Audited financial statements

What's in this section

Consolidated statement of comprehensive income

for the year to 31 March

	Notes	2023 £m	2022 £m
Realised profits over value on the disposal of investments	2	**64**	89
Unrealised profits on the revaluation of investments	3	**1,897**	1,781
Fair value movements on investment entity subsidiaries	12	**2,112**	1,974
Portfolio income			
Dividends		**229**	206
Interest income from investment portfolio		**29**	30
Fees receivable	4	**10**	6
Foreign exchange on investments		**203**	(9)
Movement in the fair value of derivatives	18	**122**	2
Gross investment return		**4,666**	4,079
Fees receivable from external funds	4	**70**	62
Operating expenses	5	**(137)**	(127)
Interest receivable		**4**	–
Interest payable		**(54)**	(53)
Exchange movements		**(6)**	16
Income from investment entity subsidiaries		**30**	32
Other (expense)/income		**(1)**	2
Operating profit before carried interest		**4,572**	4,011
Carried interest			
Carried interest and performance fees receivable	14	**41**	53
Carried interest and performance fees payable	15	**(38)**	(46)
Operating profit before tax		**4,575**	4,018
Tax charge	8	**(2)**	(5)
Profit for the year		**4,573**	4,013
Other comprehensive income that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**4**	(1)
Other comprehensive income that will not be reclassified to the income statement			
Re-measurements of defined benefit plans	26	**8**	2
Other comprehensive income for the year		**12**	1
Total comprehensive income for the year ("Total return")		**4,585**	4,014

Earnings per share			
Basic (pence)	9	**475.0**	415.4
Diluted (pence)	9	**473.8**	414.3

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

Consolidated statement of financial position

as at 31 March

	Notes	2023 £m	2022 £m
Assets			
Non-current assets			
Investments			
Quoted investments	11,13	**841**	934
Unquoted investments	11,13	**8,677**	5,708
Investments in investment entity subsidiaries	12,13	**7,844**	6,791
Investment portfolio		**17,362**	13,433
Carried interest and performance fees receivable	14	**3**	9
Other non-current assets	16	**30**	45
Intangible assets		**5**	6
Retirement benefit surplus	26	**53**	53
Property, plant and equipment		**3**	3
Right of use asset		**9**	13
Derivative financial instruments	18	**73**	7
Deferred income taxes	8	**–**	1
Total non-current assets		**17,538**	13,570
Current assets			
Carried interest and performance fees receivable	14	**40**	51
Other current assets	16	**30**	104
Current income taxes		**1**	1
Derivative financial instruments	18	**48**	10
Cash and cash equivalents		**162**	212
Total current assets		**281**	378
Total assets		**17,819**	13,948
Liabilities			
Non-current liabilities			
Trade and other payables	19	**(4)**	(14)
Carried interest and performance fees payable	15	**(43)**	(42)
Loans and borrowings	17	**(775)**	(775)
Derivative financial instruments	18	**(3)**	–
Retirement benefit deficit	26	**(20)**	(26)
Lease liability		**(5)**	(9)
Deferred income taxes	8	**(1)**	(1)
Provisions		**(4)**	(3)
Total non-current liabilities		**(855)**	(870)
Current liabilities			
Trade and other payables	19	**(76)**	(80)
Carried interest and performance fees payable	15	**(34)**	(35)
Loans and borrowings	17	**–**	(200)
Derivative financial instruments	18	**(1)**	–
Lease liability		**(5)**	(5)
Current income taxes		**(4)**	(4)
Total current liabilities		**(120)**	(324)
Total liabilities		**(975)**	(1,194)
Net assets		**16,844**	12,754
Equity			
Issued capital	20	**719**	719
Share premium		**790**	789
Capital redemption reserve		**43**	43
Share-based payment reserve	27	**31**	33
Translation reserve		**(2)**	(6)
Capital reserve		**14,044**	10,151
Revenue reserve		**1,327**	1,125
Own shares	21	**(108)**	(100)
Total equity		**16,844**	12,754

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

David Hutchison
Chairman

10 May 2023

Consolidated statement of changes in equity

for the year to 31 March

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

1 Refer to Note 20 for the nature of the capital and revenue reserves.

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

1 Refer to Note 20 for the nature of the capital and revenue reserves.

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

Consolidated cash flow statement

for the year to 31 March

	Notes	2023 £m	2022 £m
Cash flow from operating activities			
Purchase of investments		**(46)**	(324)
Proceeds from investments		**227**	294
Amounts paid to investment entity subsidiaries		**(535)**	(349)
Amounts received from investment entity subsidiaries		**841**	685
Net cash flow from derivatives		**23**	11
Portfolio interest received		**12**	3
Portfolio dividends received		**223**	204
Portfolio fees received		**5**	9
Fees received from external funds		**67**	68
Carried interest and performance fees received	14	**58**	10
Carried interest and performance fees paid	15	**(29)**	(14)
Operating expenses paid		**(128)**	(105)
Co-investment loans received/(paid)		**5**	(3)
Tax received		**–**	1
Interest received		**4**	–
Net cash flow from operating activities		**727**	490
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares	21	**(30)**	(54)
Dividend paid	10	**(485)**	(389)
Repayment of long-term borrowing	17	**(200)**	–
Lease payments	17	**(5)**	(4)
Interest paid		**(54)**	(52)
Net cash flow from financing activities		**(773)**	(498)
Cash flow from investing activities			
Purchases of property, plant and equipment		**(1)**	–
Net cash flow from investing activities		**(1)**	–
Change in cash and cash equivalents		**(47)**	(8)
Cash and cash equivalents at the start of the year		**212**	216
Effect of exchange rate fluctuations		**(3)**	4
Cash and cash equivalents at the end of the year		**162**	212

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

Company statement of financial position

as at 31 March

	Notes	2023 £m	2022 £m
Assets			
Non-current assets			
Investments			
Quoted investments	11,13	**841**	934
Unquoted investments	11,13	**8,677**	5,708
Investment portfolio		**9,518**	6,642
Carried interest and performance fees receivable	14	**81**	62
Interests in Group entities	23	**7,867**	6,801
Other non-current assets	16	**16**	24
Derivative financial instruments	18	**73**	7
Total non-current assets		**17,555**	13,536
Current assets			
Carried interest and performance fees receivable	14	**17**	26
Other current assets	16	**9**	89
Derivative financial instruments	18	**48**	10
Cash and cash equivalents		**128**	188
Total current assets		**202**	313
Total assets		**17,757**	13,849
Liabilities			
Non-current liabilities			
Loans and borrowings	17	**(775)**	(775)
Derivative financial instruments	18	**(3)**	–
Total non-current liabilities		**(778)**	(775)
Current liabilities			
Trade and other payables	19	**(728)**	(667)
Loans and borrowings	17	**–**	(200)
Derivative financial instruments	18	**(1)**	–
Total current liabilities		**(729)**	(867)
Total liabilities		**(1,507)**	(1,642)
Net assets		**16,250**	12,207
Equity			
Issued capital	20	**719**	719
Share premium		**790**	789
Capital redemption reserve		**43**	43
Share-based payment reserve	27	**31**	33
Capital reserve		**14,563**	10,577
Revenue reserve		**212**	146
Own shares	21	**(108)**	(100)
Total equity		**16,250**	12,207

The Company profit for the year to 31 March 2023 is £4,538 million (2022: £3,925 million).

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

David Hutchison
Chairman
10 May 2023

Company statement of changes in equity

for the year to 31 March

2023	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	789	43	33	10,577	146	(100)	12,207
Profit for the year	–	–	–	–	4,165	373	–	4,538
Total comprehensive income for the year	–	–	–	–	4,165	373	–	4,538
Share-based payments	–	–	–	19	–	–	–	19
Release on exercise/forfeiture of share awards	–	–	–	(21)	–	21	–	–
Exercise of share awards	–	–	–	–	(22)	–	22	–
Ordinary dividends	–	–	–	–	(157)	(328)	–	(485)
Purchase of own shares	–	–	–	–	–	–	(30)	(30)
Issue of ordinary shares	–	1	–	–	–	–	–	1
Total equity at the end of the year	719	790	43	31	14,563	212	(108)	16,250

1 Refer to Note 20 for the nature of the capital and revenue reserves.

2022	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	788	43	34	7,109	77	(64)	8,706
Profit for the year	–	–	–	–	3,599	326	–	3,925
Total comprehensive income for the year	–	–	–	–	3,599	326	–	3,925
Share-based payments	–	–	–	18	–	–	–	18
Release on exercise/forfeiture of share awards	–	–	–	(19)	–	19	–	–
Exercise of share awards	–	–	–	–	(18)	–	18	–
Ordinary dividends	–	–	–	–	(113)	(276)	–	(389)
Purchase of own shares	–	–	–	–	–	–	(54)	(54)
Issue of ordinary shares	–	1	–	–	–	–	–	1
Total equity at the end of the year	719	789	43	33	10,577	146	(100)	12,207

1 Refer to Note 20 for the nature of the capital and revenue reserves.

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

Company cash flow statement

for the year to 31 March

	Notes	2023 £m	2022 £m
Cash flow from operating activities			
Purchase of investments		**(46)**	(324)
Proceeds from investments		**227**	294
Amounts received from subsidiaries		**1,034**	803
Amounts paid to subsidiaries		**(805)**	(509)
Net cash flow from derivatives		**23**	11
Portfolio interest received		**12**	3
Portfolio dividends received		**223**	204
Portfolio fees paid		**(1)**	(2)
Carried interest and performance fees received	14	**34**	3
Co-investment loans received/(paid)		**5**	(3)
Interest received		**3**	–
Tax received		**–**	2
Net cash flow from operating activities		**709**	482
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares	21	**(30)**	(54)
Dividend paid	10	**(485)**	(389)
Repayment of long-term borrowing	17	**(200)**	–
Interest paid		**(54)**	(51)
Net cash flow from financing activities		**(768)**	(493)
Change in cash and cash equivalents		**(59)**	(11)
Cash and cash equivalents at the start of the year		**188**	195
Effect of exchange rate fluctuations		**(1)**	4
Cash and cash equivalents at the end of the year		**128**	188

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

Significant accounting policies

Reporting entity

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

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

A Basis of preparation

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

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

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

Going concern

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

The Directors' assessment of going concern, which takes into account the business model on pages 12 to 13 and the Group's liquidity of £1,312 million, indicates that the Group and parent company will have sufficient funds to continue as a going concern, for at least the next 12 months from the date of approval of the accounts. As detailed within the Financial review on pages 69 to 73 on the Investment basis the Group covers its cash operating costs, £133 million at 31 March 2023, with cash income generated by our Private Equity and Infrastructure businesses and Scandlines, £497 million at 31 March 2023. The Group's liquidity comprised of cash and deposits of £412 million (31 March 2022: £229 million) and an undrawn multi-currency facility of £900 million (31 March 2022: £500 million), which has no financial covenants. During the year the Group increased its existing RCF base of £500 million with an additional two-year £400 million tranche which provides the Group with additional liquidity in the medium term at low cost. Post 31 March 2023 the Group has successfully extended its £400 million tranche by a further year to July 2025.

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

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

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

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

B Basis of consolidation

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

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

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

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

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

General Partners (“GPs”) – Consolidated

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

Investment managers/advisers – Consolidated

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

Holding companies of investment managers/advisers – Consolidated

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

Limited Partnerships and other intermediate investment holding structures – Fair valued

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

Portfolio investments – Fair valued

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

Associates – Fair valued

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

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

C Critical accounting judgements and estimates

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

(a) Critical judgements

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

I. Assessment as an investment entity

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

(b) Critical estimates

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

I. Fair valuation of the investment portfolio

The investment portfolio, a material group of assets of the Group, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in Note 13 Fair values of assets and liabilities in this document. Given the importance of this area, the Board has a separate Valuations Committee to review the valuations policies, process and application to individual investments. A report on the activities of the Valuations Committee (including a review of the assumptions made) is included in the Valuations Committee report on pages 126 to 130.

