cash paid to acquire investments in the year as shown on the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement. For further information see the Group KPIs in our Annual report and accounts 2023.
Operating cash profit		
By covering the cash cost of running the business with cash income, we reduce the potential dilution of capital returns.	The cash income from the portfolio (interest, dividends and fees) together with fees received from external funds less cash operating expenses and leases payments as shown on the Investment basis Consolidated cash flow statement. The calculation is shown in Table 16 of the Financial review.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement. For further information see the Group KPIs in our Annual report and accounts 2023.
Net (debt)/cash		
A measure of the available cash to invest in the business and an indicator of the financial risk in the Group's balance sheet.	Cash and cash equivalents plus deposits less loans and borrowings as shown on the Investment basis Consolidated statement of financial position.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.
Gearing		
A measure of the financial risk in the Group's balance sheet.	Net debt (as defined above) as a % of the Group's net assets under the Investment basis. It cannot be less than zero.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.

1 Cash investment of £397 million is different to cash investment per the cash flow of £330 million due to a £57 million syndication in Infrastructure which was received in FY2023 and a £10 million investment in Private Equity to be paid in FY2024. The Notes to the accounts section forms an integral part of these financial statements.

Audited financial statements

Consolidated statement of comprehensive income

for the year to 31 March

	Notes	2023 £m	2022 £m
Realised profits over value on the disposal of investments		**64**	89
Unrealised profits on the revaluation of investments		**1,897**	1,781
Fair value movements on investment entity subsidiaries		**2,112**	1,974
Portfolio income			
Dividends		**229**	206
Interest income from investment portfolio		**29**	30
Fees receivable		**10**	6
Foreign exchange on investments		**203**	(9)
Movement in the fair value of derivatives		**122**	2
Gross investment return		**4,666**	4,079
Fees receivable from external funds		**70**	62
Operating expenses		**(137)**	(127)
Interest receivable		**4**	–
Interest payable		**(54)**	(53)
Exchange movements		**(6)**	16
Income from investment entity subsidiaries		**30**	32
Other (expense)/income		**(1)**	2
Operating profit before carried interest		**4,572**	4,011
Carried interest			
Carried interest and performance fees receivable		**41**	53
Carried interest and performance fees payable		**(38)**	(46)
Operating profit before tax		**4,575**	4,018
Tax charge		**(2)**	(5)
Profit for the year		**4,573**	4,013
Other comprehensive income that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**4**	(1)
Other comprehensive income that will not be reclassified to the income statement			
Re-measurements of defined benefit plans		**8**	2
Other comprehensive income for the year		**12**	1
Total comprehensive income for the year ("Total return")		**4,585**	4,014
Earnings per share			
Basic (pence)	2	**475.0**	415.4
Diluted (pence)	2	**473.8**	414.3

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

Consolidated statement of financial position
as at 31 March

	2023 £m	2022 £m
Assets		
Non-current assets		
Investments		
Quoted investments	**841**	934
Unquoted investments	**8,677**	5,708
Investments in investment entity subsidiaries	**7,844**	6,791
Investment portfolio	**17,362**	13,433
Carried interest and performance fees receivable	**3**	9
Other non-current assets	**30**	45
Intangible assets	**5**	6
Retirement benefit surplus	**53**	53
Property, plant and equipment	**3**	3
Right of use asset	**9**	13
Derivative financial instruments	**73**	7
Deferred income taxes	**–**	1
Total non-current assets	**17,538**	13,570
Current assets		
Carried interest and performance fees receivable	**40**	51
Other current assets	**30**	104
Current income taxes	**1**	1
Derivative financial instruments	**48**	10
Cash and cash equivalents	**162**	212
Total current assets	**281**	378
Total assets	**17,819**	13,948
Liabilities		
Non-current liabilities		
Trade and other payables	**(4)**	(14)
Carried interest and performance fees payable	**(43)**	(42)
Loans and borrowings	**(775)**	(775)
Derivative financial instruments	**(3)**	–
Retirement benefit deficit	**(20)**	(26)
Lease liability	**(5)**	(9)
Deferred income taxes	**(1)**	(1)
Provisions	**(4)**	(3)
Total non-current liabilities	**(855)**	(870)
Current liabilities		
Trade and other payables	**(76)**	(80)
Carried interest and performance fees payable	**(34)**	(35)
Loans and borrowings	**–**	(200)
Derivative financial instruments	**(1)**	–
Lease liability	**(5)**	(5)
Current income taxes	**(4)**	(4)
Total current liabilities	**(120)**	(324)
Total liabilities	**(975)**	(1,194)
Net assets	**16,844**	12,754
Equity		
Issued capital	**719**	719
Share premium	**790**	789
Capital redemption reserve	**43**	43
Share-based payment reserve	**31**	33
Translation reserve	**(2)**	(6)
Capital reserve	**14,044**	10,151
Revenue reserve	**1,327**	1,125
Own shares	**(108)**	(100)
Total equity	**16,844**	12,754

