11 November 2021

3i Group plc announces results for the six months to 30 September 2021

High quality portfolio drives strong result

- **Total return of £2,199 million or 24% on opening shareholders' funds** (September 2020: £1,142 million, 15%) and **NAV per share of 1,153 pence** (31 March 2021: 947 pence) after paying 21 pence second dividend in July 2021.
- **Our Private Equity portfolio continues to perform strongly, with a gross investment return of £2,373 million in the period, or 27%** (September 2020: £1,245 million, 19%). The majority of top 20 Private Equity investments demonstrated considerable momentum in the period, and in particular those in our chosen areas of focus of value-for-money, e-commerce, consumer and healthcare. These continue to benefit from our active management and long-term structural growth trends, some of which were accelerated by the pandemic.
- **Action** continues to surpass expectations. Its growth has accelerated since the lifting of Covid-related restrictions, resulting in sales in the nine months to the end of period nine 2021 of €4.8 billion, 25% ahead of the same period last year. Like-for-like sales growth over the same period was also strong at 12.9%, compared to negative 2.5% in the same period last year. Action delivered last twelve months EBITDA of €765 million to the end of period nine 2021 (September 2020: €579 million). Strong trading continued into October 2021, with sales increasing to €5.4 billion and last twelve months EBITDA of €777 million. The international roll-out is proceeding well and the business is on track to open about 270 new stores in 2021.
- In competitive markets for new investment our **Private Equity business has continued to deploy capital selectively**, with new investments in MAIT and the newly created ten23 health platform, as well as bolt-on investments for Cirtec Medical, Luqom and Havea in the period. Investment activity has continued since the period end, with a new investment in Dutch Bakery, transformational bolt-on acquisitions for GartenHaus and ten23 health and a bolt-on acquisition for Evernex. We signed the realisation of Magnitude Software in September 2021, which completed at the start of November 2021, returning £345 million of proceeds to 3i, representing a 109% uplift on 31 March 2021 value. The sale achieved a sterling money multiple of 2.5x and sterling IRR of 44% after a holding period of two and a half years. In November 2021, we completed a £36 million co-investment in insightsoftware, the company that acquired our investment in Magnitude Software and announced the partial sale of our stake in Basic-Fit at €44.25 per share, generating proceeds of c.£146 million.
- **Our Infrastructure business delivered a gross investment return of £60 million, or 5%** (September 2020: £134 million, 12%). This return was driven by the increase in 3i Infrastructure plc's share price and dividend income. Our other Infrastructure investment vehicles and our direct US investments performed in line with expectations in the period.
- **First FY2022 dividend of 19.25 pence per share**, in line with policy. This will be paid to shareholders in January 2022.

Simon Borrows, 3i's Chief Executive, commented:
"We saw good growth from our two investment portfolios in the first half of the year and this momentum has continued into November. 3i is beginning to see a significant compounding effect from the performance of today's carefully selected Private Equity portfolio.

Despite the social and economic uncertainty that we have seen over the last 18 months, competition for private assets remains very strong. While we will continue to deploy capital selectively in new and bolt-on investments, we are also in a good position to benefit from favourable market conditions through our realisation pipeline to deliver attractive returns for our shareholders."

Summary financial highlights under the Investment basis

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

Investment basis	**Six months to/as at 30 September 2021**	Six months to/as at 30 September 2020	12 months to/as at 31 March 2021
Total return[1]	**£2,199m**	£1,142m	£1,726m
% return on opening shareholders' funds	**24%**	15%	22%
Dividend per ordinary share	**19.25p**	17.5p	38.5p
Gross investment return[2]	**£2,463m**	£1,394m	£2,139m
As a percentage of opening 3i portfolio value	**24%**	17%	26%
Cash investment[2]	**£59m**	£233m	£510m
Realisation proceeds	**£124m**	£82m	£218m
3i portfolio value	**£12,784m**	£9,578m	£10,408m
Gross debt	**£975m**	£975m	£975m
Net (debt) [2]	**£(931)m**	£(288)m	£(750)m
Gearing[2]	**8%**	3%	8%
Liquidity	**£544m**	£1,087m	£725m
Diluted net asset value per ordinary share ("NAV per share")	**1,153p**	905p	947p

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

Disclaimer
These half-year results have been prepared solely to provide information to shareholders. They should not be relied on by any other party or for any other purpose. These half-year results may contain statements about the future, including certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i" or "the Group"). These are not guarantees of future performance and will not be updated. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

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

For further information, including a live webcast of the results presentation at 10.00am on 11 November 2021, please visit **www.3i.com/investor-relations**

3i Group Half-year report 2021

Chief Executive's review

Our first half performance was very strong, reflecting the quality of our portfolio and the broader market recovery. We generated a total return of £2,199 million, or 24% on opening shareholders' funds (September 2020: £1,142 million, or 15%). Our Private Equity and Infrastructure investment teams were very active in the period, deploying capital across new, further, and bolt-on investments whilst also achieving attractive returns from two divestments signed in the period. NAV per share at 30 September 2021 was 1,153 pence (31 March 2021: 947 pence), after the payment of the 21 pence second FY2021 dividend in July 2021.

Private Equity

The Private Equity portfolio continued to perform strongly, generating a gross investment return ("GIR") of 27% in the first half. The majority of our top 20 Private Equity assets demonstrated considerable momentum in the period, with those operating in our chosen areas of focus (value-for-money, e-commerce, consumer and healthcare) continuing to benefit from our active management and long-term secular growth trends. We have continued to work with our portfolio companies to adapt quickly and respond effectively to the pandemic and its aftermath including disruption to global supply chains and inflationary and labour market pressures.

Action performance

Action continues to deliver results ahead of the expectations we set for its five-year plan in 2019. With the easing of restrictions in Q2 and Q3 2021 and the reopening of all stores, Action's growth has accelerated, resulting in sales in the nine months to the end of period nine ("P9") 2021 of €4.8 billion, 25% ahead of the same period last year. Like-for-like ("LFL") sales growth over the same period was also impressive at 12.9%, compared to negative 2.5% in the equivalent period in 2020, which was significantly impacted by Covid-19. Action delivered last twelve months ("LTM") EBITDA of €765 million to the end of P9 2021 (September 2020: €579 million). This strong momentum continued into October 2021, with sales increasing to €5.4 billion and LTM EBITDA of €777 million. Action has not been immune from disruptions in global supply chains and inflationary pressures in product, labour and transport costs. However, as a large business with 14 categories, a diverse supplier base and significant buying power, Action has been able to continue purchasing stock throughout the pandemic and is better placed than many retailers to manage these pressures while continuing to grow sales and profits.

Action's store expansion has ramped up in 2021, following a slower roll-out in the first half of 2020 due to Covid-19. In the year to date, Action opened 181 new stores and is on track to open about 270 stores in 2021. Action continues to grow its international footprint. Its five pilot stores in Italy are performing strongly, supporting the decision to roll-out in that country with the next two stores being opened this month. The roll-out in the Czech Republic is also proceeding at a high pace following a successful pilot in 2020. Action remains highly cash generative, with a current cash balance of over €1 billion. As announced on 2 November 2021, Action appointed Hajir Hajji, currently Action's Commercial Director and member of the Action executive management team, to succeed Sander van der Laan as CEO. Hajir will formally become CEO of Action on 1 January 2022.

Other portfolio performance and activity in the period

BoConcept has performed strongly in the last year with record order levels. Luqom continues to benefit from the structural shift in demand to online channels, whilst Hans Anders has seen a good uptick in footfall and order intake as a result of easing restrictions and increased consumer focus on value for money. SaniSure, the bio-processing platform, is performing well, benefitting from an acceleration in its key biologics and single-use markets. It was able to return £59 million of 3i's original investment in the period. Royal Sanders remained highly cash generative and, following a refinancing, returned cash of £84 million to 3i. Good momentum at Basic-Fit following the reopening of all clubs resulted in a 20% increase in the share price between 31 March 2021 and 30 September 2021, whilst Tato and AES continue to perform well and generated dividend income for 3i in the period.

Q Holding's electrical connector seal business has benefitted from substantial demand. Its medical business has also performed well due to a rebound in medical procedures tied to its key products and geographies. Cirtec Medical continues to enhance its platform value, with recent M&A activity accelerating its diversification into the minimally invasive therapeutic device space and broadening the suite of high value capabilities that are now driving an attractive new product pipeline. Our more recent investment in GartenHaus has demonstrated good growth levels despite raw material price increases and supply chain challenges, whilst MPM has benefitted from the increase in pet ownership over the last 18 months and customer account wins, particularly in the US.

Audley Travel and arrivia continue to operate in a leisure travel end market which is recovering but still subject to evolving government restrictions. In October 2021, we invested a further £25 million in Audley Travel to support the business as it recovers from the pandemic. Delayed production launches and contracting volumes in the automotive sector, coupled with semi-conductor shortages and operational challenges, continue to impact the performance of Formel D.

Since the start of our financial year, Private Equity markets have continued to rally with a surge in both volume and value of buyout deal activity fuelled by record levels of uninvested capital. As a result, private company valuations continue to increase. In this context, it is very important that we maintain our price discipline and that we deploy capital selectively, building value through international roll-outs or bolt-on acquisitions. We invested £56 million in MAIT, a provider of digital solutions in the DACH region. We also adopted an innovative approach in forming a new platform, ten23 health, to create a contract development and manufacturing organisation ("CDMO"), which provides an integrated offering for sterile drug product development and manufacturing of biologics, challenging molecules and dosage forms. We also completed one bolt-on acquisition for each of Cirtec Medical, Luqom and Havea. Since our original investment, we have completed multiple bolt-on acquisitions for each of these companies, expanding their international footprint, diversifying their product offering and generating significant synergies.

We have a busy investment pipeline. Since the period end, in October 2021, we invested £46 million in Dutch Bakery, an industrial bakery group specialised in home-baked bread and snack products, which we intend to grow both organically and through a targeted buy-and-build strategy. We also completed transformational bolt-on acquisitions for GartenHaus with the acquisition of Outdoor Toys, a UK-based online retailer of outdoor garden toys, investing £47 million of 3i proprietary capital, and for ten23 health, investing £62 million to support growth initiatives, including the scale up and expansion of the Basel formulation and drug development operations, as well as the acquisition of Swissfillon, a drug product fill and finish CDMO. The total 3i investment in the ten23 health platform is now £69 million. In November 2021, we announced Evernex's bolt-on acquisition of Emcon-IT, a leading player in the third party hardware maintenance industry.