II. Carried interest payable

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

D Other accounting policies

(a) Gross investment return

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

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

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

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

iv. Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured. The following specific recognition criteria must be met before the income is recognised:
- Dividends from equity investments are recognised in profit or loss when the shareholders' rights to receive payment have been established;
- Interest income from the investment portfolio is recognised as it accrues. When the fair value of an investment is assessed to be below the principal value of a loan, the Group recognises a provision against any interest accrued from the date of the assessment going forward until the investment is assessed to have recovered in value; and
- The accounting policy for fee income is included in Note 4.

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

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

(b) Foreign currency translation

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

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

(c) Treasury assets and liabilities

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

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

Notes to the accounts

1 Segmental analysis

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

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

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

The segmental analysis is prepared on the Investment basis. The Investment basis is an APM and we believe it provides a more understandable view of performance. For more information on the Investment basis and a reconciliation between the Investment basis and IFRS, see pages 73 to 76.

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

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

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

Notes to the accounts continued

1 Segmental analysis continued

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

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

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

1 Segmental analysis continued

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

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

2 Realised profits over value on the disposal of investments

	2023 Unquoted investments	**Total £m**
Realisations	**193**	**193**
Valuation of disposed investments	**(129)**	**(129)**
	64	**64**
Of which:		
– profits recognised on realisations	**64**	**64**
	64	**64**

	2022 Unquoted investments	Total £m
Realisations	323	323
Valuation of disposed investments	(234)	(234)
	89	89
Of which:		
– profits recognised on realisations	89	89
	89	89

Notes to the accounts continued

3 Unrealised profits on the revaluation of investments

	2023 Unquoted investments £m	2023 Quoted investments £m	Total £m
Movement in the fair value of investments	**1,990**	**(93)**	**1,897**
Of which:			
– unrealised profits	**2,152**	**–**	**2,152**
– unrealised losses	**(162)**	**(93)**	**(255)**
	1,990	**(93)**	**1,897**

	2022 Unquoted investments £m	2022 Quoted investments £m	Total £m
Movement in the fair value of investments	1,644	137	1,781
Of which:			
– unrealised profits	1,658	137	1,795
– unrealised losses	(14)	–	(14)
	1,644	137	1,781

4 Revenue

Accounting policy:

The following items from the Consolidated statement of comprehensive income fall within the scope of IFRS 15:

Fees receivable are earned for providing services to 3i's portfolio companies, which predominantly fall into one of two categories:

Negotiation and other transaction fees are earned for providing services relating to a specific transaction, such as when a portfolio company is bought, sold or refinanced. These fees are generally of a fixed nature and the revenue is recognised in full at the point of transaction completion.

Monitoring and other ongoing service fees are earned for providing a range of services to a portfolio company over a period of time. These fees are generally of a fixed nature and the revenue is recognised evenly over the period, in line with the services provided.

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 at that date. The revenue is recognised evenly over the period, in line with the services provided.

Carried interest and performance fees receivable – the accounting policy for carried interest and performance fees receivable is shown in Note 14.

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

Year to 31 March 2023	**Private Equity £m**	**Infrastructure £m**	**Total £m**
Total revenue by geography[1]			
UK	**6**	**95**	**101**
Northern Europe	**10**	**6**	**16**
North America	**2**	**2**	**4**
Other	**–**	**–**	**–**
Total	**18**	**103**	**121**
Revenue by type			
Fees receivable[2]	**10**	**–**	**10**
Fees receivable from external funds	**4**	**66**	**70**
Carried interest and performance fees receivable[2]	**4**	**37**	**41**
Total	**18**	**103**	**121**

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 73 to 76.

4 Revenue continued

Year to 31 March 2022	Private Equity £m	Infrastructure £m	Total £m
Total revenue by geography[1]			
UK	7	105	112
Northern Europe	4	2	6
North America	5	(3)	2
Other	–	1	1
Total	16	105	121
Revenue by type			
Fees receivable[2]	9	(3)	6
Fees receivable from external funds	5	57	62
Carried interest and performance fees receivable[2]	2	51	53
Total	16	105	121

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 73 to 76.

Consolidated statement of financial position

As at 31 March 2023, other current assets in the Consolidated statement of financial position include balances relating to fees receivable from portfolio and fees receivable from external funds of £4 million and £5 million respectively (31 March 2022: £4 million and £1 million respectively). Details of the carried interest and performance fees receivable included in the Consolidated statement of financial position are shown in Note 14. These are different to the balances included in the Investment basis Consolidated statement of financial position. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 73 to 76.

5 Operating expenses

Operating expenses of £137 million (2022: £127 million) recognised in the IFRS Consolidated statement of comprehensive income, include the following amounts:

	2023 £m	2022 £m
Depreciation of property, plant and equipment	**1**	2
Depreciation of right of use assets	**4**	4
Amortisation of intangible assets	**1**	1
Audit fees (Note 7)	**3**	3
Staff costs (Note 6)	**97**	89
Redundancy costs	**–**	2

Including expenses incurred in the entities accounted for as investment entity subsidiaries of £1 million (2022: £1 million), the Group's total operating expenses on the Investment basis for the year were £138 million (2022: £128 million).

6 Staff costs

The table below is prepared in accordance with Companies Act requirements, which is consistent with both the IFRS and the Investment basis.

	2023 £m	2022 £m
Wages and salaries	**72**	68
Social security costs	**12**	10
Share-based payment costs (Note 27)	**9**	8
Pension costs	**4**	3
Total staff costs	**97**	89

The average number of employees during the year was 241 (2022: 234), of which 152 (2022: 152) were employed in the UK.

6 Staff costs continued

Wages and salaries shown above include salaries paid in the year, as well as bonuses and portfolio incentive schemes relating to the year ended 31 March 2023. These costs are included in operating expenses. The table below analyses these costs between fixed and variable elements.

	2023 £m	2022 £m
Fixed staff costs	**45**	41
Variable staff costs[1]	**52**	48
Total staff costs	**97**	89

1 Includes cash bonuses and equity and cash settled share awards.

More detail on this information is included in the Directors' remuneration report on pages 131 to 152.

7 Information regarding the Group's Auditor

During the year, the Group received the following services from its external auditor, KPMG LLP. The table below is prepared in accordance with Companies Act requirements, which is consistent with both the IFRS and the Investment basis.

		2023 £m	2022 £m
Audit services			
Statutory audit	– Company	**1.7**	1.5
	– UK subsidiaries	**0.7**	0.7
	– Overseas subsidiaries	**0.4**	0.5
Total audit services		**2.8**	2.7
Non-audit services			
Other assurance services		**0.4**	0.3
Total audit and non-audit services		**3.2**	3.0

8 Tax

Accounting policy:

Tax represents the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the Consolidated statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

The tax currently payable is based on the taxable profit for the year. This may differ from the profit included in the Consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

To enable the tax charge to be based on the profit for the year, deferred tax is provided where relevant on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. The UK Finance Act 2021, which was enacted on 10 June 2021, increased the main corporation tax rate from 19% to 25% with effect from 1 April 2023. Therefore, the deferred tax assets and liabilities have been calculated using the corporation tax rate in the UK of 25% (2022: 25%).

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

IFRIC 23 has been applied to the recognition and measurement of uncertain tax provisions held at the year end. There were no material uncertain tax positions arising during the year or at the year end.

8 Tax continued

	2023 £m	2022 £m
Current taxes		
Current year:		
UK	**2**	1
Overseas	**1**	4
Prior year:		
UK	**(1)**	–
Overseas	**(1)**	–
Deferred taxes		
Current year	**1**	–
Total tax charge in the Consolidated statement of comprehensive income	**2**	5

Reconciliation of tax in the Consolidated statement of comprehensive income

The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 19% (2022: 19%), and the differences are explained below:

	2023 £m	2022 £m
Profit before tax	**4,575**	4,018
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2022: 19%)	**869**	763
Effects of:		
Non-taxable capital profits due to UK approved investment trust company status	**(793)**	(702)
Non-taxable dividend income	**(75)**	(67)
	1	(6)
Other differences between accounting and tax profits:		
Permanent differences – non-deductible items	**4**	7
Temporary differences on which deferred tax is not recognised	**1**	–
Overseas countries' taxes	**1**	4
Tax losses brought forward and utilised on which deferred tax not previously provided	**(3)**	–
Prior year tax credits	**(2)**	–
Total income tax charge in the Consolidated statement of comprehensive income	**2**	5

The affairs of the Group's parent company are directed so as to allow it to meet the requisite conditions to continue to operate as an approved investment trust company for UK tax purposes. An approved investment trust company is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its tax status. This approval allows certain investment profits of the Company, broadly its capital profits, to be exempt from tax in the UK.

Including a net tax charge of nil (2022: nil) in investment entity subsidiaries, the Group recognised a total tax charge of £2 million (2022: £5 million) under the Investment basis.

Deferred income taxes

	2023 £m	2022 £m
Opening deferred income tax asset/(liability)		
Tax losses	**1**	1
Income in accounts taxable in the future	**(1)**	(1)
	–	–
Recognised through Consolidated statement of comprehensive income		
Tax losses recognised	**–**	–
Income in accounts taxable in the future	**(1)**	–
	(1)	–
Closing deferred income tax asset/(liability)		
Tax losses	**1**	1
Income in accounts taxable in the future	**(2)**	(1)
	(1)	–

8 Tax continued

At 31 March 2023, the Group had carried forward tax losses of £1,379 million (31 March 2022: £1,384 million), capital losses of £87 million (31 March 2022: £87 million) and other deductible temporary differences of £59 million (31 March 2022: £50 million). With the additional restrictions on utilising brought forward losses introduced from 1 April 2017, and the uncertainty that the Group will generate sufficient or relevant taxable profits not covered by the Investment Trust exemption in the foreseeable future to utilise these amounts, no deferred tax asset has been recognised in respect of these losses. Deferred tax assets and liabilities have been calculated using the corporation tax rate in the UK of 25% (2022: 25%).

9 Per share information

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

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

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

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

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

10 Dividends

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

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

The dividend can be paid out of either the capital reserve or the revenue reserve subject to the investment trust rules, see Note 20 for details of reserves.

10 Dividends continued

The distributable reserves of the parent company are £4,940 million (31 March 2022: £ 3,968million) and the Board reviews the distributable reserves bi-annually, including consideration of any material changes since the most recent audited accounts, ahead of proposing any dividend. The Board also reviews the proposed dividends in the context of the requirements of being an approved investment trust. Shareholders are given the opportunity to approve the total dividend for the year at the Company's Annual General Meeting. Details of the Group's continuing viability and going concern can be found in the Risk management section.

11 Investment portfolio

Accounting policy:

Investments are recognised and derecognised on the date when their purchase or sale is subject to a relevant contract and the associated risks and rewards have been transferred. The Group manages its investments with a view to profiting from the receipt of investment income and capital appreciation from changes in the fair value of investments.

All investments are initially recognised at the fair value of the consideration given and are subsequently measured at fair value, in accordance with the Group's valuation policies.

Quoted investments are accounted for at fair value through profit and loss. Fair value is measured using the closing bid price at the reporting date, where the investment is quoted on an active stock market.

Unquoted investments, including both equity and loans, are accounted for at fair value through profit and loss. Fair value is determined in line with 3i's valuation policy, which is compliant with the fair value guidelines under IFRS and the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines, details of which are available in "Valuations Committee report" on pages 126 to 130.