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

David Hutchison
Chairman
10 May 2023

Consolidated statement of changes in equity

for the year to 31 March

2023	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	789	43	33	(6)	10,151	1,125	(100)	12,754
Profit for the year	–	–	–	–	–	4,064	509	–	4,573
Exchange differences on translation of foreign operations	–	–	–	–	4	–	–	–	4
Re-measurements of defined benefit plans	–	–	–	–	–	8	–	–	8
Total comprehensive income for the year	–	–	–	–	4	4,072	509	–	4,585
Share-based payments	–	–	–	19	–	–	–	–	19
Release on exercise/forfeiture of share awards	–	–	–	(21)	–	–	21	–	–
Exercise of share awards	–	–	–	–	–	(22)	–	22	–
Ordinary dividends	–	–	–	–	–	(157)	(328)	–	(485)
Purchase of own shares	–	–	–	–	–	–	–	(30)	(30)
Issue of ordinary shares	–	1	–	–	–	–	–	–	1
Total equity at the end of the year	719	790	43	31	(2)	14,044	1,327	(108)	16,844

1 Refer to Note 20 in our Annual report and accounts 2023 for the nature of the capital and revenue reserves.

2022	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	788	43	34	(5)	6,733	916	(64)	9,164
Profit for the year	–	–	–	–	–	3,547	466	–	4,013
Exchange differences on translation of foreign operations	–	–	–	–	(1)	–	–	–	(1)
Re-measurements of defined benefit plans	–	–	–	–	–	2	–	–	2
Total comprehensive income for the year	–	–	–	–	(1)	3,549	466	–	4,014
Share-based payments	–	–	–	18	–	–	–	–	18
Release on exercise/forfeiture of share awards	–	–	–	(19)	–	–	19	–	–
Exercise of share awards	–	–	–	–	–	(18)	–	18	–
Ordinary dividends	–	–	–	–	–	(113)	(276)	–	(389)
Purchase of own shares	–	–	–	–	–	–	–	(54)	(54)
Issue of ordinary shares	–	1	–	–	–	–	–	–	1
Total equity at the end of the year	719	789	43	33	(6)	10,151	1,125	(100)	12,754

1 Refer to Note 20 in our Annual report and accounts 2023 for the nature of the capital and revenue reserves.

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

Consolidated cash flow statement
for the year to 31 March

	Notes	**2023 £m**	2022 £m
Cash flow from operating activities			
Purchase of investments		**(46)**	(324)
Proceeds from investments		**227**	294
Amounts paid to investment entity subsidiaries		**(535)**	(349)
Amounts received from investment entity subsidiaries		**841**	685
Net cash flow from derivatives		**23**	11
Portfolio interest received		**12**	3
Portfolio dividends received		**223**	204
Portfolio fees received		**5**	9
Fees received from external funds		**67**	68
Carried interest and performance fees received		**58**	10
Carried interest and performance fees paid		**(29)**	(14)
Operating expenses paid		**(128)**	(105)
Co-investment loans received/(paid)		**5**	(3)
Tax received		**–**	1
Interest received		**4**	–
Net cash flow from operating activities		**727**	490
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares		**(30)**	(54)
Dividend paid	3	**(485)**	(389)
Repayment of long-term borrowing		**(200)**	–
Lease payments		**(5)**	(4)
Interest paid		**(54)**	(52)
Net cash flow from financing activities		**(773)**	(498)
Cash flow from investing activities			
Purchases of property, plant and equipment		**(1)**	–
Net cash flow from investing activities		**(1)**	–
Change in cash and cash equivalents		**(47)**	(8)
Cash and cash equivalents at the start of the year		**212**	216
Effect of exchange rate fluctuations		**(3)**	4
Cash and cash equivalents at the end of the year		**162**	212

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

Significant accounting policies

Reporting entity

3i Group plc (the “Company”) is a public limited company incorporated and domiciled in England and Wales. The consolidated financial statements (“the Group accounts”) for the year to 31 March 2023 comprise of the financial statements of the Company and its consolidated subsidiaries (collectively, “the Group”).