We signalled in our FY2021 annual results announcement that we expected FY2022 to be busier than the preceding year for realisations, and at the start of November 2021 we completed the sale of Magnitude Software, returning £345 million of proceeds to 3i, representing a 109% uplift on 31 March 2021 value. The sale achieved a sterling money multiple of 2.5x and sterling IRR of 44%, an exceptional return after a holding period of only two and a half years. During this period, 3i supported several new product launches, the transition from on-premises to cloud software solutions and investments in sales and marketing which have increased Magnitude Software's organic growth rate. In November 2021, we completed a £36 million co-investment in insightsoftware, the company that acquired our investment in Magnitude Software and announced the partial sale of our stake in Basic-Fit at €44.25 per share, generating proceeds of c.£146 million. We have a good pipeline of realisations and distributions which we expect will crystallise in the second half of this financial year.

Infrastructure

In the six months to 30 September 2021 our Infrastructure business delivered a GIR of 5%, predominantly driven by a 3% increase in the 3i Infrastructure plc ("3iN") share price to 304 pence at 30 September 2021 (March 2021: 296 pence) and good dividend income.

3iN generated a total return on opening NAV of 10.6% in the six months to 30 September 2021 driven by strong portfolio performance. 3iN's investment pipeline remains busy and during the period it completed its new investment in DNS:NET, as well as a bolt-on acquisition for its existing portfolio company Joulz. The business also announced the realisation of Oystercatcher's four European terminals driving an uplift of 69% to its 31 March 2021 value. Oystercatcher retained a 45% stake in Oiltanking Singapore Limited. Oystercatcher's unrealised money multiple is now 3.0x and unrealised IRR is 13.9% over 3iN's 14-year investment period. 3iN is on track to deliver its dividend target of 10.45 pence per share, which is up 6.6% on last year.

Both of our US infrastructure assets performed in line with expectations in the period. As the US continues to recover from the pandemic, Smarte Carte has seen increased demand in its airport service offering. Regional Rail, which delivers essential freight services, has continued to see good performance.

Scandlines

Scandlines performed well in the period. While freight volumes have remained stable throughout the pandemic, leisure travel and shopping ticket volumes increased as travel restrictions eased between Denmark, Scandinavia and Germany over the summer.

Balance sheet and dividend

At 30 September 2021 we had total liquidity of £544 million (31 March 2021: £725 million), including our £500 million undrawn RCF. Net debt was £931 million, and gearing was 8% (31 March 2021: £750 million net debt, gearing 8%).

In line with our dividend policy, we have decided to pay a first FY2022 dividend of 19.25 pence, which is half of our FY2021 total dividend. This first FY2022 dividend will be paid to shareholders on 12 January 2022.

Board and people update

Throughout this pandemic, our focus has been on protecting the wellbeing of our own employees, as well as those of our portfolio companies and the communities in which we collectively operate. All offices are now open, and it has been good to work with colleagues in the office environment again.

As announced on 30 September 2021, David Hutchison will become non-executive Chairman of the Board on the announcement of these half-year results on 11 November 2021. He will succeed Simon Thompson who will step down from the Board at the same time. I am grateful to Simon for his leadership of the 3i Board, particularly through the Covid-19 pandemic. The Board also appointed Lesley Knox as non-executive Director as of 1 October 2021.

Outlook

We saw good growth from our two investment portfolios in the first half of the year and this momentum has continued into November. 3i is beginning to see a significant compounding effect from the performance of today's carefully selected Private Equity portfolio.

Despite the social and economic uncertainty that we have seen over the last 18 months, competition for private assets remains very strong. While we will continue to deploy capital selectively in new and bolt-on investments, we are also in a good position to benefit from favourable market conditions through our realisation pipeline to deliver attractive returns for our shareholders.

Simon Borrows
Chief Executive
10 November 2021

Business and Financial review

Private Equity

Our Private Equity business delivered a very strong return in the first half, generating a GIR of £2,373 million (September 2020: £1,245 million), or 27% of the opening portfolio value (September 2020: 19%).

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

Investment basis	2021 £m	2020 £m
Realised profits over value on the disposal of investments	12	3
Unrealised profits on the revaluation of investments	2,219	1,071
Dividends	10	43
Interest income from investment portfolio	33	25
Fees receivable	2	6
Foreign exchange on investments	97	97
Gross investment return	**2,373**	1,245
Gross investment return as a % of opening portfolio value	**27%**	19%

Investment

Table 2: Private Equity cash investment in the six months to 30 September 2021

Investment	Type	Business description/bolt on description	Date	Proprietary capital investment £m
ten23 health	Initial	Drug product CDMO	May 2021	7
Luqom	Further	Online lighting specialist retailer	July 2021	57
MAIT	New	Provider of digital solutions in the DACH region	September 2021	56
Total Private Equity new and further cash investment				**120**
WilsonHCG	Return of funding	Global provider of recruitment process outsourcing and other talent solutions	May 2021	(3)
SaniSure	Return of funding	Manufacturer, distributor and integrator of single-use bioprocessing systems and components	July 2021	(59)
Total Private Equity return of funding				**(62)**
Total Private Equity cash net investment				**58**

Table 3: Private Equity portfolio bolt-on acquisitions – funded by the portfolio company in the six months to 30 September 2021

Asset	Name of acquisition	Business description of bolt-on investments	Date
Luqom	Lampemesteren	Online retailer of premium lighting products in the Nordic region	April 2021
Cirtec Medical	Cardea Catheter Innovations	Contract manufacturer specialising in the design and development of catheter systems	July 2021
Havea	ixX Pharma	Independent player in the Belgian premium food supplement segment	September 2021

In the period, we invested £56 million in MAIT, an attractive platform in the software sector, with several strategic acquisition opportunities in a highly fragmented market. We provided initial capital to ten23 health in May 2021, creating a pure-play, patient-centric and sustainable biologics drug product CDMO focused on helping innovative biotech and pharma customers develop and commercialise injectable biopharmaceutical drugs. We will grow the ten23 health platform both organically and through acquisitions.

In July 2021, we invested a further £57 million in Luqom, which was primarily for the purchase of a minority holding. As a result of a refinancing, and within 12 months of our investment in Sani-Tech West, SaniSure returned £59 million of 3i's proprietary capital. Similarly, WilsonHCG returned £3 million of overfunding.

We also continued to originate acquisition opportunities for our portfolio companies, as shown in table 3. All three of these bolt-on acquisitions were funded by the portfolio companies and represent Luqom's second, Cirtec Medical's eighth and Havea's fifth bolt-on acquisition since our original investment.

Since the period end, in October 2021, we invested £46 million in Dutch Bakery, an industrial bakery group specialised in home bake-off bread and snack products. We completed transformational bolt-on acquisitions for GartenHaus with the acquisition of Outdoor Toys, a UK-based online retailer of outdoor garden toys, investing £47 million of 3i proprietary capital, and for ten23 health, investing £62 million to support growth initiatives, including the scale up and expansion of the Basel formulation and drug development operations, as well as the acquisition of Swissfillon, a drug product fill and finish CDMO. The total 3i investment in the ten23 health platform is now £69 million. In November 2021, we completed a £36 million co-investment in insightsoftware the company that acquired our investment in Magnitude Software and announced Evernex's bolt-on acquisition of Emcon-IT, a leading player in the third-party hardware maintenance industry.

Realisations

We recognised total realised proceeds of £118 million in the period (September 2020: £82 million). These comprise £84 million of refinancing proceeds from Royal Sanders, of which £4 million was recorded as income, and £17 million of proceeds from BoConcept following a partial repayment of a shareholder loan. Furthermore, we generated proceeds of £21 million from our legacy portfolio.

In September 2021, we agreed the sale of Magnitude Software for proceeds of £345 million, which were received in November 2021, realising a sterling money multiple of 2.5x and sterling IRR of 44% in the two and a half years since our initial investment.

Table 4: Private Equity realisations in the six months to 30 September 2021

Investment	Country	Calendar year invested	31 March 2021 value[1] £m	3i realised proceeds £m	Profit in the year[2] £m	Uplift on opening Value[2] %	Residual value £m
Refinancing							
Royal Sanders	Netherlands	2018	80	80	–	–	295
Full realisations							
Other	n/a	n/a	1	2	1	100%	–
Partial realisations							
BoConcept	Denmark	2016	17	17	–	–	240
Other	n/a	n/a	n/a	8	–	–	n/a
Deferred consideration							
Eltel	Nordic	2007	–	10	10	–	–
Other	n/a	n/a	n/a	1	1	–	n/a
Total Private Equity realisations			**98**	**118**	**12**	**–**	**535**

1 For partial realisations and refinancings, 31 March 2021 value represents value of stake sold or refinanced.
2 Cash proceeds realised in the period over opening value.

Portfolio performance

Table 5: Unrealised profits/(losses) on the revaluation of Private Equity investments[1] in the six months to 30 September

	2021 £m	2020 £m
Action		
Performance	**1,491**	644
Earnings based valuations (excluding Action)		
Performance	**354**	238
Multiple movements	**162**	211
Other bases		
Discounted cash flow ("DCF")	**1**	(60)
Other movements in unquoted investments	**–**	(1)
Imminent sale	**166**	11
Quoted portfolio	**45**	28
Total	**2,219**	1,071

1 More information on our valuation methodology, including definitions and rationale, is included in our Annual report and accounts 2021 on pages 188 to 189.

Action valuation and performance

In the nine months to the end of P9 2021, Action delivered very strong earnings growth and cash generation and continued its international store roll-out. This was reflected in the £1,491 million (September 2020: £644 million) unrealised profits shown in Table 5. As the largest Private Equity investment by value, it represented 55% of the Private Equity portfolio (31 March 2021: 52%). Further information on Action's performance in the period is provided in the CEO statement.

At 30 September 2021, Action was valued using its LTM run-rate earnings to the end of P9 2021 of €845 million. The LTM run-rate earnings used include our normal adjustment to reflect stores opened in the year, as well as the add back of €10 million of exceptional Covid-19 related costs incurred in Action's first quarter of 2021 and a €7 million adjustment for the 53rd week recognised in 2020. At 30 September 2021, Action was valued on a multiple of 18.5x net of the liquidity discount (31 March 2021: 18.5x). This resulted in a valuation of our 52.7% stake in Action of £6,100 million (31 March 2021: £4,566 million).

Performance (excluding Action)

Our top 20 assets, excluding Action, generated good unrealised profits in the period. BoConcept continues to trade strongly on the back of operational improvements implemented since our initial investment. The business has benefitted from increased spending on the home in some countries and, despite continued retail closures in other geographies, sales in the first five months of its fiscal year to April 2022 increased by more than 20% on the prior year. Luqom has continued to benefit from the structural shift to online shopping and increased consumer focus on the home and living category. Encouragingly, despite the lifting of restrictions enabling shoppers to visit competitors' physical stores, the company has continued to grow revenue and outpace its peers' growth rates. In addition to completing the bolt-on acquisition of Lampemesteren, the business has further internationalised its footprint with QLF, a company it acquired in 2019, launching a further ten webshops in Southern and Eastern Europe since the beginning of 2021. GartenHaus, which also operates in the e-commerce space, has benefitted from similar market trends. The company's proactive supplier management and pricing strategies enabled the business to grow earnings despite raw material price increases and longer delivery times. Hans Anders performed resiliently through the first quarter of 2021 despite significant Covid-19 restrictions. Following the easing of restrictions in the second quarter of 2021, the business has seen an increase in footfall and purchases, with particularly strong performance in the Netherlands and Belgium. The business is also benefitting from its successful omni-channel strategy and increased operational efficiency since the onset of the pandemic. Royal Sanders has seen a more normalised level of demand for hand gels and hand wash in the six months to the end of September 2021 and is addressing industry wide raw material price inflation with pricing strategies and new account wins.