Interest bearing loans accrue interest which is either settled in cash or capitalised on a regular basis and included as part of the principal loan balance. The capitalisation of accrued interest is treated as part of investment additions during the year. If the fair value of an investment is assessed to be below the principal value of the loan the Group recognises a fair value reduction against any interest income accrued from the date of the assessment going forward. "Capitalisation at nil value" is the term used to describe the capitalisation of accrued interest which has been fully provided for. These transactions are disclosed as additions to portfolio cost with an equal reduction made where loan notes have nil value.

In accordance with IFRS 10, the proportion of the investment portfolio held by the Group's unconsolidated subsidiaries is presented as part of the fair value of investment entity subsidiaries, along with the fair value of their other assets and liabilities.

A reconciliation of the fair value of Investments in investment entities is included in Note 12.

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Opening fair value	**6,642**	5,010	**6,642**	5,010
Additions	**908**	138	**908**	138
– of which loan notes with nil value	**(6)**	(4)	**(6)**	(4)
Disposals, repayments and write-offs	**(129)**	(282)	**(129)**	(282)
Fair value movement[1]	**1,897**	1,781	**1,897**	1,781
Other movements and net cash movements[2]	**206**	(1)	**206**	(1)
Closing fair value	**9,518**	6,642	**9,518**	6,642
Quoted investments	**841**	934	**841**	934
Unquoted investments	**8,677**	5,708	**8,677**	5,708
Closing fair value	**9,518**	6,642	**9,518**	6,642

1 All fair value movements relate to assets held at the end of the year.
2 Other movements includes the impact of foreign exchange.

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.

The table below reconciles between purchase of investments in the cash flow statement and additions as disclosed in the table above.

11 Investment portfolio continued

	2023 £m	2022 £m
Purchase of investments	**46**	324
Transfer of portfolio investments from/(to) investment entity subsidiaries[1]	**781**	(157)
Syndication[2]	**57**	(53)
Investment payable	**2**	–
Investment	**886**	114
Capitalised interest received by way of loan notes	**22**	24
Additions	**908**	138

1 Includes the transfer of assets of £781 million (31 March 2022: nil) from the Buyouts 10-12 partnerships which are classified as investment entity subsidiaries, relating to Action.
2 In the year to 31 March 2022 we recorded a £53 million syndication in Infrastructure which is treated as negative investment against our additions and recognised as a receivable as at 31 March 2022. In the year to 31 March 2023, we received the £57 million cash syndication.

Included within profit or loss is £29 million (2022: £30 million) of interest income. Interest income included £14 million (2022: £17 million) of accrued income capitalised during the year noted above, £12 million (2022: £3 million) of cash income and £3 million (2022: £10 million) of accrued income remaining uncapitalised at the year end.

Quoted investments are classified as Level 1 and unquoted investments are classified as Level 3 in the fair value hierarchy, see Note 13 for details.

12 Investments in investment entity subsidiaries

Accounting policy:

Investments in investment entity subsidiaries are accounted for as financial instruments at fair value through profit and loss in accordance with IFRS 9.

These entities are typically limited partnerships and other intermediate investment holding structures which hold the Group's interests in investments in portfolio companies. The fair value can increase or decrease from either amounts paid to or received from the investment entity subsidiaries or valuation movements in line with the Group's valuation policy.

Substantially all of these entities meet the definition of a Fund under the IPEV guidelines and the fair value of these entities is their net asset value.

We determine that, in the ordinary course of business, the net asset value of investment entity subsidiaries is considered to be the most appropriate to determine fair value. At each reporting period, we consider whether any additional fair value adjustments need to be made to the net asset value of the investment entity subsidiaries. These adjustments may be required to reflect market participants' considerations about fair value that may include, but are not limited to, liquidity and the portfolio effect of holding multiple investments within the investment entity subsidiary. There was no particular circumstance to indicate that a fair value adjustment was required (31 March 2022: no adjustment required) and, after due consideration, we concluded that the net asset values were the most appropriate reflection of fair value at 31 March 2023.

Level 3 fair value reconciliation – investments in investment entity subsidiaries

Non-current	Group 2023 £m	Group 2022 £m
Opening fair value	**6,791**	4,905
Amounts paid to investment entity subsidiaries	**535**	349
Amounts received from investment entity subsidiaries	**(841)**	(685)
Fair value movements on investment entity subsidiaries	**2,112**	1,974
Transfer of portfolio investments (from)/to investment entity subsidiaries	**(781)**	205
Transfer of assets to investment entity subsidiaries	**28**	43
Closing fair value	**7,844**	6,791

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. During the year the Company received a transfer of assets of £781 million (31 March 2022: nil) from the Buyouts 10-12 partnerships which are classified as investment entity subsidiaries, relating to Action.

Notes to the accounts continued

12 Investments in investment entity subsidiaries continued

Restrictions

3i Group plc, the ultimate parent company, receives dividend income from its subsidiaries. There is £225 million (31 March 2022: nil) of restrictive cash held in investment entity subsidiaries relating to carried interest and performance fees payable.

Support

3i Group plc continues to provide, where necessary, ongoing support to its investment entity subsidiaries for the purchase of portfolio investments. The Group's current commitments are disclosed in Note 24.

13 Fair values of assets and liabilities

Accounting policy:

Financial instruments are initially classified at either amortised cost or fair value through profit or loss. Financial instruments classified at fair value through profit or loss are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in profit or loss in the Statement of comprehensive income. Financial instruments classified at amortised cost are subsequently measured at amortised cost using the effective interest method with interest income or expense and foreign exchange gains and losses recognised in profit or loss in the Statement of comprehensive income.

(A) Classification

The following tables analyse the Group's assets and liabilities in accordance with the categories of financial instruments in IFRS 9:

	Group 2023 Classified at fair value through profit and loss £m	Group 2023 Other financial instruments at amortised cost £m	Group 2023 Total £m	Group 2022 Classified at fair value through profit and loss £m	Group 2022 Other financial instruments at amortised cost £m	Group 2022 Total £m
Assets						
Quoted investments	**841**	**–**	**841**	934	–	934
Unquoted investments	**8,677**	**–**	**8,677**	5,708	–	5,708
Investments in investment entities	**7,844**	**–**	**7,844**	6,791	–	6,791
Other financial assets	**142**	**82**	**224**	54	172	226
Total	**17,504**	**82**	**17,586**	13,487	172	13,659
Liabilities						
Loans and borrowings	**–**	**775**	**775**	–	975	975
Other financial liabilities	**4**	**167**	**171**	–	185	185
Total	**4**	**942**	**946**	–	1,160	1,160

	Company 2023 Classified at fair value through profit and loss £m	Company 2023 Other financial instruments at amortised cost £m	Company 2023 Total £m	Company 2022 Classified at fair value through profit and loss £m	Company 2022 Other financial instruments at amortised cost £m	Company 2022 Total £m
Assets						
Quoted investments	**841**	**–**	**841**	934	–	934
Unquoted investments	**8,677**	**–**	**8,677**	5,708	–	5,708
Other financial assets	**131**	**113**	**244**	34	184	218
Total	**9,649**	**113**	**9,762**	6,676	184	6,860
Liabilities						
Loans and borrowings	**–**	**775**	**775**	–	975	975
Other financial liabilities	**4**	**728**	**732**	–	667	667
Total	**4**	**1,503**	**1,507**	–	1,642	1,642

Within the Company, Interests in Group entities of £7,867 million (31 March 2022: £6,801 million) includes £7,845 million (31 March 2022: £6,792 million) held at fair value and £22 million (31 March 2022: £9 million) held at cost less impairment.

13 Fair values of assets and liabilities continued

(B) Valuation

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 the loans and borrowings is £686 million (31 March 2022: £1,069 million), determined with reference to their published market prices. The carrying value of the loans and borrowings is £775 million (31 March 2022: £975 million) and accrued interest payable (included within trade and other payables) is £12 million (31 March 2022: £13 million).

Valuation hierarchy

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 investments

Unquoted equity instruments and debt instruments are measured in accordance with the IPEV Guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted equity instruments can be found on page 184.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 31 March 2023:

	Group 2023 Level 1 £m	Group 2023 Level 2 £m	Group 2023 Level 3 £m	Group 2023 Total £m	Group 2022 Level 1 £m	Group 2022 Level 2 £m	Group 2022 Level 3 £m	Group 2022 Total £m
Assets								
Quoted investments	**841**	**–**	**–**	**841**	934	–	–	934
Unquoted investments	**–**	**–**	**8,677**	**8,677**	–	–	5,708	5,708
Investments in investment entity subsidiaries	**–**	**–**	**7,844**	**7,844**	–	–	6,791	6,791
Other financial assets	**–**	**121**	**21**	**142**	–	17	37	54
Liabilities								
Other financial liabilities	**–**	**(4)**	**–**	**(4)**	–	–	–	–
Total	**841**	**117**	**16,542**	**17,500**	934	17	12,536	13,487

Notes to the accounts continued

13 Fair values of assets and liabilities continued

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 12 details the Directors' considerations about the fair value of the underlying investment entity subsidiaries.

Movements in the directly held investment portfolio categorised as Level 3 during the year are set out in the table below:

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Opening fair value	**5,708**	4,213	**5,708**	4,213
Additions	**908**	138	**908**	138
– of which loan notes with nil value	**(6)**	(4)	**(6)**	(4)
Disposals, repayments and write-offs	**(129)**	(282)	**(129)**	(282)
Fair value movement[1]	**1,990**	1,644	**1,990**	1,644
Other movements and net cash movements[2]	**206**	(1)	**206**	(1)
Closing fair value	**8,677**	5,708	**8,677**	5,708

1 All fair value movements relate to assets held at the end of the year.
2 Other movements include the impact of foreign exchange and accrued interest.

Unquoted investments valued using Level 3 inputs also had the following impact on profit and loss: realised profits over value on disposal of investments of £64 million (2022: £89 million), dividend income of £200 million (2022: £179 million) and foreign exchange gains of £203 million (2022: losses of £9 million).

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 year. In the 12 months to 31 March 2023, three assets changed valuation basis within Level 3, with all assets moving to an earnings-based valuation, having previously been valued on a sum-of-the-parts basis, DCF or fair value in line with the price of recent investment. The changes in valuation methodology in the period reflect our view of the most appropriate method to determine the fair value of the three assets at 31 March 2023. Further information can be found in the Private Equity and Infrastructure sections of the Business and Financial reviews starting on page 20.

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 sensitivities to the unobservable inputs. The majority of our portfolio companies have responded well to, and so far largely mitigated, high inflation, increased energy prices and interest rates and weaker consumer sentiment, an important consideration in our portfolio valuation at 31 March 2023. As part of our case-by-case review of our portfolio companies the risks and opportunities from climate change are an important consideration in the overall discussion on fair value. These risks are adequately captured in the multiple sensitivity. All numbers in the table below are on an Investment basis.

13 Fair values of assets and liabilities continued

Level 3 unquoted investments

Methodology	Description	Inputs	Fair value at 31 March 2023 (£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 multiples, we consider: (1) Comparable listed companies current performance and through-the-cycle averages (2) Relevant market transaction multiples (3) Company performance, organic growth and value-accretive add-ons, if any (4) 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 6.4x - 20.0x (2022: 8.0x - 20.0x) Other inputs: **Earnings** Reported earnings are adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, 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, is valued using run-rate earnings	**16,109** (2022: 11,586)	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)	**928** (2022: 695) **(930)** (2022: (697)) **618** (2022: 417) **(619)** (2022: (417))
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 The range of discount rates used in our DCF valuations is 10.5% to 16.9% (2022: 10.0% to 15.0%)	**1,024** (2022: 1,023)	For the assets valued on a DCF basis, we have applied a 5% sensitivity to the discount rate	**(37)** (2022: (41)) **39** (2022: 37)
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	**97** (2022: 77)	A 5% increase on closing NAV	**5** (2022: 4)
Other (Private Equity/ Infrastructure)	Used where elements of a business are valued on different bases	Values of separate elements prepared on or triangulated against one of the methodologies listed above	**196** (2022: 556)	A 5% increase in the closing value	**10** (2022: 28)

14 Carried interest and performance fees receivable

Accounting policy:

The Group earns a share of profits ("carried interest receivable") 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 when these conditions have been met on a cash basis. In certain limited circumstances the carried interest received may be subject to clawback provisions if the performance of the fund deteriorates materially following carried interest being paid.