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

A Basis of preparation

The Group and Company accounts have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards. The financial statements are presented to the nearest million sterling (£m), the functional currency of the Company.

The Group did not implement the requirements of any new standards in issue for the year ended 31 March 2023. No other standards or interpretations have been issued that are expected to have a material impact on the Group’s financial statements.

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

Going concern

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

The Directors’ assessment of going concern, which takes into account the business model (further detail in our Annual report and accounts 2023) and the Group’s liquidity of £1,312 million, indicates that the Group and parent company will have sufficient funds to continue as a going concern, for at least the next 12 months from the date of approval of the accounts. As detailed within the Financial review earlier in this document, on the Investment basis the Group covers its cash operating costs, £133 million at 31 March 2023, with cash income generated by our Private Equity and Infrastructure businesses and Scandlines, £497 million at 31 March 2023. The Group’s liquidity comprised of cash and deposits of £412 million (31 March 2022: £229 million) and an undrawn multi-currency facility of £900 million (31 March 2022: £500 million), which has no financial covenants. During the year the Group increased its existing RCF base of £500 million with an additional two-year £400 million tranche which provides the Group with additional liquidity in the medium term at low cost. Post 31 March 2023 the Group has successfully extended its £400 million tranche by a further year to July 2025.

The Group manages liquidity with the aim of ensuring it is adequate and sufficient, by regular monitoring of investments, realisations, operating expenses and portfolio cash income and there have been no post balance sheet changes that would be materially detrimental to liquidity. The Directors are of the opinion that the Group’s cash flow forecast is sufficient to support the Group given the current market, economic conditions and outlook.

In addition, the Directors have modelled a number of severe, yet plausible, individual and combined stress scenarios for a period of at least 12 months from the date of issue of these financial statements. The scenarios include the consideration of the potential impact of a recession triggered by persistent inflation, high interest rates and weak consumer demand, as well as the impact of a significant downturn event specifically on the Group’s largest asset. These scenarios include a range of estimated impacts, primarily based on providing additional support to portfolio companies. The scenarios are most sensitive to a delay in realisations which contribute to the liquidity of the Group. A key judgement applied is the extent of recessionary impacts alongside the likely recovery profile of portfolio companies.

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

Having performed the assessment on going concern, the Directors considered it appropriate to prepare the financial statements of the Company and Group on a going concern basis, and have concluded that the Group has sufficient financial resources, is well placed to manage business risks in the current economic environment, and can continue operations for a period of at least 12 months from the date of issue of these financial statements.

B Basis of consolidation

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

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

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

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

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

General Partners (“GPs”) – Consolidated

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

Investment managers/advisers – Consolidated

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

Holding companies of investment managers/advisers – Consolidated

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

Limited Partnerships and other intermediate investment holding structures – Fair valued

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

Portfolio investments – Fair valued

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

Associates – Fair valued

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

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

C Critical accounting judgements and estimates

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

(a) Critical judgements

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

I. Assessment as an investment entity

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

(b) Critical estimates

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

I. Fair valuation of the investment portfolio

The investment portfolio, a material group of assets of the Group, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in Note 13 Fair values of assets and liabilities in our Annual report and accounts 2023. Given the importance of this area, the Board has a separate Valuations Committee to review the valuations policies, process and application to individual investments. A report on the activities of the Valuations Committee (including a review of the assumptions made) is included in our Annual report and accounts 2023.

II. Carried interest payable

Carried interest payable is calculated based on the underlying agreements, and assuming all portfolio investments are sold at their fair values at the balance sheet date. The actual amounts of carried interest paid will depend on the cash realisations of these portfolio investments and valuations may change significantly in the next financial year. The fair valuation of the investment portfolio is itself a critical estimate, as detailed above. The sensitivity of carried interest payable to movements in the investment portfolio is disclosed in Note 15 in our Annual report and accounts 2023.

D Other accounting policies

(a) Gross investment return

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

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

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

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

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

- Dividends from equity investments are recognised in profit or loss when the shareholders’ rights to receive payment have been established;
- Interest income from the investment portfolio is recognised as it accrues. When the fair value of an investment is assessed to be below the principal value of a loan, the Group recognises a provision against any interest accrued from the date of the assessment going forward until the investment is assessed to have recovered in value; and
- The accounting policy for fee income is included in Note 4 in our Annual report and accounts 2023.