The majority of our UK portfolio performed well in the period. Tato has maintained good momentum into 2021, following a combination of sustained demand for its core biocides products and strong supply levels through the pandemic from its global platform. The business returned dividend income of £4 million to 3i in the period. AES has remained resilient throughout the pandemic and has continued to grow earnings as a result of increased sales volumes and operational efficiencies. MPM has benefitted from the pandemic-related increase in pet ownership over the last 18 months. This step change increase in new pet households represents a significant and lasting source of demand for pet care products and services across all regions.

Our healthcare sector investments continue to generate good returns. SaniSure is benefitting from strong momentum in the biologics and single-use markets, and generated record levels of new orders in the first six months of 2021. The business continues to ramp up its capacity to meet the fast-growing demand, while in parallel working to commercialise innovative new solutions. Q Holding's medical device business is seeing good growth due to a strong rebound in procedure volumes in its core markets, including emerging markets that were particularly impacted in 2020 and the first half of 2021, whilst its electrical connector seal business has seen increased demand as a result of the shift towards electrification and connectivity in mobility technology applications and industrial markets. The bolt-on acquisition of Cardea Catheter Innovations for Cirtec Medical in the period further diversifies its end-market exposure. The business is well positioned to continue its long-term strong growth in the coming years, including in the near term capitalising on expected re-ramping of inventories of key customers and increasing procedure volumes following destocking in the last year and general lower procedures levels that have not fully recovered globally.

As at 30 September 2021, only 1% of the Private Equity portfolio by value was exposed to the leisure travel end market. arrivia continues to operate resiliently and saw a noticeable recovery in bookings in the first six months of 2021 for travel lines such as hotel, resort, air and car, before momentum slowed over the late summer as travellers reacted to variants of Covid-19. Leisure cruising, arrivia's primary market, remains challenging. Our expectation is that leisure cruising passenger numbers will recover through 2022 and 2023. Audley Travel's performance has closely mirrored Covid-19 incidence rates and Government policy across its US and UK markets. Recent easing of UK travel restrictions and improving Covid-19 rates in the US have driven improved enquiries and bookings across the business. In October 2021, we invested a further £25 million in Audley Travel to support the business as it recovers from the pandemic. Further information on the valuation of Audley Travel can be found under the DCF heading below.

Formel D continues to be severely challenged by the continued contraction of automotive production volumes, delayed production launches particularly in Europe, which is Formel D's primary market, by a significant shortage of semiconductors, as well as company specific operational issues on which progress is being made.

Overall, 96%[1] of the top 20 portfolio companies by value in our Private Equity portfolio grew their earnings in the 12 months to 30 June 2021 (September 2020: 85%).

1 Includes top 20 Private Equity portfolio companies by value excluding Magnitude Software valued on imminent sale basis.

Table 6: Portfolio earnings growth of the top 20 Private Equity investments[1]

	Number of companies at 30 September 2021	3i carrying value at 30 September 2021 £m
<0%	4	463
0 - 9%	4	1,067
10 - 19%	3	1,106
20 - 29%	1	254
>30%	8	7,721

1 Includes top 20 Private Equity companies by value excluding Magnitude Software valued on imminent sale basis. This represents 95% of the Private Equity portfolio by value (31 March 2021: 98%). LTM adjusted earnings to 30 June 2021 and Action based on LTM run-rate earnings to P9 2021. P9 2021 runs to 3 October 2021.

Leverage across the portfolio was 3.3x at 30 September 2021 (31 March 2021: 3.9x). Excluding Action, leverage across the portfolio was 4.4x (31 March 2021: 4.3x). Table 7 shows the ratio of net debt to adjusted earnings by portfolio value at 30 September 2021.

Table 7: Ratio of net debt to adjusted earnings[1]

	Number of companies at 30 September 2021	3i carrying value at 30 September 2021 £m
<1x	4	871
1 - 2x	1	22
2 - 3x	1	6,100
3 - 4x	4	1,148
4 - 5x	5	733
5 - 6x	3	802
>6x	3	144

1 This represents 88% of the Private Equity portfolio by value (31 March 2021: 88%). Quoted holdings, assets valued on an imminent sale basis, deferred consideration and companies with net cash are excluded from the calculation. Net debt and adjusted earnings as at 30 June 2021. Action based on net debt at P9 2021 and LTM run-rate earnings to P9 2021.

Multiple movements

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

At 30 September 2021, we changed valuation multiples for a small number of our portfolio companies to reflect their strong performance and position relative to the sector.

The multiple of run-rate earnings used to value Action at 30 September 2021 remained at 18.5x net of the liquidity discount. Based on the valuation of the investment at 30 September 2021, a 1.0x movement in Action's post-discount multiple would have an impact of £383 million on the valuation of 3i's investment.

DCF

Audley Travel remains valued on a DCF basis and its valuation reflects our continuing expectation that a sustained recovery in the UK and US travel markets to 2019 levels will take some time.

Imminent sale

At 30 September 2021, Magnitude Software was valued on an imminent sale basis after we agreed a sale of the business at a 109% uplift to opening value at 31 March 2021. The significant uplift reflects the current market conditions, investments made in the business during our ownership, and the strategic value of the business. We received proceeds of £345 million in November 2021 from the divestment.

Quoted portfolio

Basic-Fit is the only quoted asset in the Private Equity portfolio. We recognised an unrealised value gain of £45 million from Basic-Fit in the period (September 2020: £28 million) as its share price increased to €39.58 at 30 September 2021 (31 March 2021: €32.85). In April 2021, Basic-Fit raised further capital at €34 per share. We did not participate in that equity raise and, as a result, our residual stake was reduced from 12.8% to 11.6%. At 30 September 2021, our residual 11.6% shareholding was valued at £261 million (31 March 2021: 12.8% shareholding valued at £214 million). In November 2021, we announced the partial sale of our stake in Basic-Fit at €44.25 per share, generating proceeds of c.£146 million. We retain a 5.7% holding in that business.

Private Equity proprietary capital

At 30 September 2021, the portfolio consisted of 34 assets (31 March 2021: 33 assets). The value of 3i's Private Equity proprietary capital increased to £11.1 billion (31 March 2021: £8.8 billion) principally due to unrealised value movements in the period.

Table 8: Private Equity 3i proprietary capital

Vintages[1]	Proprietary capital value 30 September 2021 £m	Vintage money multiple[3] 30 September 2021	Proprietary capital value 31 March 2021 £m	Vintage money multiple[3] 31 March 2021
Buyouts 2010-2012	**2,096**	**11.3x**	1,569	10.2x
Growth 2010-2012	**18**	**2.1x**	16	2.1x
2013-2016	**953**	**2.2x**	829	2.1x
2016-2019	**2,505**	**1.8x**	2,062	1.4x
2019-2022	**863**	**1.3x**	745	1.1x
Other[2]	**4,680**	**n/a**	3,593	n/a
Total	**11,115**		8,814	

1 Assets included in these vintages are disclosed in the Glossary on pages 45 and 47.
2 Includes value of £4,004 million (31 March 2021: £2,997 million) held in Action through the 2020 Co-investment vehicles and 3i.
3 Vintage money multiple includes unrealised value.

The value of the Private Equity portfolio including third-party capital increased to £14.8 billion (31 March 2021: £11.6 billion) principally due to the increase in the valuations of Action and several other top 20 Private Equity assets.

Table 9: Private Equity assets by geography

3i office location	Number of companies	3i carrying value at 30 September 2021 £m
Netherlands	5	**7,219**
France	2	**548**
Germany	7	**922**
UK	8	**904**
US	9	**1,500**
Other	3	**22**
Total	34	**11,115**

Infrastructure

Our infrastructure business generated a GIR of £60 million, or 5% on the opening portfolio value (September 2020: £134 million, 12%) in the period, principally from 3iN's share price appreciation and dividend income.

Table 10: Gross investment return for the six months to 30 September

Investment basis	2021 £m	2020 £m
Realised profits	**3**	–
Unrealised profits on the revaluation of investments	**30**	127
Dividends	**15**	14
Interest income from investment portfolio	**5**	5
Foreign exchange on investments	**7**	(16)
Movement in the fair value of derivatives	**–**	4
Gross investment return	**60**	134
Gross investment return as a % of opening portfolio value	**5%**	12%

3iN performance

The 3iN portfolio is performing strongly, with the majority of its portfolio companies meeting or exceeding the expectations set at the beginning of this financial year. In the six months to 30 September 2021, 3iN generated a total return on opening NAV of 10.6% (September 2020: 4%) and is on track to meet its dividend target of 10.45 pence per share, up 6.6% year-on-year.

In the period, 3iN completed the acquisition of a 60% stake in DNS:NET, an independent telecommunications provider in Germany, for €182 million, and invested £12 million in ESVAGT to fund further growth in the offshore wind segment, including three new Service Operation Vessels ("SOV") under long term charter with MHI Vestas. In April 2021, Joulz, an existing portfolio company, completed the acquisition of Zonel Energy, a provider of solar rooftop solutions to businesses across the Netherlands. At the end of September 2021, 3iN announced the divestment of Oystercatcher's four European terminals driving a 69% uplift to its 31 March 2021 valuation. Oystercatcher continues to own a 45% stake in Oiltanking Singapore Limited. Oystercatcher's unrealised money multiple is now 3.0x and unrealised IRR is 13.9% over 3iN's 14-year investment period.

As 3iN's investment manager, 3i received a management fee of £16 million in the period (September 2020: £12 million).

Performance of 3i's proprietary capital Infrastructure portfolio

Table 11: Unrealised profits on the revaluation of Infrastructure investments[1] in the six months to 30 September

	2021 £m	2020 £m
Quoted	**20**	113
DCF	**8**	7
Fund	**2**	1
Imminent sale	**–**	6
Total	**30**	127

1 More information on our valuation methodology, including definitions and rationale, is included in our Annual report and accounts 2021 on pages 188 to 189.

Quoted stake in 3iN

3iN's share price increased by 3% in the first half of the year and closed at 304 pence on 30 September 2021 (31 March 2021: 296 pence). We recognised £20 million of unrealised profits on our 3iN investment and £13 million of dividend income (September 2020: £113 million of unrealised value growth and £12 million of dividend income).
At 30 September 2021, our investment in 3iN was valued at £817 million (31 March 2021: £797 million).