Carried interest receivable

The carried interest receivable recognised at the balance sheet date is calculated based on the valuation of the remaining portfolio assets in the fund at that date, discounted to reflect the estimated realisation dates. Following initial recognition, carried interest receivable is accounted for under the amortised cost method in accordance with IFRS 9.

This includes the requirement to calculate expected credit losses at inception. Given that carried interest is received from a small number of entities which are managed by the Group and are paid shortly following receipt of the proceeds or finalisation of the calculation which causes the payments to become due, the expected credit losses for these receivables are expected to be negligible.

Performance fees receivable

The Group earns performance fees from the investment management services it provides to 3i Infrastructure plc ("3iN") when 3iN's total return for the year exceeds a specified threshold. These fees are calculated on an annual basis and paid in three equal instalments over three years. The second and third instalments will only be recognised and received if either: (a) 3iN's performance in the year in which the instalment is paid also triggers payment of a performance fee in respect of that year, or (b) if 3iN's performance over the three years starting with the year in which the performance fee is earned exceeds a specified threshold.

The Group also earns performance fees from the investment management services it provides to 3i Managed Infrastructure Acquisitions LP ("3i MIA") and 3i European Operational Projects ("3i EOPS") when the net asset value of the fund exceeds the performance threshold. These fees are calculated on an annual basis, and are recognised and paid at the end of successive five-year performance periods. The first five-year performance period ended on 31 March 2023. In accordance with IFRS 15, revenue from performance fees is recognised when it is sufficiently certain that there will not be a significant reversal, which is usually at the end of the relevant financial year or performance period, when the calculation is finalised and agreed.

Following initial recognition, performance fees receivable are accounted for under the amortised cost method in accordance with IFRS 9. This includes the requirement to calculate expected credit losses at inception. Given that performance fees are received from a small number of entities which are managed by the Group and are paid shortly following receipt of the proceeds or finalisation of the calculation which causes the payments to become due, the expected credit losses for these receivables are expected to be negligible.

	Group 2023 Carried interest receivable £m	**Group 2023 Performance fees receivable £m**	**Group 2023 Total £m**	Group 2022 Carried interest receivable £m	Group 2022 Performance fees receivable £m	Group 2022 Total £m
Opening carried interest and performance fees receivable	**9**	**51**	**60**	9	8	17
Carried interest and performance fees receivable recognised in profit and loss during the year	**4**	**37**	**41**	2	51	53
Received in the year	**(7)**	**(51)**	**(58)**	(2)	(8)	(10)
Other movements[1]	**–**	**–**	**–**	–	–	–
Closing carried interest and performance fees receivable	**6**	**37**	**43**	9	51	60
Of which: receivable in greater than one year	**3**	**–**	**3**	9	–	9

1 Other movements include the impact of foreign exchange.

Notes to the accounts continued

14 Carried interest and performance fees receivable continued

	Company 2023 Carried interest receivable £m	**Company 2023 Performance fees receivable £m**	**Company 2023 Total £m**	Company 2022 Carried interest receivable £m	Company 2022 Performance fees receivable £m	Company 2022 Total £m
Opening carried interest and performance fees receivable	**63**	**25**	**88**	38	–	38
Carried interest and performance fees receivable recognised in profit and loss during the year	**42**	**–**	**42**	29	25	54
Received in the year	**(9)**	**(25)**	**(34)**	(3)	–	(3)
Other movements[1]	**2**	**–**	**2**	(1)	–	(1)
Closing carried interest and performance fees receivable	**98**	**–**	**98**	63	25	88
Of which: receivable in greater than one year	**81**	**–**	**81**	62	–	62

1 Other movements include the impact of foreign exchange.

The closing carried interest receivable balance above is calculated using the fair value of the assets in the relevant funds at the balance sheet date. The carried interest receivable recognised in profit and loss during the year predominantly relates to changes in the fair value of the investments in the relevant funds.

As explained in the accounting policy above, no expected credit losses have been recognised for carried interest and performance fees receivable as these are deemed to be negligible.

15 Carried interest and performance fees payable

Accounting policy:

The Group offers investment executives the opportunity to participate in the returns from investments subject to certain performance conditions. "Carried interest and performance fees payable" is the term used for amounts payable to executives on these investment-related transactions.

A variety of asset pooling arrangements are in place so that participants may have an interest in one or more carried interest plans and participants include current and former investment participants. Carried interest payable is accrued if its performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in that plan were realised at fair value. An accrual is made equal to the participants' share of profits in excess of the performance conditions in place in the carried interest plan, discounted to reflect the likely actual cash payment date, which may be materially later than the time of the accrual.

The Infrastructure performance fee payable is accrued based on the expected award. A significant proportion of the amount awarded is deferred over time and may be granted in 3i Group plc shares. This is recognised over the vesting period in line with the requirements of IFRS 2 or IAS 19, depending on the type of award.

Under IFRS 10, where carried interest payable reduces the fair value of an investment entity subsidiary, that movement is recorded through "Fair value movements on investment entity subsidiaries". At 31 March 2023, £1,274 million of carried interest payable was recognised in the Consolidated statement of financial position of these investment entity subsidiaries (31 March 2022: £885 million).

	Group 2023 £m	Group 2022 £m
Opening carried interest and performance fees payable	**77**	66
Carried interest and performance fees payable recognised in profit and loss during the year	**38**	46
Cash paid in the year	**(29)**	(14)
Other movements[1]	**(9)**	(21)
Closing carried interest and performance fees payable	**77**	77
Of which: payable in greater than one year	**43**	42

1 Other movements include the impact of foreign exchange and a transfer from trade and other payables.

The carry payable expense in the table above includes a £13 million (2022: £16 million) charge arising from Infrastructure share-based payment carry related schemes. The charge includes £10 million (2022: £12 million) of equity awards and nil (2022: £1 million) of cash-settled awards, see Note 27 Share-based payments for further details and £3 million (2022: £3 million) of social security cost.

A 5% increase in the valuation of all individual assets in the underlying investment portfolio held by investment entity subsidiaries would result in a £60 million increase in carried interest and performance fees payable (31 March 2022: £54 million).

15 Carried interest and performance fees payable continued

A 5% decrease in the valuation of all individual assets in the underlying investment portfolio held by investment entity subsidiaries would result in a £60 million decrease in carried interest and performance fees payable (31 March 2022: £54 million).

16 Other assets

Accounting policy:

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. Financial assets are recognised at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses ("ECLs") on initial recognition. Any ECLs are recognised directly in profit and loss, with any subsequent reversals recognised in the same location.

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Prepayments	**3**	2	**–**	–
Other debtors	**51**	63	**25**	29
Proceeds/syndication receivable	**6**	84	**–**	84
Total other assets	**60**	149	**25**	113
Of which: receivable in greater than one year	**30**	45	**16**	24

At 31 March 2023 no ECLs have been recognised against other assets as they are negligible (31 March 2022: nil).

17 Loans and borrowings

Accounting policy:

All loans and borrowings are initially recognised at the fair value of the consideration received. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Financial liabilities are derecognised when they are extinguished.

	Group 2023 £m	Group 2022 £m
Loans and borrowings are repayable as follows:		
Within one year	**–**	200
Between the second and fifth year	**–**	–
After five years	**775**	775
	775	975

Principal borrowings include:

	Rate	Maturity	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Fixed rate						
£200 million notes (public issue)	6.875 %	2023	**–**	200	**–**	200
£375 million notes (public issue)	5.750 %	2032	**375**	375	**375**	375
£400 million notes (public issue)	3.750 %	2040	**400**	400	**400**	400
			775	975	**775**	975
Committed multi-currency facilities						
£400 million	SONIA+0.75%	2024	**–**	–	**–**	–
£500 million	SONIA+0.50%	2027	**–**	–	**–**	–
Total loans and borrowings			**775**	975	**775**	975

During the year the Company increased the size of its committed multi-currency facility to £900 million (31 March 2022: £500 million). The syndicated multi-currency facility of £900 million has no financial covenants.

17 Loans and borrowings continued

All of the Group's borrowings are repayable in one instalment on the respective maturity dates. Post 31 March 2023, we extended the maturity of the £400 million additional tranche to July 2025. None of the Group's interest-bearing loans and borrowings are secured on the assets of the Group. The fair value of the loans and borrowings is £686 million (31 March 2022: £1,069 million), determined with reference to their published market prices. The interest payable for loans and borrowings recognised within profit and loss is £53 million (2022: £52 million) and the interest paid for loans and borrowings recognised within the Consolidated cash flow statement is £54 million (2022: £52 million).

In accordance with the FCA's Investment Funds sourcebook (FUNDS 3.2.2R and Fund 3.2.6R), 3i Investments plc, as AIFM of the Company, is required to calculate leverage and disclose this to investors. The leverage is calculated using the gross method and commitment method. Gross method calculates the overall exposure over the net asset value whereas the commitment method calculates the net exposure over the net asset value. Leverage at 31 March 2023 for the Group is 121% (31 March 2022: 127%) and the Company is 117% (31 March 2022: 123%) under both the gross method and the commitment method. The leverage for 3i Investments plc at 31 March 2023 is 100% (31 March 2022: 100%) under both the gross method and the commitment method.

Under the Securities Financing Transactions Regulation and the FCA's Investment Funds sourcebook (FUNDS 3.2.4A), 3i is required to disclose certain information relating to the use of securities financing transactions ("SFTs") and total return swaps. At 31 March 2023, 3i was not party to any transactions involving SFTs or total return swaps.

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities are classified as follows:

	Loans and borrowings 2023 £m	**Lease liability 2023 £m**	Loans and borrowings 2022 £m	Lease liability 2022 £m
Opening liability	**975**	**14**	975	17
Additions	**–**	**1**	–	1
Repayments	**(200)**	**(5)**	–	(4)
Closing liability	**775**	**10**	975	14

18 Derivatives

Accounting policy:

Derivative financial instruments are accounted for at fair value through profit and loss in accordance with IFRS 9. They are revalued at the balance sheet date based on market prices, with any change in fair value being recorded in profit and loss. Derivatives are recognised in the Consolidated statement of financial position as a financial asset when their fair value is positive and as a financial liability when their fair value is negative. The Group's derivative financial instruments are not designated as hedging instruments.

Statement of comprehensive income	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Movement in the fair value of derivatives	**122**	2	**122**	2

Statement of financial position	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Non-current assets				
Forward foreign exchange contracts	**73**	7	**73**	7
Current assets				
Forward foreign exchange contracts	**48**	10	**48**	10
Non-current liabilities				
Forward foreign exchange contracts	**(3)**	–	**(3)**	–
Current liabilities				
Forward foreign exchange contracts	**(1)**	–	**(1)**	–

During the year the Group implemented a medium-term foreign exchange hedging program, entering into forward foreign exchange contracts to partially reduce the effect of fluctuations arising from movements in exchange rates to euro and US dollar. As at 31 March 2023 the notional amount of these forward foreign exchange contracts held by the Company was €2.0 billion (31 March 2022: nil) and $1.2 billion (31 March 2022: nil).

18 Derivatives continued

The Company also entered into forward foreign exchange contracts to minimise the effect of fluctuations arising from movements in exchange rates in the value of the Group's investment in Scandlines. During the year the Company increased the size of this hedging program for Scandlines. As at 31 March 2023 the notional amount of these forward foreign exchange contracts held by the Company was €600 million (31 March 2022: €500 million).

