

Scandlines

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

Performance

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

Scandlines continues to progress its zero-emission fleet ambition with the construction of its new electric freight ferry, which is expected to be operational in 2024. Further details can be found on page 51.

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

Foreign exchange

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

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

Table 11: Gross investment return for the year to 31 March

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

At a glance

Gross investment return

**£52m
or 10%**

(2022: £112m or 26%)