US Infrastructure

Regional Rail has seen good performance with the business benefitting from its geographic and end-market diversification. Smarte Carte performed well in the period compared to the same period in 2020, with its airport carts segment being the key driver of performance, following an accelerated recovery of US domestic leisure travel. However, caution remains over the timing of the recovery of the international travel market. Both assets were valued on a DCF basis at 30 September 2021.

Other funds

The 3i European Operational Projects Fund and 3i Managed Infrastructure Acquisitions LP performed in line with expectations in the period. At the end of September 2021, the 3i European Operational Projects Fund made a c.€30 million commitment to invest in NEoT Green Mobility to fund its pipeline of future projects of which €6.5 million has been drawn to date. The fund is now c.70% committed. In the period we recognised £6 million of realised proceeds from KMC Roads, an investment in our 3i India Infrastructure Fund.

Infrastructure AUM increased to £5.1 billion (31 March 2021: £4.9 billion) and we generated fee income of £23 million from our fund management activities in the period (September 2020: £19 million).

Table 12: Assets under management as at 30 September 2021

Fund/strategy	Close date	Fund size	3i commitment/ share	Remaining 3i commitment	% invested[2] at September 2021	AUM £m	Fee income earned in the period £m
3iN[1]	Mar 07	n/a	£817m	n/a	n/a	2,706	16
3i Managed Infrastructure Acquisitions LP	Jun 17	£698m	£35m	£5m	86%	979	3
3i European Operational Projects Fund	Apr 18	€456m	€40m	€14m	62%	242	1
BIIF	May 08	£680m	n/a	n/a	90%	462	2
3i India Infrastructure Fund	Mar 08	US$1,195m	US$250m	USD$35m	73%	–	–
3i managed accounts	various	n/a	n/a	n/a	n/a	353	1
US Infrastructure	various	n/a	n/a	n/a	n/a	310	–
Total						5,052	23

1 AUM based on the share price at 30 September 2021.
2 % invested is the capital deployed into investments against the total Fund commitment.

Scandlines

Scandlines generated a GIR of £30 million (September 2020: £15 million) or 7% of opening portfolio value (September 2020: 3%) in the period.

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

Investment basis	2021 £m	2020 £m
Unrealised profit on the revaluation of investments	**30**	12
Foreign exchange on investments	**4**	11
Movement in the fair value of derivatives	**(4)**	(8)
Gross investment return	**30**	15
Gross investment return as a % of opening portfolio value	**7%**	3%

Performance

Scandlines performed well in the period. Freight volumes remained resilient and were ahead of 2019 levels. As expected, leisure travel and shopping ticket volumes were weak in the first six months of 2021 as a result of travel restrictions. However, following the lifting of restrictions at the start of July 2021, leisure travel trading has improved, and volumes are now back to 2019 levels. The business remains cash generative and is well positioned to resume its distributions.

At 30 September 2021, Scandlines was valued at £469 million (31 March 2021: £435 million) on a DCF basis.

Foreign exchange

We hedge the balance sheet value of our investment in Scandlines. We recognised no gain or loss on foreign exchange translation (September 2020: £3 million gain).

Overview of financial performance

3i generated a total return of £2,199 million, or a profit on opening shareholders' funds of 24%, in the six months to 30 September 2021 (September 2020: £1,142 million, or 15%). The diluted NAV per share at 30 September 2021 increased to 1,153 pence (31 March 2021: 947 pence) after the payment of the second FY2021 dividend of £203 million, or 21.0 pence per share (September 2020: £169 million, 17.5 pence per share) in July 2021.

Table 14: Gross investment return for the six months to 30 September

Investment basis	2021 £m	2020 £m
Private Equity	2,373	1,245
Infrastructure	60	134
Scandlines	30	15
Gross investment return	2,463	1,394
Gross investment return as a % of opening portfolio value	24%	17%
Total comprehensive income ("Total return")	2,199	1,142
Total return on opening shareholders' funds	24%	15%

GIR was £2,463 million in the period (September 2020: £1,394 million) driven by the strong performance of Action and the majority of our other top 20 investments. The GIR also includes a £104 million net foreign currency gain on translation of our investments (September 2020: £88 million gain). Further information on the Private Equity, Infrastructure and Scandlines valuations is included in their respective sections of this Business and Financial review.

Operating cash (loss)/profit

Table 15: Operating cash (loss)/profit for the six months to 30 September

	2021 £m	2020 £m
Cash fees from external funds	24	19
Cash portfolio fees	3	2
Cash portfolio dividends and interest	26	62
Cash income	53	83
Cash operating expenses[1]	(72)	(69)
Operating cash (loss)/profit	(19)	14

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

3i generated an operating cash loss of £19 million in the period (September 2020: £14 million profit). Cash income decreased to £53 million (September 2020: £83 million) principally due to the reduction of dividend income compared to the same period last year, which included a significant non-recurring dividend. Cash operating expenses incurred during the period increased to £72 million (September 2020: £69 million) driven principally by higher variable compensation costs. We expect to report an operating cash profit at 31 March 2022, due to a good pipeline of cash income.

Foreign exchange

At 30 September 2021, 86% of the Group's assets were denominated in euros or US dollars (31 March 2021: 84%). The Group recorded a total foreign exchange gain of £98 million net of derivatives during the period (September 2020: £80 million) as a result of the weakening of sterling against the euro and US dollar.

Table 16: Net assets and sensitivity by currency at 30 September 2021

	FX rate	Net assets £m	%	1% sensitivity £m
Sterling	n/a	1,269	12	n/a
Euro[1]	1.1633	7,813	70	77
US dollar	1.3481	1,827	16	18
Danish krone	8.6500	240	2	2
Other	n/a	24	–	n/a
Total		11,173		

1 Sensitivity impact is net of derivatives.

Carried interest and performance fees payable and receivable

We pay carried interest to participants in plans relating to our proprietary capital invested. We also receive performance fees from third-party funds and pay a portion of that carry received to participants in our carry plans. Carried interest at 30 September 2021 was calculated assuming that remaining assets in the portfolio were realised at their fair value at that date.

Table 17: Carried interest and performance fees for the six months to 30 September

Consolidated statement of comprehensive income	2021 £m	2020 £m
Carried interest and performance fees receivable		
Private Equity	**2**	(2)
Total	**2**	(2)
Carried interest and performance fees payable		
Private Equity	**(194)**	(61)
Infrastructure	**(6)**	(2)
Total	**(200)**	(63)
Net carried interest payable	**(198)**	(65)

Table 18: Carried interest and performance fees

Consolidated statement of financial position	30 September 2021 £m	31 March 2021 £m
Carried interest and performance fees receivable		
Private Equity	**10**	8
Infrastructure	**–**	8
Total	**10**	16
Carried interest and performance fees payable		
Private Equity	**(727)**	(533)
Infrastructure	**(10)**	(27)
Total	**(737)**	(560)

Carried interest and performance fees payable

In Private Equity, we typically accrue net carried interest payable at between 10% and 13% of gross investment return. We accrued carried interest payable of £194 million (September 2020: £61 million) for Private Equity in the period. This was driven by the strong gross investment return generated from the 2016-19 vintage and the continued strong performance of the 2010-12 vintage, which includes Action. We are not yet accruing carried interest payable for the 2019-22 vintage.

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 long term in nature and active for a number of years. Their participants are both current and previous employees of 3i.

Overall, the effect of the income statement charge, the cash payments, as well as the currency translation meant that the balance sheet carried interest and performance fees payable increased to £737 million (31 March 2021: £560 million).

Balance sheet and NAV

Table 19: **Simplified consolidated balance sheet**

Investment basis	30 September 2021 £m	31 March 2021 £m
Investment portfolio	**12,784**	10,408
Gross debt	**(975)**	(975)
Cash and deposits	**44**	225
Net debt	**(931)**	(750)
Carried interest and performance fees receivable	**10**	16
Carried interest and performance fees payable	**(737)**	(560)
Other net assets	**47**	50
Net assets	**11,173**	9,164
Gearing[1]	**8%**	8%

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

The investment portfolio value increased to £12,784 million at 30 September 2021 (31 March 2021: £10,408 million) driven by unrealised profit of £2,279 million and gains on foreign exchange translation offsetting net divestment.

At 30 September 2021 the Group had net debt of £931 million (31 March 2021: £750 million) after the payment of the second FY2021 dividend of £203 million, carried interest of £13 million and net divestment of £64 million.

Going concern and liquidity

The Half-year consolidated financial statements are prepared on a going concern basis following the assessment by the Directors, taking into account the Group's current performance and outlook.

Liquidity reduced to £544 million at 30 September 2021 (31 March 2021: £725 million) and comprised cash and deposits of £44 million (31 March 2021: £225 million) and an undrawn facility of £500 million (31 March 2021: £500 million).

Alternative Performance Measures ("APMs")

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies. Our Investment basis is itself an APM.

The explanation of and rationale for the Investment basis and its reconciliation to IFRS is provided from page 19. The table below defines our additional APMs and should be read in conjunction with our Annual report and accounts 2021.

APM	Purpose	Calculation	Reconciliation to IFRS
Gross investment return as a percentage of opening portfolio value	A measure of the performance of our proprietary investment portfolio. For further information, see the Group KPIs in our Annual report and accounts 2021.	It is calculated as the gross investment return, as shown in the Investment basis Consolidated statement of comprehensive income, as a % of the opening portfolio value.	The equivalent balances under IFRS and the reconciliation to the Investment basis are shown in the Reconciliation of consolidated statement of comprehensive income and the Reconciliation of consolidated statement of financial position respectively.
Cash realisations	Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities. For further information, see the Group KPIs in our Annual report and accounts 2021.	The cash received from the disposal of investments in the period as shown in the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of consolidated cash flow statement.
Cash investment	Identifying new opportunities in which to invest proprietary capital is the primary driver of the Group's ability to deliver attractive returns. For further information, see the Group KPIs in our Annual report and accounts 2021.	The cash paid to acquire investments in the period as shown on the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of consolidated cash flow statement.
Operating cash profit/(loss)	By covering the cash cost of running the business with cash income, we reduce the potential dilution of capital returns. For further information, see the Group KPIs in our Annual report and accounts 2021.	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 15 of the Overview of financial performance.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of consolidated cash flow statement.
Net cash/(net debt)	A measure of the available cash to invest in the business and an indicator of the financial risk in the Group's balance sheet.	Cash and cash equivalents plus deposits less loans and borrowings as shown on the Investment basis Consolidated statement of financial position.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of consolidated statement of financial position.
Gearing	A measure of the financial risk in the Group's balance sheet.	Net debt (as defined above) as a % of the Group's net assets under the Investment basis. It cannot be less than zero.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of consolidated statement of financial position.

Principal risks and uncertainties

3i's risk appetite statement, approach to risk management and governance structure are set out in the Risk section of the Annual report and accounts 2021, which can be accessed on the Group's website at www.3i.com.