19 Trade and other payables

Accounting policy:

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the balance sheet date. Financial liabilities are recognised at amortised cost in accordance with IFRS 9.

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Trade and other payables	**80**	94	**11**	15
Amounts due to subsidiaries	**–**	–	**717**	652
Total trade and other payables	**80**	94	**728**	667
Of which: payable in greater than one year	**4**	14	**–**	–

20 Issued capital and reserves

Accounting policy:

Ordinary shares issued by the Group are recognised at the proceeds or fair value received with the excess of the amount received over nominal value being credited to the share premium account. Direct issue costs net of tax are deducted from equity.

Capital reserve recognises all profits and losses that are capital in nature or have been allocated to capital, which include the accumulation of investment gains and losses as well as changes to the value of financial instruments measured at fair value through profit and loss.

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

Issued and fully paid	**2023 Number**	**2023 £m**	2022 Number	2022 £m
Ordinary shares of $73\frac{19}{22}$p				
Opening balance	**973,238,638**	**719**	973,166,947	719
Issued under employee share plans	**74,312**	**–**	71,691	–
Closing balance	**973,312,950**	**719**	973,238,638	719

The Company issued 74,312 ordinary shares to the Trustee of the 3i Group Share Incentive Plan for a total cash consideration of £990,277 at various prices from 1,105 pence to 1,649 pence per share (being the market prices on the issue dates which were the last trading day of each month in the year, with the exception of December 2022, when the issue date was 4 January 2023). These shares were ordinary shares with no additional rights attached to them and had a total nominal value of £54,890.

21 Own shares

Accounting policy:

Own shares are recorded by the Group when ordinary shares are acquired by the Company or by The 3i Group Employee Benefit Trust. Own shares are deducted from shareholders' equity. A transfer is made to retained earnings at their weighted average cost in line with the vesting of own shares held for the purposes of share-based payments. The number of own shares held by the Trust and the schemes are described in Note 27.

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Opening cost	**100**	64	**100**	64
Additions	**30**	54	**30**	54
Awards granted	**(22)**	(18)	**(22)**	(18)
Closing cost	**108**	100	**108**	100

During the year, The 3i Group Employee Benefit Trust acquired 2.4 million (2022: 4.0 million) shares at an average price of 1,271 (2022: 1,348) pence per share.

22 Capital structure

The capital structure of the Group consists of shareholders' equity and net debt or cash. The type and maturity of the Group's borrowings are analysed further in Note 17. Capital is managed with the objective of maximising long-term return to shareholders, whilst maintaining a capital base to allow the Group to operate effectively in the market and sustain the future development of the business.

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Cash and deposits	**162**	212	**128**	188
Borrowings and derivative financial liabilities	**(779)**	(975)	**(779)**	(975)
Net debt[1]	**(617)**	(763)	**(651)**	(787)
Total equity	**16,844**	12,754	**16,250**	12,207
Gearing (net debt/total equity)	**4 %**	6 %	**4 %**	6 %

1 The above numbers have been prepared under IFRS and differ from the Investment basis as detailed in the Strategic report.

Capital constraints

The Group is generally free to transfer capital from subsidiary undertakings to the parent company, subject to maintaining each subsidiary with sufficient reserves to meet local statutory/regulatory obligations. No significant constraints (other than those disclosed in Note 12) have been identified and the Group has been able to distribute profits as appropriate.

The Group has been subject to the FCA's MIFIDPRU sourcebook ("MIFIDPRU") since 1 January 2022. The regulatory capital requirements for the Group and 3i Investments plc, an investment firm regulated by the FCA, are calculated in accordance with MIFIDPRU 2.5, 4.3, 4.5 and 4.6. These capital requirements are reviewed regularly by the Group's Audit and Compliance Committee, and the Board of 3i Investments plc, respectively. In addition, 3i Investments plc prepares an Internal Capital and Risk Assessment ("ICARA"), which is approved by the Board of 3i Investments plc on an annual basis.

Under MIFIDPRU rules, the Group remained subject to the Individual Capital Guidance given by the FCA under the previous regime, the Capital Requirements Directive III, until 29 December 2022.

Notes to the accounts continued

23 Interests in Group entities

Accounting policy:

The Company has controlling equity interests in, and makes loans to, both consolidated and fair valued Group entities. Equity investments in, and loans to, investment entities are held at fair value in the Company's accounts, as this reflects the Group's business model to hold assets to seek returns on capital and not contractual cash flow. The net assets of these entities are deemed to represent fair value. Equity investments in other subsidiaries are held at cost less impairment and any loans to these subsidiaries are held at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses on initial recognition.

	Company 2023 Equity investments £m	Company 2023 Loans £m	Company 2023 Total £m
Opening book value	**3,912**	**2,889**	**6,801**
Additions	**20**	**453**	**473**
Share of profits from partnership entities	**–**	**1,148**	**1,148**
Disposals and repayments	**–**	**(1,475)**	**(1,475)**
Fair value movements	**1,129**	**(225)**	**904**
Exchange movements	**–**	**16**	**16**
Closing book value	**5,061**	**2,806**	**7,867**

	Company 2022 Equity investments £m	Company 2022 Loans £m	Company 2022 Total £m
Opening book value	2,387	2,534	4,921
Additions	61	505	566
Share of profits from partnership entities	–	391	391
Disposals and repayments	–	(649)	(649)
Fair value movements	1,464	99	1,563
Exchange movements	–	9	9
Closing book value	3,912	2,889	6,801

Equity investments in, and loans to investment entities, are held at fair value and equity investments in other subsidiaries are held at cost less impairment. The measurements at fair value and cost less impairment are assessed against the Company's equity and loan instruments into these subsidiaries, which are eliminated on consolidation for the Group. For this reason equity investments and loans into investments entities do not form part of the investment portfolio for the Company and instead are included within Interests in Group entities. Amounts for equity investments in, and loans to, investment entities held at fair value and other subsidiaries at amortised cost are detailed in Note 13.

Details of significant Group entities are given in Note 30. No expected credit losses have been recognised on those equity investments and loans held at amortised cost as they are not material.

24 Commitments

Accounting policy:

Commitments represent amounts the Group has contractually committed to pay third parties but do not yet represent a charge or asset. This gives an indication of committed future cash flows. Commitments are recognised in the balance sheet at the point of settlement subject to associated risks and rewards being transferred. Commitments at the year end do not impact the Group's financial results for the year.

	Group 2023 due within 1 year £m	**Group 2023 due between 2 and 5 years £m**	**Group 2023 due over 5 years £m**	**Group 2023 Total £m**	Group 2022 due within 1 year £m	Group 2022 due between 2 and 5 years £m	Group 2022 due over 5 years £m	Group 2022 Total £m
Unquoted investments	**9**	**–**	**–**	**9**	20	–	–	20

	Company 2023 due within 1 year £m	**Company 2023 due between 2 and 5 years £m**	**Company 2023 due over 5 years £m**	**Company 2023 Total £m**	Company 2022 due within 1 year £m	Company 2022 due between 2 and 5 years £m	Company 2022 due over 5 years £m	Company 2022 Total £m
Unquoted investments	**9**	**–**	**–**	**9**	20	–	–	20

The amounts shown above include £9 million of commitments made by the Group and Company, to invest into funds (31 March 2022: £5 million into two companies and £15 million into funds). The Group and Company were contractually committed to these investments as at 31 March 2023.

25 Contingent liabilities

Accounting policy:

Contingent liabilities are potential liabilities where there is even greater uncertainty, which could include a dependency on events not within the Group's control, but where there is a possible obligation. Contingent liabilities are only disclosed and not included within the Consolidated statement of financial position.

The Company has provided a guarantee to the Trustees of the 3i Group Pension Plan ("the Plan") in respect of liabilities of 3i plc to the Plan.

At 31 March 2023, there was no material litigation outstanding, nor any other matter, against the Company or any of its subsidiary undertakings, which may indicate the existence of a contingent liability.

26 Retirement benefits

Accounting policy:

Payments to defined contribution retirement benefit plans are charged to profit and loss as they fall due.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit method with actuarial valuations being carried out at each balance sheet date. Interest on the net defined benefit asset/liability, calculated using the discount rate used to measure the defined benefit obligation, is recognised in profit and loss. Re-measurement gains or losses are recognised in full as they arise in other comprehensive income.

A retirement benefit deficit is recognised in the Consolidated statement of financial position to the extent that the present value of the defined benefit obligations exceeds the fair value of plan assets.

A retirement benefit surplus is recognised in the Consolidated statement of financial position where the fair value of plan assets exceeds the present value of the defined benefit obligations limited to the extent that the Group can benefit from that surplus. Where the retirement benefit scheme is in surplus this is recognised net being the lower of any surplus in the fund and the asset ceiling.

(i) Defined contribution plans

The Group operates a number of defined contribution retirement benefit plans for qualifying employees throughout the Group. The assets of these plans are held separately from those of the Group. The total expense recognised, in operating expenses, in profit and loss is £3 million (2022: £3 million), which represents the contributions paid to these defined contribution plans. There were no outstanding payments due to these plans at the balance sheet date.

(ii) Defined benefit plans

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

Membership of the Plan has not been offered to new employees joining 3i since 1 April 2006. The Plan was closed to the future accrual of benefits by members with effect from 5 April 2011, although the final salary link was maintained on existing accruals until February 2023. 3i employees who are members of the Plan have been invited to join the Group's defined contribution plan with effect from 6 April 2011. The defined benefit plan is a funded scheme, the assets of which are independent of the Company's finances and administered by the Trustees. The Trustees are responsible for managing and investing the Plan's assets and for monitoring the Plan's funding position.

The valuation of the Plan was updated on an IAS 19 basis by an independent qualified actuary as at 31 March 2023. The Plan's assets do not include any of the Group's own equity instruments nor any property in use by the Group.

In May 2020, the Plan's Trustees completed a £650 million buy-in transaction with Legal & General, an insurance policy that is designed to provide cash flows that exactly match the value and timing of the benefits payable to the members it covers. This insurance policy, alongside previous buy-in policies entered into with Pension Insurance Corporation and Legal & General in March 2017 and February 2019 respectively, means that the Plan benefits of all members are now insured and 3i, as sponsor, is no longer exposed to longevity, interest or inflation risk and therefore funding requirements. On an IAS 19 basis, the fair value of three buy-in policies will match the present value of the liabilities insured.

During the year the Trustees have taken steps to commence a buy-out and wind up of the Plan, completion of which could take up to 18 months. This would involve converting the buy-in policies held within the Plan into individual annuity policies in the names of Plan members. As part of this process, the Group gave notice to terminate the Plan.

Qualifying employees in Germany are entitled to a pension based on their length of service. The future liability calculated by German actuaries is £20 million (31 March 2022: £26 million). There is a £1 million expense (2022: nil) recognised in operating expenses, in profit and loss for the year and an £8 million gain (2022: £3 million) in other comprehensive income for this scheme. Changes in the present value of the obligation, assumptions and sensitivities of this scheme have not been disclosed as they are not material.

The amount recognised in the Consolidated statement of financial position in respect of the Group's defined benefit plans is as follows:

	2023 £m	2022 £m
Present value of funded obligations	**450**	641
Fair value of the Plan assets	**(532)**	(723)
Asset restriction	**29**	29
Retirement benefit surplus in respect of the Plan	**(53)**	(53)
Retirement benefit deficit in respect of other defined benefit schemes	**20**	26

A retirement benefit surplus under IAS 19 is recognised in respect of the Plan on the basis that the Group is entitled to a refund of any remaining surplus once all benefits have been settled in the expected course. The asset restriction relates to tax that would be deducted at source in respect of a refund of the Plan surplus.