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

vi. Movement in the fair value of derivatives relates to the change in fair value of forward foreign exchange contracts which have been used to minimise foreign currency risk in the investment portfolio. See Note 18 in our Annual report and accounts 2023 for more details.

(b) Foreign currency translation

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

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

(c) Treasury assets and liabilities

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

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

Notes to the accounts

1 Segmental analysis

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

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

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

The segmental analysis is prepared on the Investment basis. The Investment basis is an APM and we believe it provides a more understandable view of performance. Further information on the Investment basis and a reconciliation between the Investment basis and IFRS can be found in the Reconciliation of Investment basis and IFRS section earlier in this document.

Investment basis **Year to 31 March 2023**	**Private Equity £m**	*Of which Action £m*	**Infrastructure £m**	**Scandlines £m**	**Total[4] £m**
Realised profits over value on the disposal of investments	**169**	*–*	**–**	**–**	**169**
Unrealised profits on the revaluation of investments	**3,746**	*3,708*	**23**	**–**	**3,769**
Portfolio income					
Dividends	**345**	*328*	**33**	**38**	**416**
Interest income from investment portfolio	**77**	*–*	**14**	**–**	**91**
Fees receivable	**7**	*1*	**–**	**–**	**7**
Foreign exchange on investments	**493**	*285*	**16**	**21**	**530**
Movement in the fair value of derivatives	**129**	*22*	**–**	**(7)**	**122**
Gross investment return	**4,966**	*4,344*	**86**	**52**	**5,104**
Fees receivable from external funds	**4**	*–*	**66**	**–**	**70**
Operating expenses	**(88)**	*–*	**(48)**	**(2)**	**(138)**
Interest receivable					**4**
Interest payable					**(54)**
Exchange movements					**(29)**
Other income					**(1)**
Operating profit before carried interest					**4,956**
Carried interest					
Carried interest and performance fees receivable	**4**	*–*	**37**	**–**	**41**
Carried interest and performance fees payable	**(392)**	*–*	**(26)**	**–**	**(418)**
Operating profit before tax					**4,579**
Tax charge					**(2)**
Profit for the year					**4,577**
Other comprehensive income					
Re-measurements of defined benefit plans					**8**
Total return					**4,585**
Realisations[1]	**857**	*–*	**–**	**–**	**857**
Cash investment[2]	**(381)**	*(30)*	**(16)**	**–**	**(397)**
Net divestment/(investment)	**476**	*(30)*	**(16)**	**–**	**460**
Balance sheet					
Opening portfolio value at 1 April 2022	**12,420**	*7,165*	**1,352**	**533**	**14,305**
Investment[3]	**496**	*30*	**16**	**–**	**512**
Value disposed	**(688)**	*–*	**–**	**–**	**(688)**
Unrealised value movement	**3,746**	*3,708*	**23**	**–**	**3,769**
Other movement (including foreign exchange)	**451**	*285*	**18**	**21**	**490**
Closing portfolio value at 31 March 2023	**16,425**	*11,188*	**1,409**	**554**	**18,388**

1 Realised proceeds may differ from cash proceeds due to timing of cash receipts. During the year, Private Equity received £1 million and Infrastructure received £33 million of cash proceeds which were recognised as realised proceeds in FY2022. Private Equity recognised £6 million of realised proceeds which are to be received in FY2024.
2 Cash investment per the segmental analysis is different to cash investment per the cash flow due to a £57 million syndication in Infrastructure which was recognised in FY2022 and received in FY2023 and a £10 million investment in Private Equity which was recognised in FY2023 and is to be paid in FY2024.
3 Includes capitalised interest and other non-cash investment.
4 The total is the sum of Private Equity, Infrastructure and Scandlines, "Of which Action" is part of Private Equity.

Interest received, interest paid, exchange movements, other income, tax charge and re-measurements of defined benefit plans are not managed by segment by the chief operating decision maker and therefore have not been allocated to a specific segment.