The principal risks to the achievement of the Group's strategic objectives for the remaining six months of its financial year are largely unchanged from those reported on pages 58 to 62 of the Annual report and accounts 2021. The impact and likelihood of the majority of the Group's principal risks were stable in the period.

Covid-19

The Covid-19 vaccine roll-out has enabled a gradual re-opening of economies in the period but with evidence of increased price inflation, material and labour shortages and supply chain disruption. These economic headwinds have the potential to affect the pace of recovery and, in turn, trading, liquidity and valuations in varying degrees across the investment portfolio. As outlined below, 3i has a well-funded balance sheet and the investment portfolio has continued to perform well.

Principal risks

External – Risks arising from external factors including political, legal, regulatory, economic and competitor changes, which affect the Group's investment portfolio and operations.

As noted above, there is ongoing uncertainty in the outlook for the global economy which will be influenced by the continuing effectiveness of Covid-19 vaccine programmes and the extent to which inflation and supply-side constraints impact the recovery momentum. 3i is not immune to these wider market conditions; however, our balance sheet is well funded with low holding company debt and we have a diverse portfolio of international companies operating in a range of different sectors.

Investment – Risks in respect of specific asset investment decisions, the subsequent performance of an investment or exposure concentrations across business line portfolios.

The portfolio continues to show strong performance in the current economic conditions. Covid-19 restrictions continue to affect a very limited number of portfolio assets in the most exposed sectors e.g. travel, but these are not material to the overall performance.

Operational – Risks arising from inadequate or failed processes, people and systems or from external factors affecting these.

The Group's day-to-day operations have been largely unaffected by the ongoing impact of Covid-19 related restrictions, and the transition from remote to more hybrid, office-based working arrangements. This includes the continued resilience and security of the Group's IT systems; maintaining robust processes and internal controls; and providing appropriate levels of support for our staff. Staff turnover rates have remained low notwithstanding an increasingly competitive recruitment market.

The Half-year report provides an update on 3i's strategy and business performance, as well as on market conditions, which is relevant to the Group's overall risk profile and should be viewed in the context of the Group's risk management framework and principal risks as disclosed in the Annual report and accounts 2021.

Reconciliation of the Investment basis to IFRS

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

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

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

To maintain transparency and aid understanding of our results, we include a separate non-GAAP "Investment basis" consolidated statement of comprehensive income, financial position and cash flow. The Investment basis is an APM and the Chief Executive's review and the Business and financial review are prepared using the Investment basis, as we believe it provides a more understandable view of our performance. Total return and net assets are equal under the Investment basis and IFRS; the Investment basis is simply a "look through" of IFRS 10 to present the underlying performance.

A more detailed explanation of the effect of IFRS 10 is provided in the Annual report and accounts 2021 on page 45.

Reconciliation between Investment basis and IFRS

A detailed reconciliation from the Investment basis to IFRS basis of the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated cash flow statement is shown on pages 20 to 23.

Reconciliation of consolidated statement of comprehensive income

		Six months to 30 September 2021			Six months to 30 September 2020		
	Notes	Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS Basis (unaudited) £m	Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (unaudited) £m
Realised profits over value on the disposal of investments	1,2	15	(4)	11	3	2	5
Unrealised profits on the revaluation of investments	1,2	2,279	(1,205)	1,074	1,210	(605)	605
Fair value movements on investment entity subsidiaries	1	–	1,094	1,094	–	634	634
Portfolio income							
Dividends	1,2	25	(3)	22	57	(27)	30
Interest income from investment portfolio	1,2	38	(25)	13	30	(20)	10
Fees receivable	1,2	2	1	3	6	1	7
Foreign exchange on investments	1,4	108	(66)	42	92	(78)	14
Movement in the fair value of derivatives		(4)	–	(4)	(4)	–	(4)
Gross investment return		2,463	(208)	2,255	1,394	(93)	1,301
Fees receivable from external funds		25	–	25	21	–	21
Operating expenses	1,3	(56)	–	(56)	(58)	1	(57)
Interest received	1	–	–	–	(1)	1	–
Interest paid		(27)	–	(27)	(23)	–	(23)
Exchange movements	1,4	(6)	5	(1)	(8)	5	(3)
Income from investment entity subsidiaries	1	–	11	11	–	12	12
Operating profit before carried interest		2,399	(192)	2,207	1,325	(74)	1,251
Carried interest							
Carried interest and performance fees receivable	1,3	2	–	2	(2)	–	(2)
Carried interest and performance fees payable	1,3	(200)	190	(10)	(63)	68	5
Operating profit before tax		2,201	(2)	2,199	1,260	(6)	1,254
Tax charge	1,3	(2)	–	(2)	–	–	–
Profit for the period		2,199	(2)	2,197	1,260	(6)	1,254
Other comprehensive income that may be reclassified to the income statement							
Exchange differences on translation of foreign operations	1,4	–	2	2	–	6	6
Other comprehensive expense that will not be reclassified to the income statement							
Re-measurement of defined benefit plans		–	–	–	(118)	–	(118)
Other comprehensive income/(expense) for the period		–	2	2	(118)	6	(112)
Total comprehensive income for the period ("Total return")		2,199	–	2,199	1,142	–	1,142

Notes:

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

2 Realised profits, unrealised profits and portfolio income shown in the IFRS accounts only relate to portfolio companies that are held directly by 3i Group plc and not those portfolio companies held through investment entity subsidiaries. Realised profits, unrealised profits and portfolio income in relation to portfolio companies held through investment entity subsidiaries are aggregated into the single "Fair value movement on investment entity subsidiaries" line. This is the most significant reduction of information in our IFRS accounts.

3 Other items also aggregated into the "Fair value movements on investment entity subsidiaries" line include operating expenses, carried interest and performance fees receivable, carried interest and performance fees payable and tax. Operating expenses, carried interest and performance fees receivable and tax do not impact fair value movements on investment entity subsidiaries for the six months to 30 September 2021.

4 Foreign exchange movements have been reclassified under the Investment basis as foreign currency asset and liability movements. Movements within the investment entity subsidiaries are included within "Fair value movements on investment entity subsidiaries".

Reconciliation of consolidated statement of financial position

	Notes	As at 30 September 2021 Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (unaudited) £m	As at 31 March 2021 Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (audited) £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	**1,078**	**(261)**	**817**	1,011	(214)	797
Unquoted investments	1	**11,706**	**(6,407)**	**5,299**	9,397	(5,184)	4,213
Investments in investment entity subsidiaries	1,2	**–**	**5,983**	**5,983**	–	4,905	4,905
Investment portfolio		**12,784**	**(685)**	**12,099**	10,408	(493)	9,915
Carried interest and performance fees receivable	1	**10**	**1**	**11**	8	1	9
Other non-current assets	1	**60**	**(4)**	**56**	54	(2)	52
Intangible assets		**7**	**–**	**7**	8	–	8
Retirement benefit surplus		**55**	**–**	**55**	55	–	55
Property, plant and equipment		**4**	**–**	**4**	5	–	5
Right of use asset		**15**	**–**	**15**	16	–	16
Derivative financial instruments		**9**	**–**	**9**	16	–	16
Deferred income taxes		**1**	**–**	**1**	1	–	1
Total non-current assets		**12,945**	**(688)**	**12,257**	10,571	(494)	10,077
Current assets							
Carried interest and performance fees receivable	1	**–**	**–**	**–**	8	–	8
Other current assets	1	**20**	**(2)**	**18**	21	–	21
Current income taxes		**2**	**–**	**2**	2	–	2
Derivative financial instruments		**9**	**–**	**9**	10	–	10
Cash and cash equivalents	1	**44**	**(7)**	**37**	225	(9)	216
Total current assets		**75**	**(9)**	**66**	266	(9)	257
Total assets		**13,020**	**(697)**	**12,323**	10,837	(503)	10,334
Liabilities							
Non-current liabilities							
Trade and other payables	1	**(24)**	**7**	**(17)**	(24)	7	(17)
Carried interest and performance fees payable	1	**(732)**	**689**	**(43)**	(543)	494	(49)
Loans and borrowings		**(975)**	**–**	**(975)**	(975)	–	(975)
Retirement benefit deficit		**(29)**	**–**	**(29)**	(29)	–	(29)
Lease liability		**(11)**	**–**	**(11)**	(13)	–	(13)
Derivative financial instruments		**(1)**	**–**	**(1)**	–	–	–
Deferred income taxes		**(1)**	**–**	**(1)**	(1)	–	(1)
Provisions		**(2)**	**–**	**(2)**	(2)	–	(2)
Total non-current liabilities		**(1,775)**	**696**	**(1,079)**	(1,587)	501	(1,086)
Current liabilities							
Trade and other payables	1	**(61)**	**1**	**(60)**	(64)	2	(62)
Carried interest and performance fees payable	1	**(5)**	**–**	**(5)**	(17)	–	(17)
Lease liability		**(5)**	**–**	**(5)**	(4)	–	(4)
Current income taxes		**(1)**	**–**	**(1)**	(1)	–	(1)
Total current liabilities		**(72)**	**1**	**(71)**	(86)	2	(84)
Total liabilities		**(1,847)**	**697**	**(1,150)**	(1,673)	503	(1,170)
Net assets		**11,173**	**–**	**11,173**	9,164	–	9,164
Equity							
Issued capital		**719**	**–**	**719**	719	–	719
Share premium		**789**	**–**	**789**	788	–	788
Other reserves	3	**9,711**	**–**	**9,711**	7,721	–	7,721
Own shares		**(46)**	**–**	**(46)**	(64)	–	(64)
Total equity		**11,173**	**–**	**11,173**	9,164	–	9,164

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

Reconciliation of consolidated statement of financial position continued

Notes:

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

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

Reconciliation of consolidated cash flow statement

		Six months to 30 September 2021			Six months to 30 September 2020		
	Notes	Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (unaudited) £m	Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (unaudited) £m
Cash flow from operating activities							
Purchase of investments	1	**(59)**	**35**	**(24)**	(202)	141	(61)
Proceeds from investments	1	**123**	**(61)**	**62**	187	(79)	108
Amounts paid to investment entity subsidiaries	1	**–**	**(50)**	**(50)**	–	(647)	(647)
Amounts received from investment entity subsidiaries	1	**–**	**78**	**78**	–	192	192
Net cash flow from derivatives		**6**	**–**	**6**	3	–	3
Portfolio interest received	1	**–**	**–**	**–**	5	(5)	–
Portfolio dividends received	1	**26**	**(3)**	**23**	57	(27)	30
Portfolio fees received	1	**3**	**–**	**3**	2	–	2
Fees received from external funds		**24**	**–**	**24**	19	–	19
Carried interest and performance fees received	1	**8**	**–**	**8**	6	–	6
Carried interest and performance fees paid	1	**(13)**	**–**	**(13)**	(400)	374	(26)
Operating expenses paid		**(70)**	**–**	**(70)**	(67)	–	(67)
Co-investment loans (paid)/received	1	**(4)**	**–**	**(4)**	13	–	13
Tax paid		**(1)**	**–**	**(1)**	–	–	–
Interest received	1	**–**	**–**	**–**	(1)	1	–
Net cash flow from operating activities		**43**	**(1)**	**42**	(378)	(50)	(428)
Cash flow from financing activities							
Dividend paid		**(203)**	**–**	**(203)**	(169)	–	(169)
Proceeds from long-term borrowing		**–**	**–**	**–**	395	–	395
Lease payments		**(2)**	**–**	**(2)**	(2)	–	(2)
Interest paid		**(19)**	**–**	**(19)**	(12)	–	(12)
Net cash flow from financing activities		**(224)**	**–**	**(224)**	212	–	212
Change in cash and cash equivalents	2	**(181)**	**(1)**	**(182)**	(166)	(50)	(216)
Cash and cash equivalents at the start of the period	2	**225**	**(9)**	**216**	845	(74)	771
Effect of exchange rate fluctuations	1	**–**	**3**	**3**	8	(2)	6
Cash and cash equivalents at the end of the period	2	**44**	**(7)**	**37**	687	(126)	561