26 Retirement benefits continued

The amounts recognised in the Consolidated statement of comprehensive income in respect of the Plan are as follows:

	2023 £m	2022 £m
Included in interest payable		
Interest income on net defined benefit asset	**2**	1
Included in other comprehensive income		
Re-measurement loss	**–**	(3)
Asset restriction	**1**	2
Total re-measurement gain/(loss) and asset restriction	**1**	(1)
Total	**3**	–

The total re-measurement gain recognised in other comprehensive income was £8 million (2022: £2 million). There was a £8 million gain on our overseas schemes (2022: £3 million), as noted above.

Changes in the present value of the defined benefit obligation were as follows:

	2023 £m	2022 £m
Opening defined benefit obligation	**641**	710
Interest on Plan liabilities	**17**	13
Re-measurement gain/loss:		
– gain from change in demographic assumptions	**–**	(1)
– gain from change in financial assumptions	**(188)**	(53)
– experience loss	**4**	2
Benefits paid	**(25)**	(30)
Curtailments and settlements	**1**	–
Closing defined benefit obligation	**450**	641

Changes in the fair value of the Plan assets were as follows:

	2023 £m	2022 £m
Opening fair value of the Plan assets	**723**	795
Interest on Plan assets	**20**	15
Actual return on Plan assets less interest on Plan assets	**(184)**	(55)
Expenses	**(2)**	(2)
Benefits paid	**(25)**	(30)
Closing fair value of the Plan assets	**532**	723

The fair value of the Plan's assets at the balance sheet date is as follows:

	2023 £m	2022 £m
Annuity contracts	**451**	643
Cash and cash equivalents	**81**	80
	532	723

26 Retirement benefits continued

Changes in the asset restriction were as follows:

	2023 £m	2022 £m
Opening asset restriction	**29**	30
Interest on asset restriction	**1**	1
Re-measurements	**(1)**	(2)
Closing asset restriction	**29**	29

The principal assumptions made by the actuaries and used for the purpose of the year end valuation of the Plan were as follows:

	2023	2022
Discount rate	**4.8 %**	2.7 %
Expected rate of pension increases	**0% to 3.6%**	0% to 3.9%
Retail Price Index ("RPI") inflation	**3.5 %**	3.8 %
Consumer Price Index ("CPI") inflation	**2.9 %**	3.0 %

In addition, it is assumed that members exchange 25% of their pension for a lump sum at retirement on the conversion terms in place at 31 March 2023 with an allowance for the terms to increase in future. The duration of the Plan's defined benefit obligation at the accounting date was around 14 years.

The post-retirement mortality assumption used to value the benefit obligation at 31 March 2023 is 90% of the S3NA very light mortality tables, allowing for improvements in line with the CMI 2021 core projections with a long-term annual rate of improvement of 1.75% (unchanged from 31 March 2022). The life expectancy of a male member reaching age 60 in 2043 (31 March 2022: 2042) is projected to be 32.7 (31 March 2022: 32.6) years compared to 30.9 (31 March 2022: 30.6) years for someone reaching 60 in 2023.

As the Plan was closed to future accrual of benefits by members with effect from 5 April 2011, the Group ceased to make regular contributions to the Plan in the year to 31 March 2012. The latest triennial valuation for the Plan was completed in September 2020, based on the position as at 30 June 2019. The outcome was an actuarial surplus of £89 million. This valuation is produced for funding purposes and is calculated on a different basis to the IAS 19 valuation net asset of £53 million which is shown in the Note above. In light of the results of the triennial valuation, the third buy-in policy secured with Legal & General, which took place after the triennial valuation date and the Plan's resulting strong financial position, it was agreed it was not necessary for the Group to make any contributions to the Plan.

For the year to 31 March 2023 the defined benefit surplus is not impacted by changes in assumptions and sensitivity assumptions are nil (2022: nil); this is because the defined benefit obligation is matched by annuity contracts following the third and final buy-in policy secured with Legal & General.

27 Share-based payments

Accounting policy:

The Group has equity-settled and cash-settled share-based payment transactions with certain employees. Equity-settled schemes are measured at fair value at the date of grant, which is then recognised in profit or loss over the period that employees provide services, generally the period between the start of the performance period and the vesting date of the shares. The number of share awards expected to vest takes into account the likelihood that performance and service conditions included in the terms of the award will be met.

Fair value is measured by use of an appropriate model which takes into account the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the award and any other relevant factors. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of 3i Group plc. The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the year. The movement in cumulative charges since the previous balance sheet is recognised in profit and loss, with a corresponding entry in equity.

Liabilities arising from cash-settled share-based payment transactions are recognised in profit or loss over the vesting period. They are fair valued at each reporting date. The cost of cash settled share-based payment transactions is adjusted for the forfeitures of the participants' rights that no longer meet the plan requirements as well as for early vesting.

The cost of the share-based payments is allocated either to operating expenses or carried interest depending on the original driver of the award. Executive Director Long-term Incentive Plans are allocated to operating expenses.

To ensure that employees' interests are aligned with shareholders, a significant amount of variable compensation paid to higher earning employees is deferred into shares that vest over a number of years. For legal, regulatory or practical reasons certain participants may be granted cash settled awards under these schemes, which are intended to replicate the financial effects of a share award without entitling the participant to acquire shares. The weighted average fair value grant price for cash settled awards granted during the year was 1,102p (31 March 2022: 1,252p) and the reporting price for these awards at 31 March 2023 was 1,685 pence (31 March 2022: 1,389 pence). The carrying amount of liabilities arising from cash settled awards at 31 March 2023 is £17 million (31 March 2022: £13 million). The total equity settled share-based payment reserve at 31 March 2023 is £31 million (31 March 2022: £33 million).

The cost of the share-based payments is allocated either to operating expenses or carried interest depending on the original driver of the award. Executive Director Performance Share Awards are allocated to operating expenses.

The total cost recognised in the Consolidated statement of comprehensive income is shown below:

	2023 £m	2022 £m
Share awards included as operating expenses[1]	**9**	8
Share awards included as carried interest[1]	**10**	12
Cash-settled share awards[2]	**8**	5
	27	25

1 Credited to equity.
2 For the year ended 31 March 2023, £8 million (2022: £4 million) is recognised in operating expenses and nil (2022: £1 million) is recognised in carried interest.

Movements in share awards

The number of equity and cash settled share-based awards outstanding as at 31 March is as follows:

	2023 Number	2022 Number
Outstanding at the start of the year	**9,360,595**	10,081,598
Granted	**3,181,041**	2,482,423
Exercised	**(2,818,276)**	(2,943,603)
Forfeited	**(1,181,767)**	(86,684)
Lapsed	**(1,198)**	(173,139)
Outstanding at the end of year	**8,540,395**	9,360,595
Weighted average remaining contractual life of awards outstanding in years	**1.9**	2.5
Weighted average fair value of awards granted (pence)	**872**	1,021
Weighted average market price at date of exercise (pence)	**1,228**	1,245
Exercisable at the end of the year	**–**	15,381

27 Share-based payments continued

Details of the different types of awards are as follows:

Performance Share Awards

Performance Share Awards are granted to employees and Executive Directors under the 3i Group Discretionary Share Plan 2020 (and predecessor rules).

Employees

Performance Share Awards granted to employees (other than Executive Directors) after the financial year end are subject to performance conditions based on absolute and relative Total Shareholder Return over three financial years. Awards performance vest, to the extent they satisfy the performance conditions, following the three-year performance period and are then released in the third year from the date of grant together with a payment equal to the dividends which would have been paid on the released shares during the period from grant to release. The method of settlement can either be equity or cash depending on the type of award. The equity awards are measured using the Monte Carlo model. The model simulates the Total Shareholder Return which has been incorporated into the fair value at grant date by applying a discount to the valuation obtained.

Executive Directors

Performance Share Awards granted to Executive Directors after the financial year end are subject to performance conditions based on absolute and relative Total Shareholder Return over three financial years. Awards performance vest, to the extent they satisfy the performance conditions, following the three-year performance period. Outstanding Executive Director awards granted up to and including 2019 are released, to the extent they have performance vested, together with a payment equal to the value of the dividends which would have been paid on the released shares during the period from grant to release as to 50% in year three and 25% in each of years four and five. Executive Director Performance Share Awards granted from 2020 onwards are released, to the extent they have performance vested, in the fifth year from the date of grant together with a payment equal to the value of the dividends that would have been paid on the released shares during the period from grant to release. The method of settlement is equity. These awards are measured using the Monte Carlo model. The model simulates the Total Shareholder Return which has been incorporated into the fair value at the grant date by applying a discount to the valuation obtained. The features of the Group's share schemes for Executive Directors are described in the Directors' remuneration report on pages 131 to 152.

Restricted Share Awards

Restricted Share Awards are granted under the 3i Group Deferred Bonus Plan 2020 (and predecessor rules) and are granted to employees and Executive Directors after the financial year end and are subject to continued service conditions. The shares subject to the awards are transferred to the participants on grant subject to forfeiture if the service condition is not fulfilled and cease to be subject to forfeiture in equal proportions over the three years following grant or over four years in the case of certain such awards granted to members of the Executive Committee. Cash dividends are received by participants on the shares during the period in which they remain subject to forfeiture. The method of settlement can either be equity or cash depending on the type of award. The equity awards are measured using the Black Scholes model.

Infrastructure Performance Fee Share Awards

Infrastructure Performance Fee Share Awards are granted to employees in the Infrastructure team under the 3i Special Share Award Plan. Awards are granted to employees after the financial year end and are subject to performance conditions based on receipt by 3i plc of certain instalments of performance fees payable by 3i Infrastructure plc under the terms of its Investment Management Agreement with 3i. The shares vest and are released, subject to satisfying the performance conditions, in equal instalments in the first and second years after grant together with payments equal to the value of the dividends which would have been paid on the released shares during the period from grant to release. If the performance condition is not met in year one, the award does not lapse but is retested in year two when some or all of the shares may vest. The method of settlement can either be equity or cash depending on the type of award. The equity awards are measured using the Black Scholes model.

27 Share-based payments continued

Measurement of fair values

The fair values of the plans have been measured using either the Monte Carlo model or Black Scholes model for equity share awards. The inputs used in the measurement of the grants are based on the following assumptions:

	Monte Carlo model		Black Scholes	
	2023	2022	**2023**	2022
Share price at grant date (pence)[1]	**1,171**	1,220	**1,102**	1,282
Fair value at grant date (pence)[1]	**449**	499	**971**	1,177
Exercise price (pence)	**–**	–	**–**	–
Expected volatility (weighted average)	**32.6%**	28.2%	**31.0%**	30.8%
Expected life (weighted average)	**4 years**	4 years	**3 years**	3 years
Dividend yield	**–**	–	**4.2 %**	3.0 %
Risk free interest rate	**1.70%**	0.16%	**1.72%**	0.22%

1 Where share awards are granted on multiple dates the average price is disclosed.

Expected volatility was determined by reviewing share price volatility for the expected life of each award up to the date of grant.

Holdings of 3i Group plc shares

The Group has established an employee benefit trust and the total number of 3i Group plc shares held in this trust at 31 March 2023 was 11 million (31 March 2022: 10 million). Dividend rights have been waived on these shares. During the year, the trust acquired 2 million (2022: 4 million) shares at an average price of 1,271 (2022: 1,348) pence per share. The total market value of the shares held in trust based on the year end share price of 1,685 pence (31 March 2022: 1,389 pence) was £180 million (31 March 2022: £142 million).

28 Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Risk management section on pages 78 to 91. This Note provides further detail on financial risk management, cross-referring to the Risk management section where applicable, and includes quantitative data on specific financial risks.

The Group is a highly selective investor and each investment is subject to an individual risk assessment through an investment approval process. The Group's Investment Committee is part of the overall risk management framework set out in the Risk section. The risk management processes of the Company are aligned with those of the Group and both the Group and the Company share the same financial risks.