1 Segmental analysis continued

Investment basis **Year to 31 March 2022**	**Private Equity £m**	*Of which Action £m*	**Infrastructure £m**	**Scandlines £m**	**Total[4] £m**
Realised profits over value on the disposal of investments	228	–	10	–	238
Unrealised profits on the revaluation of investments	3,545	*2,655*	178	101	3,824
Portfolio income					
Dividends	331	*288*	31	13	375
Interest income from investment portfolio	73	–	12	–	85
Fees receivable	6	*1*	(3)	–	3
Foreign exchange on investments	(11)	*(56)*	13	(4)	(2)
Movement in the fair value of derivatives	–	–	–	2	2
Gross investment return	4,172	*2,888*	241	112	4,525
Fees receivable from external funds	4	–	58	–	62
Operating expenses	(83)	–	(43)	(2)	(128)
Interest receivable					–
Interest payable					(53)
Exchange movements					9
Other income					2
Operating profit before carried interest					4,417
Carried interest					
Carried interest and performance fees receivable	3	–	51	–	54
Carried interest and performance fees payable	(416)	–	(38)	–	(454)
Operating profit before tax					4,017
Tax charge					(5)
Profit for the year					4,012
Other comprehensive income					
Re-measurements of defined benefit plans					2
Total return					4,014
Realisations[1]	684	–	104	–	788
Cash investment[2]	(457)	–	(85)	(1)	(543)
Net divestment/(investment)	227	–	19	(1)	245
Balance sheet					
Opening portfolio value at 1 April 2021	8,814	*4,566*	1,159	435	10,408
Investment[3]	568	–	85	1	654
Value disposed	(456)	–	(94)	–	(550)
Unrealised value movement	3,545	*2,655*	178	101	3,824
Other movement (including foreign exchange)	(51)	*(56)*	24	(4)	(31)
Closing portfolio value at 31 March 2022	12,420	*7,165*	1,352	533	14,305

1 Realised proceeds may differ from cash proceeds due to timing of cash receipts. During the year, Private Equity received £3 million of cash proceeds which were recognised as realised proceeds in FY2021. Infrastructure recognised £32 million of realised proceeds which are to be received in FY2023 and Private Equity recognised £1 million of realised proceeds which are to be received in FY2023.
2 Cash investment per the segmental analysis is different to cash investment per the cash flow due to a £53 million syndication in Infrastructure which was recognised in FY2022 and to be received in FY2023.
3 Includes capitalised interest and other non-cash investment.
4 The total is the sum of Private Equity, Infrastructure and Scandlines, "Of which Action" is part of Private Equity.

Interest received, interest paid, exchange movements, other income, tax charge and re-measurements of defined benefit plans are not managed by segment by the chief operating decision maker and therefore have not been allocated to a specific segment.

1 Segmental analysis continued

Investment basis **Year to 31 March 2023**	**UK** **£m**	**Northern Europe** **£m**	**North America** **£m**	**Other** **£m**	**Total** **£m**
Realised profits over value on the disposal of investments	**1**	**168**	**–**	**–**	**169**
Unrealised profits on the revaluation of investments	**57**	**3,388**	**317**	**7**	**3,769**
Portfolio income	**63**	**435**	**16**	**–**	**514**
Foreign exchange on investments	**–**	**418**	**113**	**(1)**	**530**
Movement in fair value of derivatives	**–**	**22**	**100**	**–**	**122**
Gross investment return	**121**	**4,431**	**546**	**6**	**5,104**
Realisations	**1**	**524**	**332**	**–**	**857**
Cash investment	**(30)**	**(293)**	**(74)**	**–**	**(397)**
Net (investment)/divestment	**(29)**	**231**	**258**	**–**	**460**
Balance sheet					
Closing portfolio value at 31 March 2023	**2,050**	**14,189**	**2,122**	**27**	**18,388**

Investment basis Year to 31 March 2022	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Realised profits over value on the disposal of investments	1	48	185	4	238
Unrealised profits on the revaluation of investments	276	3,053	493	2	3,824
Portfolio income	60	390	13	–	463
Foreign exchange on investments	–	(78)	76	–	(2)
Movement in fair value of derivatives	–	2	–	–	2
Gross investment return	337	3,415	767	6	4,525
Realisations	10	328	442	8	788
Cash investment	(25)	(374)	(144)	–	(543)
Net (investment)/divestment	(15)	(46)	298	8	245
Balance sheet					
Closing portfolio value at 31 March 2022	1,948	10,388	1,947	22	14,305

2 Per share information

The calculation of basic net assets per share is based on the net assets and the number of shares in issue at the year end. When calculating the diluted net assets per share, the number of shares in issue is adjusted for the effect of all dilutive share awards. Dilutive share awards are equity awards with performance conditions attached see Note 27 in our Annual report and accounts 2023 for further details.