Notes:

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

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

Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2021 (unaudited) £m	Six months to 30 September 2020 (unaudited) £m
Realised profits over value on the disposal of investments	2	**11**	5
Unrealised profits on the revaluation of investments	3	**1,074**	605
Fair value movements on investment entity subsidiaries	8	**1,094**	634
Portfolio income			
Dividends		**22**	30
Interest income from investment portfolio		**13**	10
Fees receivable	4	**3**	7
Foreign exchange on investments		**42**	14
Movement in the fair value of derivatives		**(4)**	(4)
Gross investment return		**2,255**	1,301
Fees receivable from external funds	4	**25**	21
Operating expenses		**(56)**	(57)
Interest paid		**(27)**	(23)
Exchange movements		**(1)**	(3)
Income from investment entity subsidiaries		**11**	12
Operating profit before carried interest		**2,207**	1,251
Carried interest			
Carried interest and performance fees receivable	4	**2**	(2)
Carried interest and performance fees payable		**(10)**	5
Operating profit before tax		**2,199**	1,254
Tax charge		**(2)**	–
Profit for the period		**2,197**	1,254
Other comprehensive income that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**2**	6
Other comprehensive expense that will not be reclassified to the income statement			
Re-measurements of defined benefit plans		**–**	(118)
Other comprehensive income/(expense) for the period		**2**	(112)
Total comprehensive income for the period ("Total return")		**2,199**	1,142
Earnings per share			
Basic (pence)	5	**227.4**	130.1
Diluted (pence)	5	**226.9**	130.0

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

Condensed consolidated statement of financial position

	Notes	30 September 2021 (unaudited) £m	31 March 2021 (audited) £m
Assets			
Non-current assets			
Investments			
Quoted investments	7	**817**	797
Unquoted investments	7	**5,299**	4,213
Investments in investment entity subsidiaries	8	**5,983**	4,905
Investment portfolio		**12,099**	9,915
Carried interest and performance fees receivable		**11**	9
Other non-current assets		**56**	52
Intangible assets		**7**	8
Retirement benefit surplus		**55**	55
Property, plant and equipment		**4**	5
Right of use asset		**15**	16
Derivative financial instruments		**9**	16
Deferred income taxes		**1**	1
Total non-current assets		**12,257**	10,077
Current assets			
Carried interest and performance fees receivable		**–**	8
Other current assets		**18**	21
Current income taxes		**2**	2
Derivative financial instruments		**9**	10
Cash and cash equivalents		**37**	216
Total current assets		**66**	257
Total assets		**12,323**	10,334
Liabilities			
Non-current liabilities			
Trade and other payables		**(17)**	(17)
Carried interest and performance fees payable		**(43)**	(49)
Loans and borrowings		**(975)**	(975)
Retirement benefit deficit		**(29)**	(29)
Lease liability		**(11)**	(13)
Derivative financial instruments		**(1)**	–
Deferred income taxes		**(1)**	(1)
Provisions		**(2)**	(2)
Total non-current liabilities		**(1,079)**	(1,086)
Current liabilities			
Trade and other payables		**(60)**	(62)
Carried interest and performance fees payable		**(5)**	(17)
Lease liability		**(5)**	(4)
Current income taxes		**(1)**	(1)
Total current liabilities		**(71)**	(84)
Total liabilities		**(1,150)**	(1,170)
Net assets		**11,173**	9,164
Equity			
Issued capital		**719**	719
Share premium		**789**	788
Capital redemption reserve		**43**	43
Share-based payment reserve		**27**	34
Translation reserve		**(3)**	(5)
Capital reserve		**8,641**	6,733
Revenue reserve		**1,003**	916
Own shares		**(46)**	(64)
Total equity		**11,173**	9,164

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

Condensed consolidated statement of changes in equity

For the six months to 30 September 2021 (unaudited)	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the period	**719**	**788**	**43**	**34**	**(5)**	**6,733**	**916**	**(64)**	**9,164**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**2,129**	**68**	**–**	**2,197**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**–**	**2**
Re-measurements of defined benefit plans	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**2**	**2,129**	**68**	**–**	**2,199**
Share-based payments	**–**		**–**	**12**	**–**	**–**	**–**	**–**	**12**
Release on exercise/forfeiture of share awards	**–**	**–**	**–**	**(19)**	**–**	**–**	**19**	**–**	**–**
Exercise of share awards	**–**	**–**	**–**	**–**	**–**	**(18)**	**–**	**18**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**(203)**	**–**	**–**	**(203)**
Issue of ordinary shares	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**1**
Total equity at the end of the period	**719**	**789**	**43**	**27**	**(3)**	**8,641**	**1,003**	**(46)**	**11,173**

1 Refer to the Glossary on pages 45 to 47 for the nature of the capital and revenue reserves.

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

1 Refer to the Glossary on pages 45 to 47 for the nature of the capital and revenue reserves.

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

Condensed consolidated cash flow statement

	Notes	Six months to 30 September 2021 (unaudited) £m	Six months to 30 September 2020 (unaudited) £m
Cash flow from operating activities			
Purchase of investments		**(24)**	(61)
Proceeds from investments		**62**	108
Amounts paid to investment entity subsidiaries		**(50)**	(647)
Amounts received from investment entity subsidiaries		**78**	192
Net cash flow from derivatives		**6**	3
Portfolio dividends received		**23**	30
Portfolio fees received		**3**	2
Fees received from external funds		**24**	19
Carried interest and performance fees received		**8**	6
Carried interest and performance fees paid		**(13)**	(26)
Operating expenses paid		**(70)**	(67)
Co-investment loans (paid)/received		**(4)**	13
Tax paid		**(1)**	–
Net cash flow from operating activities		**42**	(428)
Cash flow from financing activities			
Dividend paid	6	**(203)**	(169)
Proceeds from long-term borrowing		**–**	395
Lease payments		**(2)**	(2)
Interest paid		**(19)**	(12)
Net cash flow from financing activities		**(224)**	212
Change in cash and cash equivalents		**(182)**	(216)
Cash and cash equivalents at the start of the period		**216**	771
Effect of exchange rate fluctuations		**3**	6
Cash and cash equivalents at the end of the period		**37**	561

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

Notes to the condensed consolidated financial statements

Basis of preparation and accounting policies

Compliance with International Financial Reporting Standards ("IFRS")

The Half-year condensed consolidated financial statements of 3i Group plc have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and IAS 34 Interim Financial Reporting as adopted for use in the UK. The Half-year condensed consolidated financial statements should be read in conjunction with the Annual report and accounts 2021 which have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Annual report and accounts for the year ended 31 March 2022 will be prepared in accordance with UK adopted international accounting standards.

The Half-year condensed consolidated financial statements are presented to the nearest million sterling (£m), the functional currency of the Company. The accounting policies applied by 3i Group plc for the Half-year condensed consolidated financial statements are consistent with those described on pages 133 to 170 of the Annual report and accounts 2021. There was no change in the current period to the critical accounting estimates and judgements applied in 2021, which are stated on page 135 of the Annual report and accounts 2021.

The financial information for the year ended 31 March 2021 and for the six months ended 30 September 2021 contained within this Half-year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for the year to 31 March 2021, prepared under IFRS in conformity with the requirements of the Companies Act 2006, have been reported on by KPMG LLP and delivered to the Registrar of Companies. The report of the Auditor on these statutory accounts was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

Going concern

These condensed consolidated financial statements are prepared on a going concern basis. 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 outlook. The Group has continued to perform strongly in the period, against a backdrop of more stabilised financial markets following the global Covid-19 vaccine deployment. To support the going concern assessment the Directors considered:

- an analysis of the Group's liquidity, solvency and regulatory capital position. The Group manages and monitors liquidity regularly, ensuring it is adequate and sufficient and is underpinned by its monitoring of investments, realisations, operating expenses and receipt of portfolio cash income. At 30 September 2021 the Group has liquidity of £544 million (31 March 2021: £725 million). Liquidity comprised of cash and deposits of £44 million (31 March 2021: £225 million) and an undrawn facility of £500 million (31 March 2021: £500 million); and

- the stress test scenarios on the Group's portfolio. The Directors have modelled a number of severe stress test scenarios based on the position of the Group as at 30 September 2021. The scenarios consider the potential impact of continued Covid-19 restrictions and the anticipated recovery profile for each portfolio company, as well as the impact of a significant downturn event specifically on the Group's largest asset, Action. These scenarios include a range of estimated impacts, primarily based on providing additional support to portfolio companies as a result of the downturn and delaying the Group's ability to realise and make new investments. The scenarios are most sensitive to a delay in realisations which contribute to liquidity of the Group. A key judgement applied is the extent of a continued Covid-19 related impact on trading activity and restrictions alongside the likely recovery profile of portfolio companies. The severe scenarios include assumptions modelling a "U-shaped" recovery (which considers an extended and drawn-out recovery in which the economy is impacted by rolling lockdowns and much reduced economic activity), and a scenario in which this "U-shaped" recovery is combined with a material and significant deterioration in the trading performance of the Group's largest asset, Action.

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 by, in certain cases, 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 reduced new investment levels and drawing on the existing RCF.

Having performed the assessment on going concern, the Directors considered it appropriate to prepare the condensed consolidated financial statements of the 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.

1 Segmental analysis

The tables below are presented on the Investment basis which is the basis used by the chief operating decision maker, the Chief Executive, to monitor the performance of the Group. A description of the Investment basis and a reconciliation of the Investment basis to the IFRS financial statements is provided on pages 19 to 23. Further detail on the Group's segmental analysis can be found on pages 137 to 139 of the Annual report and accounts 2021. The remaining Notes are prepared on an IFRS basis.