Financial risks

Concentration risk

3i seeks to diversify risk through significant dispersion of investments by geography, economic sector, asset class and size as well as through the maturity profile of its investment portfolio. Although 3i does not set maximum limits for asset allocation, it does have a maximum exposure limit for the cost of new investments. This is detailed in the Investment policy on page 153 in the Governance section. Quantitative data regarding the concentration risk of the portfolio across geographies can be found in the Segmental analysis in Note 1 and in the 20 large investments table on pages 227 and 226.

Action is the largest asset in the Group's investment portfolio. A 5% increase or decrease in value would result in a £559 million (31 March 2022: £358 million) or £(559) million (31 March 2022: £(358) million) impact on the overall value.

Credit risk

The Group is subject to credit risk on its unquoted investments, derivatives, cash and deposits. The maximum exposure is the balance sheet amount. The Group's cash is held with a variety of counterparties with a minimum rating above A- with 78% of the Group's unrestricted surplus cash held on demand in AAA rated money market funds (31 March 2022: 88%).

The credit quality of unquoted investments, which are held at fair value and include debt and equity elements, is based on the financial performance of the individual portfolio companies. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements. Further detail can be found in the Price risk – market fluctuations disclosure in this Note and the sensitivity disclosure to changes in the valuation assumptions is provided in the valuation section of Note 13.

28 Financial risk management continued

Liquidity risk

The liquidity outlook is monitored at least monthly by management and regularly by the Board in the context of periodic strategic reviews of the balance sheet. The new investment pipeline and forecast realisations are closely monitored and assessed against our vintage control policy, as described on page 78 of the Risk management section. The table below analyses the maturity of the Group's gross contractual liabilities.

Financial liabilities

As at 31 March 2023	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due more than 5 years £m	£m Total £m
Gross commitments:					
Fixed loan notes	**36**	**36**	**110**	**1,070**	**1,252**
Committed multi-currency facility	**2**	**1**	**2**	**–**	**5**
Carried interest and performance fees payable within one year	**34**	**–**	**–**	**–**	**34**
Trade and other payables	**76**	**–**	**–**	**4**	**80**
Lease liabilities	**5**	**4**	**1**	**–**	**10**
Derivative financial instruments	**1**	**2**	**1**	**–**	**4**
Total	**154**	**43**	**114**	**1,074**	**1,385**

Gross commitments include principal amounts and interest and fees where relevant. Carried interest and performance fees payable within non-current liabilities of £43 million (31 March 2022: £42 million) has no stated maturity as it results from investment related transactions and it is not possible to identify with certainty the timing of when the investments will be sold. Carried interest and performance fees payable within non-current liabilities is shown after discounting, which has an impact of £2 million (31 March 2022: £2 million).

As at 31 March 2022	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due more than 5 years £m	£m Total £m
Gross commitments:					
Fixed loan notes	250	36	110	1,106	1,502
Committed multi-currency facility	1	1	3	–	5
Carried interest and performance fees payable within one year	35	–	–	–	35
Trade and other payables	80	–	–	14	94
Lease liabilities	4	5	5	–	14
Derivative financial instruments	–	–	–	–	–
Total	370	42	118	1,120	1,650

The Company disclosures are the same as those for the Group with the following exceptions: carried interest and performance fees payable due within one year is nil (31 March 2022: nil), trade and other payables due within one year is £728 million (31 March 2022: £667 million), trade and other payables due more than five years nil (31 March 2022: nil) and lease liabilities due within one year nil (31 March 2022: nil), lease liabilities due between one and two years nil (31 March 2022: nil) and lease liabilities due between two and five years nil (31 March 2022: nil).

Market risk

The valuation of the Group's investment portfolio is largely dependent on the underlying trading performance of the companies within the portfolio but the valuation and other items in the financial statements can also be affected by interest rate, currency and quoted market fluctuations. The Group's sensitivity to these items is set out below.

(i) Interest rate risk

On the liability side, the direct impact of a movement in interest rates is limited to any drawings under the committed multi-currency facility as the Group's outstanding debt is fixed rate. The sensitivities below arise principally from changes in interest receivable on cash and deposits.

An increase of 100 basis points, based on the closing balance sheet position over a 12-month period, would lead to an approximate increase in total comprehensive income of £2 million (2022: £2 million) for the Group and £1 million (2022: £2 million) for the Company. In addition, the Group and Company have indirect exposure to interest rates through changes to the financial performance and the valuation of portfolio companies caused by interest rate fluctuations.

(ii) Currency risk

The Group's net assets in sterling, euro, US dollar, Danish krone and all other currencies combined are shown in the table on the next page. This sensitivity analysis is performed based on the sensitivity of the Group's net assets to movements in foreign currency exchange rates assuming a 10% movement in exchange rates against sterling. The sensitivity of the Company to foreign exchange risk is not materially different from the Group.

Notes to the accounts continued

28 Financial risk management continued

The Group considers currency risk on specific investment and realisation transactions. Further information on how currency risk is managed is provided on page 89.

As at 31 March 2023	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Other £m	Total £m
Net assets1	**4,797**	**10,641**	**1,154**	**222**	**30**	**16,844**
Sensitivity analysis						
Assuming a 10% movement in exchange rates against sterling:						
Impact on net assets	**n/a**	**1,064**	**115**	**22**	**3**	**1,204**

1 Net assets include impact of foreign exchange hedging.

As at 31 March 2022	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Other £m	Total £m
Net assets1	1,562	8,953	2,033	184	22	12,754
Sensitivity analysis						
Assuming a 10% movement in exchange rates against sterling:						
Impact on net assets	n/a	895	203	18	2	1,118

1 Net assets include impact of foreign exchange hedging.

(iii) Price risk – market fluctuations

The Group's management of price risk, which arises primarily from quoted and unquoted equity instruments, is through the careful consideration of the investment, asset management and divestment decisions at the Investment Committee. The Investment Committee's role in risk management is detailed on page 83 in the Risk management section. A 5% change in the fair value of those investments would have the following direct impact in profit or loss:

Group	Quoted investment £m	Unquoted investment £m	Investment in Investment entity subsidiaries £m	Total £m
At 31 March 2023	**42**	**434**	**392**	**868**
At 31 March 2022	47	285	340	672

Company	Quoted investment £m	Unquoted investment £m	Total £m
At 31 March 2023	**42**	**434**	**476**
At 31 March 2022	47	285	332

29 Related parties and interests in other entities

The Group has various related parties stemming from relationships with limited partnerships managed by the Group, its investment portfolio (including unconsolidated subsidiaries), its advisory arrangements and its key management personnel. In addition, the Company has related parties in respect of its subsidiaries. Some of these subsidiaries are held at fair value (unconsolidated subsidiaries) due to the treatment prescribed in IFRS 10.

Related parties

Limited partnerships

The Group manages a number of external funds which invest through limited partnerships. Group companies act as the general partners of these limited partnerships and exert significant influence over them. The following amounts have been included in respect of these limited partnerships:

Statement of comprehensive income	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Carried interest receivable	**6**	28	**42**	54
Fees receivable from external funds	**20**	17	**–**	–

29 Related parties and interests in other entities continued

Statement of financial position	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Carried interest receivable	**8**	34	**99**	88

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:

Statement of comprehensive income	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Unrealised profits on the revaluation of investments	**89**	98	**89**	98
Portfolio income	**18**	20	**17**	20

Statement of financial position	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Unquoted investments	**775**	674	**775**	674

Advisory and management arrangements

The Group acted as Investment Manager to 3i Infrastructure plc ("3iN"), which is listed on the London Stock Exchange, for the year to 31 March 2023. The following amounts have been recognised in respect of the management relationship:

Statement of comprehensive income	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Unrealised (losses)/profits on the revaluation of investments	**(93)**	137	**(93)**	137
Fees receivable from external funds	**49**	44	**–**	–
Performance fees receivable	**35**	26	**–**	–
Dividends	**29**	27	**29**	27

Statement of financial position	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Quoted equity investments	**841**	934	**841**	934
Performance fees receivable	**35**	26	**–**	–

Subsidiaries

Transactions between the Company and its fully consolidated subsidiaries, which are related parties of the Company, are eliminated on consolidation. Details of related party transactions between the Company and its subsidiaries are detailed below.

Management, administrative and secretarial arrangements

The Company has appointed 3i Investments plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, as its investment manager. 3i Investments plc received a fee of £8 million (2022: £8 million) from 3i plc, a fellow subsidiary, for this service.

The Company has appointed 3i plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, to provide the Company with a range of administrative and secretarial services. 3i plc received a fee of £108 million (2022: £148 million) for this service.

Notes to the accounts continued

29 Related parties and interests in other entities continued

Key management personnel

The Group's key management personnel comprise the members of the Executive Committee and the Board's non-executive Directors. The following amounts have been included in respect of these individuals:

Statement of comprehensive income	Group 2023 £m	Group 2022 £m
Salaries, fees, supplements and benefits in kind	**6**	4
Cash bonuses	**2**	2
Carried interest and performance fees payable	**34**	35
Share-based payments	**13**	10
Termination payments	**–**	–

Statement of financial position	Group 2023 £m	Group 2022 £m
Bonuses and share-based payments	**14**	14
Carried interest and performance fees payable within one year	**22**	4
Carried interest and performance fees payable after one year	**64**	69

No carried interest was paid or accrued for the Executive or non-executive Directors as they do not participate in these schemes (2022: nil). Carried interest paid in the year to other key management personnel was £7 million (2022: £7 million).

Unconsolidated structured entities

The application of IFRS 12 requires additional disclosure on the Group's exposure to unconsolidated structured entities.

The Group has exposure to a number of unconsolidated structured entities as a result of its investment activities across its Private Equity and Infrastructure business lines. The nature, purpose and activities of these entities are detailed below along with the nature of risks associated with these entities and the maximum exposure to loss.

Closed-end limited partnerships

The Group manages a number of closed-end limited partnerships, which are either Private Equity or Infrastructure focused, in return for a management fee. The purpose of these partnerships is to invest in Private Equity or Infrastructure investments for capital appreciation. Limited Partners, which in some cases may include the Group, finance these entities by committing capital to them and cash is drawn down or distributed for financing investment activity.

The Group's attributable stakes in these entities are held at fair value, fees receivable are recognised on an accruals basis and carried interest is accrued when relevant performance hurdles are met.

The risk and maximum exposure to loss arising from the Group's involvement with these entities are summarised below:

	Carrying amount			
Balance sheet line item of asset or liability	Assets £m	Liabilities £m	Net £m	Maximum loss exposure £m
Unquoted investments	**98**	**–**	**98**	**98**
Carried interest receivable	**8**	**–**	**8**	**8**
Total	**106**	**–**	**106**	**106**

At 31 March 2022, the carrying amount of assets and maximum loss exposure of unquoted investments and carried interest receivable was £77 million and £34 million respectively. The carrying amount of liabilities was nil.

At 31 March 2023, the total assets under management relating to these entities was £9.0 billion (31 March 2022: £6.0 billion). The Group earned fee income of £20 million (2022: £17 million) and a carried interest receivable of £6 million (2022: £28 million) in the year.

Regulatory information relating to fees

3i Investments plc acts as the AIFM of 3i Group plc. In performing the activities and functions of the AIFM, the AIFM or another 3i company may pay or receive fees, commissions or non-monetary benefits to or from third parties of the following nature:

Transaction fees

3i companies receive monitoring and directors' fees from portfolio companies. The amount is agreed with the portfolio company at the time of the investment but may be renegotiated. Where applicable, 3i may also receive fees on the completion of transactions such as acquisitions, refinancings or syndications either from the portfolio company or a co-investor. Transaction fees paid to 3i are included in portfolio income.