	2023	2022
Net assets per share (£)		
Basic	**17.50**	13.24
Diluted	**17.45**	13.21
Net assets (£m)		
Net assets attributable to equity holders of the Company	**16,844**	12,754

	2023	2022
Number of shares in issue		
Ordinary shares	**973,312,950**	973,238,638
Own shares	**(10,660,078)**	(10,212,745)
	962,652,872	963,025,893
Effect of dilutive potential ordinary shares		
Share awards	**2,849,520**	2,705,623
Diluted shares	**965,502,392**	965,731,516

The calculation of basic earnings per share is based on the profit attributable to shareholders and the weighted average number of shares in issue. The weighted average shares in issue for the year to 31 March 2023 are 962,674,183 (2022: 966,091,793). When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effect of all dilutive share awards. The diluted weighted average shares in issue for the year to 31 March 2023 are 965,273,696 (2022: 968,636,820).

	2023	2022
Earnings per share (pence)		
Basic	**475.0**	415.4
Diluted	**473.8**	414.3
Earnings (£m)		
Profit for the year attributable to equity holders of the Company	**4,573**	4,013

3 Dividends

	2023 pence per share	**2023 £m**	2022 pence per share	2022 £m
Declared and paid during the year				
Ordinary shares				
Second dividend	**27.25**	**262**	21.00	203
First dividend	**23.25**	**223**	19.25	186
	50.50	**485**	40.25	389
Proposed dividend	**29.75**	**285**	27.25	262

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

The dividend can be paid out of either the capital reserve or the revenue reserve subject to the investment trust rules, see Note 20 in our Annual report and accounts 2023 for details of reserves.

The distributable reserves of the parent company are £4,940 million (31 March 2022: £3,968million) 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 of our Annual report and accounts 2023

20 large investments

The 20 investments listed below account for 94% of the portfolio at 31 March 2023 (31 March 2022: 93%). All investments have been assessed to establish whether they classify as accounting subsidiaries under IFRS and/or subsidiaries under the UK Companies Act. This assessment forms the basis of our disclosure of accounting subsidiaries in the financial statements.

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

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

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] March 2023 £m**	Residual cost[1] March 2022 £m	**Valuation March 2023 £m**	Valuation March 2022 £m	Relevant transactions in the year
Action* General merchandise discount retailer	Private Equity Netherlands 2011/2020 Earnings	**653**	623	**11,188**	7,165	£325 million cash dividend received £30 million further as part of the 2020 co-investment programme
3i Infrastructure plc* Quoted investment company, investing in Infrastructure	Infrastructure UK 2007 Quoted	**305**	305	**841**	934	£29 million dividend received
Scandlines Ferry operator between Denmark and Germany	Scandlines Denmark/Germany 2018 DCF	**530**	530	**554**	533	£38 million dividend received
Cirtec Medical* Outsourced medical device manufacturing	Private Equity US 2017 Earnings	**172**	172	**552**	513	Acquisition of Precision Components from Q Holding in January 2023
Tato Manufacturer and seller of specialty chemicals	Private Equity UK 1989 Earnings	**2**	2	**411**	407	£12 million dividend recorded
nexeye* Value-for-money optical retailer	Private Equity Netherlands 2017 Earnings	**269**	269	**393**	345	
SaniSure* Manufacturer, distributor and integrator of single-use bioprocessing systems and components	Private Equity US 2019 Earnings	**76**	76	**389**	277	Acquisition of Twinsburg from Q Holding in December 2022
Royal Sanders* Private label and contract manufacturing producer of personal care products	Private Equity Netherlands 2018 Earnings	**136**	136	**369**	297	
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	**30**	30	**351**	269	£5 million dividend recorded
Evernex* Provider of third-party maintenance services for data centre infrastructure	Private Equity France 2019 Earnings	**299**	285	**305**	291	Acquisitions of XS International and Integra in September 2022