Investment basis Six months to 30 September 2021	Private Equity £m	*Of which is Action £m*	Infrastructure £m	Scandlines £m	Total[3] £m
Realised profits over value on the disposal of investments	12	*–*	3	–	15
Unrealised profits on the revaluation of investments	2,219	*1,491*	30	30	2,279
Portfolio income					
Dividends	10	*–*	15	–	25
Interest income from investment portfolio	33	*–*	5	–	38
Fees receivable	2	*–*	–	–	2
Foreign exchange on investments	97	*43*	7	4	108
Movement in the fair value of derivatives	–	*–*	–	(4)	(4)
Gross investment return	**2,373**	*1,534*	**60**	**30**	**2,463**
Fees receivable from external funds	2	*–*	23	–	25
Operating expenses	(35)	*–*	(20)	(1)	(56)
Interest received					–
Interest paid					(27)
Exchange movements					(6)
Operating profit before carried interest					**2,399**
Carried interest					
Carried interest and performance fees receivable	2	*–*	–	–	2
Carried interest and performance fees payable	(194)	*–*	(6)	–	(200)
Operating profit before tax					**2,201**
Tax charge					(2)
Profit for the period					**2,199**
Other comprehensive income					
Re-measurements of defined benefit plans					–
Total return					**2,199**
Realisations[1]	118	*–*	6	–	124
Cash investment	(58)	*–*	(1)	–	(59)
Net divestment	**60**	*–*	**5**	**–**	**65**
Balance sheet					
Opening portfolio value at 1 April 2021	8,814	*4,566*	1,159	435	10,408
Investment[2]	97	*–*	1	–	98
Value disposed	(106)	*–*	(3)	–	(109)
Unrealised value movement	2,219	*1,491*	30	30	2,279
Other movement (including foreign exchange)	91	*43*	13	4	108
Closing portfolio value at 30 September 2021	**11,115**	*6,100*	**1,200**	**469**	**12,784**

1 Realised proceeds may differ from cash proceeds due to timing of receipts. During the period Private Equity received £3 million of cash proceeds which were recognised as realised proceeds in FY2021. During the period Infrastructure recognised £4 million of realised proceeds which are to be received in the second half of FY2022.
2 Includes capitalised interest and other non-cash investment.
3 The total is the sum of Private Equity, Infrastructure and Scandlines. "Of which is Action" is part of Private Equity.

1 Segmental analysis continued

Investment basis

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

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

2 Realised profits over value on the disposal of investments

Six months to 30 September 2021	**Unquoted investments £m**	**Total £m**
Realisations	**58**	**58**
Valuation of disposed investments	**(47)**	**(47)**
	11	**11**
Of which:		
– profit recognised on realisations	**11**	**11**
– losses recognised on realisations	**–**	**–**
	11	**11**

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

3 Unrealised profits on the revaluation of investments

Six months to 30 September 2021	**Unquoted investments £m**	**Quoted investments £m**	**Total £m**
Movement in the fair value of investments	**1,054**	**20**	**1,074**
Of which:			
– unrealised gains	**1,065**	**20**	**1,085**
– unrealised losses	**(11)**	**–**	**(11)**
	1,054	**20**	**1,074**

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

4 Revenue

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

Six months to 30 September 2021	**Private Equity £m**	**Infrastructure £m**	**Total £m**
Total revenue by geography[1]			
UK	**2**	**21**	**23**
Northern Europe	**2**	**1**	**3**
North America	**3**	**1**	**4**
Other	**–**	**–**	**–**
Total	**7**	**23**	**30**
Revenue by type			
Fees receivable[2] from portfolio	**3**	**–**	**3**
Fees receivable from external funds	**2**	**23**	**25**
Carried interest and performance fees receivable[2]	**2**	**–**	**2**
Total	**7**	**23**	**30**

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

1 For fees receivable from external funds and carried interest and performance fees receivable the geography is based on the domicile of the fund.

2 Fees receivable and carried interest receivable above are different to the Investment basis figures included in Note 1. This is due to the fact that Note 1 is disclosed on the Investment basis and the table above is shown on the IFRS basis. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 19 to 23.

5 Per share information

The calculation of basic net assets per share is based on the net assets and the number of shares in issue at the period 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.

	30 September 2021	31 March 2021
Net assets per share (£)		
Basic	**11.55**	9.50
Diluted	**11.53**	9.47
Net assets (£m)		
Net assets attributable to equity holders of the Company	**11,173**	9,164

	30 September 2021	31 March 2021
Number of shares in issue		
Ordinary shares	**973,205,270**	973,166,947
Own shares	**(6,205,579)**	(8,530,634)
	966,999,691	964,636,313
Effect of dilutive potential ordinary shares		
Share awards	**2,251,033**	2,656,230
Diluted shares	**969,250,724**	967,292,543

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 period to 30 September 2021 are 966,063,483 (2020: 963,542,371). 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 period to 30 September 2021 are 968,079,404 (2020: 964,863,213).

	6 months to 30 September 2021	6 months to 30 September 2020
Earnings per share (pence)		
Basic	**227.4**	130.1
Diluted	**226.9**	130.0
Earnings (£m)		
Profit for the period attributable to equity holders of the Company	**2,197**	1,254

6 Dividends

	6 months to 30 September 2021 pence per share	6 months to 30 September 2021 £m	6 months to 30 September 2020 pence per share	6 months to 30 September 2020 £m
Declared and paid during the period				
Second dividend	**21.0**	**203**	17.5	169
	21.0	**203**	17.5	169
Proposed first dividend	**19.25**	**186**	17.5	169

The dividend can be paid out of either the capital reserve or the revenue reserve subject to the investment trust rules.

The distributable reserves of the parent company as at 31 March 2021 were £3,811 million (31 March 2020: £3,863 million) and the Board reviews the distributable reserves bi-annually, including consideration of any material changes since the most recent audited accounts, ahead of proposing any dividend. The Board also reviews the proposed dividends in the context of the requirements of being an approved investment trust. Shareholders are given the opportunity to approve the total dividend for the year at the Company's Annual General Meeting. Details of the Group's continuing viability and going concern can be found in the Risk management section on pages 50 to 63 of the Annual report and accounts 2021.

7 Investment portfolio

This section should be read in conjunction with Note 11 on page 145 of the Annual report and accounts 2021, which provides more detail about initial recognition and subsequent measurement of investments at fair value.

Non-current	6 months to 30 September 2021 £m	Year to 31 March 2021 £m
Opening book value	**5,010**	3,454
Additions	**32**	881
– of which loan notes with nil value	**–**	(24)
Disposals, repayments and write-offs	**(47)**	(333)
Fair value movements recognised in profit or loss[1]	**1,074**	1,217
Other movements and net cash movements[2]	**47**	(185)
Closing book value	**6,116**	5,010
Quoted investments	**817**	797
Unquoted investments	**5,299**	4,213
Closing book value	**6,116**	5,010

1 All fair value movements relate to assets held at the end of the period and are recognised in unrealised profits on the revaluation of investments.
2 Other movements includes the impact of foreign exchange and accrued interest.

3i's investment portfolio is made up of longer-term investments, with average holding periods greater than one year, and thus is classified as non-current.

Additions in the period include cash investment of £24 million (31 March 2021: £126 million), £8 million (31 March 2021: £34 million) in capitalised interest received by way of loan notes, of which none (31 March 2021: £24 million) were written down to nil and no transfer of assets from investment entity subsidiaries (31 March 2021: £721 million).

In the period no transfer of assets to investment entity subsidiaries were included within disposals, repayments and write-offs (31 March 2021: £259 million).

Included within profit or loss is £13 million (31 March 2021: £22 million) of interest income. Interest income included £3 million (2021: £10 million) of accrued income capitalised during the period and £10 million (2021: £12 million) of accrued income remaining uncapitalised at the period end.

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

8 Investments in investment entity subsidiaries

This section should be read in conjunction with Note 12 on page 146 of the Annual report and accounts 2021, which provides more detail about accounting policies adopted, entities which are typically investment in investment entities and the determination of fair value.

Level 3 fair value reconciliation – investments in investment entity subsidiaries

Non-current	6 months to 30 September 2021 £m	Year to 31 March 2021 £m
Opening fair value	**4,905**	3,936
Amounts paid to investment entity subsidiaries	**50**	879
Amounts received from investment entity subsidiaries	**(78)**	(281)
Fair value movement on investment entity subsidiaries	**1,094**	792
Transfer of portfolio investments from investment entity subsidiaries	**–**	(462)
Transfer of assets to investment entity subsidiaries	**12**	41
Closing fair value	**5,983**	4,905

Transfer of portfolio investments from investment entity subsidiaries includes the transfer of investment portfolio between investment entity subsidiaries and the Company at fair value. The consideration for these transfers can either be cash or intra-group receivables.

Restrictions
3i Group plc, the ultimate parent company, receives dividend income from its subsidiaries. There are no restrictions on the ability to transfer funds from these subsidiaries to the Group at 30 September 2021.

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

9 Fair values of assets and liabilities

This section should be read in conjunction with Note 13 on pages 147 to 149 of the Annual report and accounts 2021 which provides more detail about accounting policies adopted, the definitions of the three levels of fair value hierarchy, valuation methods used in calculating fair value, and the valuation framework which governs oversight of valuations. There have been no changes in the accounting policies adopted or the valuation methodologies used.

Valuation

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

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

9 Fair values of assets and liabilities continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 30 September 2021:

	30 September 2021				31 March 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Quoted investments	817	–	–	817	797	–	–	797
Unquoted investments	–	–	5,299	5,299	–	–	4,213	4,213
Investments in investment entity subsidiaries	–	–	5,983	5,983	–	–	4,905	4,905
Other financial assets	–	18	40	58	–	26	35	61
Liabilities								
Other financial liabilities	–	(1)	–	(1)	–	–	–	–
Total	817	17	11,322	12,156	797	26	9,153	9,976

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

The fair values of the Group's financial assets and liabilities not held at fair value, are not materially different from their carrying values, with the exception of loans and borrowings. The fair value of loans and borrowings is £1,169 million (31 March 2021: £1,161 million), determined with reference to their published market prices. The carrying value of the loans and borrowings is £975 million (31 March 2021: £975 million) and accrued interest payable (included within trade and other payables) is £20 million (31 March 2021: £13 million).

Level 3 fair value reconciliation – unquoted investments

	Six months to 30 September 2021 £m	Year to 31 March 2021 £m
Opening fair value	4,213	3,036
Additions	32	584
– of which loan notes with nil value	–	(24)
Disposals and repayments and write-offs	(47)	(333)
Fair value movements recognised in profit or loss[1]	1,054	1,135
Other movements and net cash movements[2]	47	(185)
Closing fair value	5,299	4,213

1 All fair value movements relate to assets held at the end of the period and are recognised in unrealised profits on the revaluation of investments.
2 Other movements includes the impact of foreign exchange and accrued interest.

Unquoted investments valued using Level 3 inputs also had the following impact on profit or loss: realised profits over value on disposal of investment of £11 million (September 2020: £5 million), dividend income of £9 million (September 2020: £22 million) and foreign exchange gains of £43 million (September 2020: £19 million).

9 Fair values of assets and liabilities continued

Assets move between Level 1 and Level 3 when an unquoted equity investment lists on a quoted market exchange. There were no transfers in or out of Level 3 during the period. In the six months to 30 September 2021, two assets changed valuation basis within level 3. One asset moved from other basis to an earnings-based valuation and one asset moved from an earnings-based valuation to an imminent sale basis. Action remains unchanged on an earnings-based valuation. The changes in valuation methodology in the period reflect our view of the most appropriate method to determine the fair value of the two assets at 30 September 2021. Further information can be found in the Private Equity and Infrastructure sections of the Business and Financial review starting on page 6.

The following table summarises the various valuation methodologies used by the Group to fair value level 3 instruments, the inputs and the sensitivities applied and the impact of those sensitives to the unobservable inputs. We have maintained a 5% sensitivity which is appropriate given the strength in performance of our companies. For the small number of companies in our portfolio that operate in more challenged sectors such as travel and automotive, our fair value at the 30 September 2021, reflects the impact this has had on performance. All numbers in the table below are on an investment basis.

Level 3 unquoted investments

Methodology	Description	Inputs	Fair value at 30 September 2021 (£m)	Sensitivity on key unobservable input	Fair value impact of sensitivities (£m) +5%/-5%
Earnings (Private Equity)	Most commonly used Private Equity valuation methodology. Used for investments which are typically profitable and for which we can determine a set of listed companies and precedent transactions, where relevant, with similar characteristics.	Earnings multiples are applied to the earnings of the company to determine the enterprise value **Earnings multiples** When selecting earnings multiple, we consider: 1. Comparable listed companies' current performance and through the cycle averages. 2. Relevant market transaction multiples. 3. Exit expectations and other company specific factors For point 1 and 2 of the above we select companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus. The pre-discount multiple ranges from 8.5x-19.5x (31 March 2021: 8.5x – 19.5x).	**10,337** (31 March 2021: 8,393)	For the assets valued on an earnings basis, we have applied a 5% sensitivity to the earnings multiple Action is our largest asset, and we have included a 5% sensitivity on Action's earnings multiple of 19.5x (equivalent to 18.5x net). On a stand-alone basis, this is equal to	**618** (31 March 2021: 528) **(628)** (31 March 2021: (539) **354** (31 March 2021: 283) **(355)** (31 March 2021: (284))

9 Fair values of assets and liabilities continued

Methodology	Description	Inputs	Fair value at 30 September (£m)	Sensitivity on key unobservable input	Fair value impact of sensitivities (£m) +5%/-5%
		Other inputs: **Earnings** Reported earnings are adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, run-rate adjustments to arrive at maintainable earnings. The most common measure is earnings before interest, tax, depreciation and amortisation ("EBITDA"). Earnings are usually obtained from portfolio company management accounts to the preceding quarter end, with reference also to forecast earnings and the maintainable view of earnings. Action, our largest asset, we value using run-rate earnings.			
Discounted cash flow (Private Equity/ Infrastructure/ Scandlines)	Appropriate for businesses with long-term stable cash flows, typically in Infrastructure or alternatively businesses where DCF is more appropriate in the short term.	Long-term cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment.	**885** (31 March 2021: 831)	For the assets valued on a DCF basis, we have applied a 5% sensitivity to the discount rate	**(35)** (31 March 2021: (38)) **37** (31 March 2021: 40)
Imminent sale (Private Equity)	Used for assets where a sale has been agreed.	A 2.5% discount is applied to expected proceeds net of fees.	**343** (31 March 2021: –)	n/a	n/a
NAV (Private Equity/Infrastructure)	Used for investments in unlisted funds.	Net asset value reported by the fund manager. The valuation of the underlying portfolio is consistent with IFRS.	**73** (31 March 2021: 69)	A 5% increase on closing NAV	**4** (31 March 2021: 3)
Other (Private Equity/Infrastructure)	Used where elements of a business are valued on different bases.	Values of separate elements prepared on one of the methodologies listed above.	**68** (31 March 2021: 104)	A 5% increase in the closing value	**3** (31 March 2021: 5)

10 Related parties

All related party transactions that took place in the six months ending 30 September 2021 are consistent in nature with the disclosures in Note 29 on pages 164 to 166 of the Annual report and accounts 2021. Related party transactions which took place in the period and materially affected performance or the financial position of the Group, together with any material changes in related party transactions as described in the Annual report and accounts 2021 that could materially affect the performance or the financial position of the Group are detailed below.

Investments

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

Consolidated statement of comprehensive income	**Six months to 30 September 2021 £m**	Six months to 30 September 2020 £m
Realised profits over value on the disposal of investments	**1**	5
Unrealised profits on the revaluation of investments	**87**	67
Portfolio income	**6**	9

Consolidated statement of financial position	**30 September 2021 £m**	31 March 2021 £m
Unquoted investments	**664**	578

Management arrangements

The Group acted as Investment Manager to 3i Infrastructure plc ("3iN"), which is listed on the London Stock Exchange, for the period to 30 September 2021. The following amounts have been recognised in respect of the management relationship:

Consolidated statement of comprehensive income	**Six months to 30 September 2021 £m**	Six months to 30 September 2020 £m
Unrealised profits on the revaluation of investments	**20**	71
Dividends	**13**	8
Fees receivable from external funds	**16**	12

Consolidated statement of financial position	**30 September 2021 £m**	31 March 2021 £m
Quoted equity investments	**817**	797
Performance fees receivable	**–**	8

Statement of Directors' responsibilities

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

The Directors confirm that to the best of their knowledge:

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

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

i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year ending 31 March 2022 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being (i) related party transactions that have taken place in the first six months of the financial year ending 31 March 2022 which have materially affected the financial position or performance of 3i Group during that period; and (ii) any changes in the related party transactions described in the Annual report and accounts 2021 that could materially affect the financial position or performance of 3i Group during the first six months of the financial year ending 31 March 2022.

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

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

K J Dunn, Secretary
10 November 2021

List of Directors and their functions

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

Simon Thompson, Chairman and Chairman of the Nominations Committee
Simon Borrows, Chief Executive and Executive Director
Julia Wilson, Group Finance Director and Executive Director
Caroline Banszky, non-executive Director and Chairman of the Audit and Compliance Committee
Stephen Daintith, non-executive Director
David Hutchison, non-executive Director, Senior Independent Director and Chairman of the Valuations Committee
Lesley Knox, non-executive Director
Coline McConville, non-executive Director and Chairman of the Remuneration Committee
Peter McKellar, non-executive Director
Alexandra Schaapveld, non-executive Director

Independent review report to 3i Group plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 which comprises the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with UK adopted international accounting standards and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

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

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

Directors' Responsibilities

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

As disclosed in 'Basis of preparation and accounting policies', the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in UK.

Our Responsibility

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

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

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

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

10 November 2021

Portfolio and other information

20 large investments

The 20 investments listed below account for 95% of the portfolio value at 30 September 2021 (31 March 2021: 95%).

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] September 2021 £m**	Residual cost[1] March 2021 £m	**Valuation September 2021 £m**	Valuation March 2021 £m	Relevant transactions in the period
Action* General merchandise discount retailer	Private Equity Netherlands 2011/2020 Earnings	**623**	623	**6,100**	4,566	
3i Infrastructure plc* Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	**305**	305	**817**	797	
Cirtec Medical* Outsourced medical device manufacturing	Private Equity US 2017 Earnings	**172**	172	**488**	444	Acquisition of Cardea in July 2021
Scandlines Ferry operator between Denmark and Germany	Scandlines Denmark/Germany 2018 DCF	**529**	529	**469**	435	
Luqom* Online lighting specialist retailer	Private Equity Germany 2017 Earnings	**169**	110	**453**	307	Acquisition of Lampemesteren in April 2021 £57 million further investment in July 2021
Tato Manufacturer and seller of speciality chemicals	Private Equity UK 1989 Earnings	**2**	2	**412**	368	
Magnitude Software* Provider of unified application data management solutions	Private Equity US 2019 Imminent sale	**139**	139	**343**	165	Sale agreed in September 2021 and completed in November 2021
Hans Anders* Value-for-money optical retailer	Private Equity Netherlands 2017 Earnings	**268**	268	**323**	262	
Royal Sanders* Private label and contract manufacturing producer of personal care products	Private Equity Netherlands 2018 Earnings	**136**	136	**295**	364	Distributed £84 million to 3i in June 2021
Evernex* Provider of third-party maintenance services for data centre infrastructure	Private Equity France 2019 Earnings	**278**	272	**283**	281	
WP* Supplier of plastic packaging solutions	Private Equity Netherlands 2015 Earnings	**230**	222	**265**	259	
Havea* Manufacturer of natural healthcare and cosmetics products	Private Equity France 2017 Earnings	**191**	187	**265**	242	Acquisition of ixX Pharma in September 2021
Basic-Fit Discount gyms operator	Private Equity Netherlands 2013 Quoted	**23**	23	**261**	214	
Q Holding* Manufacturer of precision engineered elastomeric components	Private Equity US 2014 Earnings	**162**	162	**254**	187	

20 large investments continued

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] September 2021 £m**	Residual cost[1] March 2021 £m	**Valuation September 2021 £m**	Valuation March 2021 £m	Relevant transactions in the period
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	**30**	30	**254**	212	
BoConcept* Urban living designer	Private Equity Denmark 2016 Earnings	**167**	165	**240**	161	Distributed £17 million to 3i in July 2021
SaniSure* Manufacturer, distributor and integrator of single-use bioprocessing systems and components	Private Equity US 2019 Earnings	**76**	135	**189**	183	Returned £59 million of funding to 3i in July 2021
Smarte Carte* Provider of self-serve vended luggage carts, electronic lockers and concession carts	Infrastructure US 2017 DCF	**181**	176	**170**	160	
MPM* An international branded, premium and natural pet food company	Private Equity UK 2020 Earnings	**133**	128	**149**	124	
Regional Rail* Owns and operates short-line freight railroads and rail-related businesses	Infrastructure US 2019 DCF	**175**	175	**140**	131	
		3,989	3,959	**12,170**	9,862	

* Controlled in accordance with IFRS.
1 Residual cost includes cash investment and interest net of cost disposed.

Glossary

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

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

2019-2022 vintage includes Evernex, SaniSure, GartenHaus, MPM, WilsonHCG, ten23 Health and MAIT.

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.

Board The board of Directors of the Company.

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

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

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

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

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

Company 3i Group plc.

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.

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

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

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

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

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

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

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

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

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

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

IRR Internal Rate of Return.

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 figures compare financial results in one period with those for the previous period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Information for shareholders

Note

The first FY2022 dividend is expected to be paid on 12 January 2022 to holders of ordinary shares on the register on 3 December 2021. The ex-dividend date will be 2 December 2021.

3i Group plc

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