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] March 2023 £m**	Residual cost[1] March 2022 £m	**Valuation March 2023 £m**	Valuation March 2022 £m	Relevant transactions in the year
Smarte Carte* Provider of self-serve vended luggage carts, electronic lockers and concession carts	Infrastructure US 2017 DCF	**189**	187	**300**	207	£10 million distribution received
WP* Global manufacturer of innovative plastic packaging solutions	Private Equity Netherlands 2015 Earnings	**257**	239	**274**	234	
Luqom* Online lighting specialist retailer	Private Equity Germany 2017 Earnings	**245**	196	**271**	448	£34 million further investment in June 2022 to provide funding for the acquisition of Brumberg
WilsonHCG* Global provider of recruitment process outsourcing and other talent solutions	Private Equity US 2021 Earnings	**83**	77	**196**	115	£6 million further investment in January 2023 to provide funding for the acquisition of Personify
MPM* An international branded, premium and natural pet food company	Private Equity UK 2020 Earnings	**153**	139	**181**	162	
Audley Travel* Provider of experiential tailor-made travel	Private Equity UK 2015 Earnings	**271**	243	**162**	117	
BoConcept* Urban living designer	Private Equity Denmark 2016 Earnings	**110**	99	**160**	184	
Dynatect* Manufacturer of engineered, mission critical protective equipment	Private Equity US 2014 Earnings	**65**	65	**128**	102	
Basic-Fit Discount gyms operator	Private Equity Netherlands 2013 Quoted	**11**	11	**121**	129	
Q Holding* Manufacturer of catheter products serving the medical device market	Private Equity US 2014 Earnings	**162**	162	**117**	398	Received proceeds of £332 million following the disposals of QSR, Precision Components and Twinsburg in the year
		4,018	3,846	**17,263**	13,127	

Controlled in accordance with IFRS.

1 Residual cost includes cash investment and interest net of cost disposed.

List of Directors and their functions

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

David Hutchison, Chairman
Simon Borrows, Chief Executive and Executive Director
James Hatchley, Group Finance Director and Executive Director
Jasi Halai, Chief Operating Officer and Executive Director
Caroline Banszky, Independent non-executive Director
Stephen Daintith, Independent non-executive Director
Lesley Knox, Senior Independent non-executive Director
Coline McConville, Independent non-executive Director
Peter McKellar, Independent non-executive Director
Alexandra Schaapveld, Independent non-executive Director

By order of the Board
K J Dunn
Company Secretary
10 May 2023

Registered Office: 16 Palace Street, London SW1E 5JD

Glossary

3i 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.

3i 2016-2019 vintage includes BoConcept, Cirtec Medical, Formel D, nexeye, arriva, Luqom, Havea, Royal Sanders, Magnitude Software and Schlemmer.

3i 2019-2022 vintage includes Evernex, SaniSure, YDEON, MPM, WilsonHCG, Dutch Bakery, ten23 health, insightsoftware, MAIT, Mepal and Yanga.

3i 2022-2025 vintage includes xSuite, Digital Barriers, Konges Sløjd, VakantieDiscounter.

3i Buyouts 2010-2012 vintage includes Action, Amor, Element, Etanco, Hilite, OneMed and Trescal.

3i Growth 2010-2012 vintage includes Element, Hilite, BVG, Go Outdoors, Loxam, Touchtunes and WFCI.

Alternative Investment Funds ("AIFs") At 31 March 2023, 3i Investments plc as AIFM, managed seven AIFs. These were 3i Group plc, 3i Growth Capital B LP, 3i Growth Capital C LP, 3i Europartners Va LP, 3i Europartners Vb LP, 3i Managed Infrastructure Acquisitions LP and 3i Infrastructure plc. 3i Investments (Luxembourg) SA as AIFM, managed one AIF, 3i European Operational Projects SCSp.

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

APAC The Asia Pacific region.

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

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

B2B Business-to-business.

Board The Board of Directors of the Company.

CAGR is the compound annual growth rate.

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

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

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

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

Company 3i Group plc.

DACH The region covering Austria, Germany and Switzerland.

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

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

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

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

Executive Committee The Executive Committee is responsible for the day-to-day running of the Group (see the Governance section of our Annual report and accounts 2023).

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

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

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

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

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

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

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

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

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

IRR Internal Rate of Return.

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

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

Liquidity includes cash and cash equivalents (as per the Investment basis Consolidated cash flow statement) and undrawn RCF.

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

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

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

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

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

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

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

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

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

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

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

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

Revolving credit facility ("RCF") The Group has access to a credit line which allows us to access funds when required to improve our liquidity.

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

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

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

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

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

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

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

Unrealised profits or losses on the revaluation of investments is 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.