29 Related parties and interests in other entities continued

Payments for third-party services

3i companies may retain the services of third-party consultants; for example, for an independent director or other investment management specialist expertise. The amount paid varies in accordance with the nature of the service and the length of the service period and is usually, but not always, paid/reimbursed by the portfolio companies. The payment may involve a flat fee, retainer or success fee. Such payments, where borne by 3i companies, are usually included in portfolio income.

Payments for services from 3i companies

One 3i company may provide investment advisory services to another 3i company and receive payment for such services.

30 Subsidiaries and related undertakings

IFRS 10 deems control, as opposed to equity ownership, as the key factor when determining what meets the definition of a subsidiary. If a group is exposed to, or has rights to, variable returns from its involvement with the investee, then under IFRS 10 it has control. This is inconsistent with the UK's Companies Act 2006, where voting rights being greater than 50% is the key factor when identifying subsidiaries.

Under IFRS 10, 33 of the Group's portfolio company investments are considered to be accounting subsidiaries. As the Group applies the investment entity exception available under IFRS 10, these investee companies are classified as investment entity subsidiaries.

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings. Related undertakings are subsidiaries, joint ventures, associates and other significant holdings. In this context, significant means either a shareholding greater than or equal to 20% of the nominal value of any class of shares or a book value greater than 20% of the Group's assets.

The Company's related undertakings at 31 March 2023 are listed below:

Description	Holding/share class	Footnote
Subsidiaries		
3i Holdings plc	100% ordinary shares	1
3i Investments plc	100% ordinary shares	1
3i plc	100% ordinary shares	1
3i International Holdings	100% ordinary shares	1
Investors in Industry plc	100% ordinary shares/cumulative preference shares	1
3i Assets LLP	100% partnership interest	1
3i Corporation	100% ordinary shares	2
3i Deutschland Gesellschaft für Industriebeteiligungen mbH	100% ordinary shares	4
Gardens Nominees Limited	100% ordinary shares	1
Gardens Pension Trustees Limited	100% ordinary shares	1
3i Europe plc	100% ordinary shares	1
3i Nominees Limited	100% ordinary shares	1
3i Osprey GP Limited	100% ordinary shares	1
3i Nordic plc	100% ordinary shares	1
3i GP 2004 Limited	100% ordinary shares	3
3i Ademas LP	100% partnership interest	3
The 3i Group Employee Trust	n/a	6
3i International Services plc	100% ordinary shares	1
3i EFV Nominees A Limited	100% ordinary shares	1
3i EFV Nominees B Limited	100% ordinary shares	1
3i India Private Limited	100% ordinary shares	7
3i Sports Media (Mauritius) Limited	100% ordinary shares	8
3i EFV GP Limited	100% ordinary shares	1
3i Research (Mauritius) Limited	100% ordinary shares	8
IIF SLP GP Limited	100% ordinary shares	3
3i Buyouts 2010 A LP	85% partnership interest	1
3i Buyouts 2010 B LP	79% partnership interest	1
3i Buyouts 2010 C LP	60% partnership interest	1

Notes to the accounts continued

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
GP CCC 2010 Limited	100% ordinary shares	3
3i GC GP Limited	100% ordinary shares	1
3i GP 2010 Limited	100% ordinary shares	1
3i Growth Capital A LP	100% partnership interest	1
3i Growth Capital G LP	100% partnership interest	1
3i Growth 2010 LP	85% partnership interest	1
Strategic Investments FM (Mauritius) Alpha Limited	70% ordinary shares	8
3i GC Nominees A Limited	100% ordinary shares	1
3i GC Nominees B Limited	100% ordinary shares	1
3i India Infrastructure Fund B LP	99% partnership interest	1
3i 2004 GmbH & Co. KG	100% partnership interest	4
3i General Partner 2004 GmbH	100% ordinary shares	4
Pan European Growth Co-invest 2006-08 LP	100% partnership interest	1
Pan European Growth (Dutch)A Co-invest 2006-08 LP	100% partnership interest	1
Asia Growth Co-invest 2006-08 LP	100% partnership interest	1
Pan European Growth (Nordic) Co-invest 2006-08 LP	100% partnership interest	1
3i PE 2013-16A LP	100% partnership interest	1
3i PE 2013-16C LP	100% partnership interest	1
3i GP 2013 Ltd	100% ordinary shares	1
GP 2013 Ltd	100% ordinary shares	3
3i BIFM Investments Limited	100% ordinary shares	1
BIIF GP Limited	100% ordinary shares	1
BAM General Partner Limited	100% ordinary shares	1
BEIF Management Limited	100% ordinary shares	1
3i BIIF GP LLP	100% partnership interest	1
3i PE 2016-19 A LP	100% partnership interest	1
3i Managed Infrastructure Acquisitions GP (2017) LLP	100% partnership interest	1
3i Managed Infrastructure Acquisitions GP Limited	100% ordinary shares	1
3i 2016 Gmbh & Co. KG	100% partnership interest	4
3i European Operational Projects GmbH & Co. KG	100% partnership interest	4
GP 2016 Limited	100% ordinary shares	3
3i GP 2016 Limited	100% ordinary shares	1
3i European Operational Projects GP s.a.r.l	100% ordinary shares	10
3i SCI Holdings Limited	100% ordinary shares	1
3i North American Infrastructure Partners, LLC	80% ordinary shares	26

Notes to the accounts continued

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
3i Abaco ApS	100% ordinary shares	23
3i Investments (Luxembourg) S.A.	100% ordinary shares	10
3i 2019-22 DLP SCSp	100% partnership interest	10
3i PE 2019-22 A LP	100% partnership interest	1
3i PE 2019-22 B LP	100% partnership interest	1
3i PE 2019-22 Warehouse LP	100% partnership interest	3
3i 2020 Co-investment LP	100% partnership interest	3
3i GP 2019 Limited	100% ordinary shares	1
3i GP 2020 Limited	100% ordinary shares	3
3i GP 2019 s.a.r.l	100% ordinary shares	10
3i GP 2019 (Scots) Limited	100% ordinary shares	3
3i 2020 Co-investment GP s.a.r.l	100% ordinary shares	10
3i France SAS	100% ordinary shares	16
3i IP Acquisitions Limited	100% ordinary shares	1
3i IP Acquisitions GP LLP	100% partnership interest	1
2020 Co-Investment 1 LP	100% partnership interest	1
2020 Co-Investment 2 LP	94% partnership interest	1
3i IIF GP 2020 Limited	100% ordinary shares	1
3i IIF GP LLP	100% partnership interest	1
Coral LP	50% carried interest units	3
3i Benelux B.V.	100% ordinary shares	12
3i Mountain LP	99% partnership interest	3
3i NAI Holdings GP Limited	100% ordinary shares	3
3i PE 2022-25 A LP	100% partnership interest	1
3i PE 2022-25 B LP	100% partnership interest	1
3i GP 2022 Limited	100% ordinary shares	1
3i GP 2022 (Scots) Limited	100% ordinary shares	3
3i PE 2022-25 A (Lux) SCSp	100% partnership interest	10
3i PE 2022-25 B (Lux) SCSp	100% partnership interest	10
3i GP 2022 s.a.r.l.	100% ordinary shares	10
3i North American Infrastructure Fund A LP	100% equity units	26
3i NAI Holdings LP	100% partnership interest	3
3i North American Infrastructure GP, LLC	100% equity units	26
3i ECW Coinvest GP, LLC	100% equity units	26
3i RR Coinvest GP, LLC	100% equity units	26
3i Aura GP (2022) Limited	100% ordinary shares	1
3i Zephyr GP (2022) Limited	100% ordinary shares	1
3i Infra GP 2022 (Scots) Limited	100% ordinary shares	3
3i Infra 2022 Warehouse LP	100% partnership interest	3

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
Associates		
3i Growth Carry A LP	25% partnership interest	3
3i Growth Carry B LP	25% partnership interest	3
Pan Euro Buyouts (Dutch)A Co-invest 2006-08 LP	39% partnership interest	1
Pan European Buyouts (Nordic) Co-invest 2006-08 LP	26% partnership interest	1
Global Growth Co-invest 2006-08 LP	30% partnership interest	39
Strategic Investments FM (Mauritius) B Limited	36% ordinary shares	8
3i Growth Capital B LP	36% partnership interest	1
Moon Topco GmbH	49% ordinary shares	13
Layout Holdco A/S	49% ordinary shares	14
Boketto Holdco Limited	47% ordinary shares	15
Klara HoldCo S.A.	43% ordinary shares	10
Shield Holdco LLC	49% ordinary shares	32
Q Holdco Limited	42% ordinary shares	18
3i Infrastructure plc	29% ordinary shares	17
Peer Holding I B.V.	49% ordinary shares	19
AES Engineering Limited	43% ordinary shares	20
Chrysanthes 1 s.a.r.l	49% ordinary shares	10
Carter Thermal Industries Limited	32% ordinary shares	21
Harper Topco Limited	42% ordinary shares	22
Orange County Fundo de Investmento EM Particpacoes	40% equity units	25
Tato Holdings Limited	27% ordinary shares	28
Nimbus Communications Ltd	30% ordinary shares	30
Aurela TopCo Gmbh	49% ordinary shares	5
nexeye holding B.V.	49% ordinary shares	27
C Medical Holdco, LLC	49% ordinary shares	2
Crown Holdco BV	49% ordinary shares	12
3i India Infrastructure Holdings Ltd	21% ordinary shares	8
Racing Topco GmbH	49% ordinary shares	24
Panda Holdco LLC	49% ordinary shares	2
Scandlines Infrastructure ApS	35% ordinary shares	31
Alinghi 1 S.A.S	49% ordinary shares	11
SaniSure Holdings GP LLC	49% ordinary shares	2
New Amsterdam Software GP LLC	49% ordinary shares	32
Garden & House International GmbH	36% ordinary shares	33
T&J Holdco Limited	49% ordinary shares	9
WHCG GP LLC	49% ordinary shares	32
Hydra Holdco BV	49% ordinary shares	41
European Bakery Group BV	49% ordinary shares	42
Himalaya Topco BV	49% ordinary shares	40
MAIT Group GmbH	49% ordinary shares	34
Ten23 Health GP LLC	49% ordinary shares	32
George Topco Limited	49% ordinary shares	35
Solaia TopCo Gmbh	49% ordinary shares	36
Balearia Topco B.V.	49% ordinary shares	37
Kite Topco ApS	49% ordinary shares	38

There are no joint ventures or other significant holdings. The 20 large portfolio companies by fair value are detailed on pages 227 and 228. The combination of the table above and that on pages 227 and 228 is deemed by the Directors to fulfil the requirements under IFRS 12 on the disclosure of material subsidiaries.

30 Subsidiaries and related undertakings continued

Footnote	Address
1	16 Palace Street, London, SW1E 5JD, UK
2	1 Grand Central Place, East 42nd Street, Suite 4100, New York, NY 10165, USA
3	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, UK
4	OpernTurm, Bockenheimer Landstresse 2-4, 60306 Frankfurt am Main, Germany
5	Seelbüde 13, 36110 Schlitz, Germany
6	13 Castle Street, St Helier, JE1 1ES, Jersey
7	Level 7, The Capital B-Wing, Bandra Kurla Complex, Bandra East, Mumbai, 400051, India
8	5th Floor, Ebene Esplanade, 24 Bank Street, Cybercity, Ebene, Mauritius
9	Floor 2, Trident 3, Trident Business Park, Styal Road, Manchester, M22 5XB, UK
10	9 Rue Sainte Zithe, L-2763 Luxembourg, Grand Duchy of Luxembourg
11	16 place de l'Iris, 92 400 Courbevoie, France
12	Cornelis Schuytstraat 72, 1071JL Amsterdam, Netherlands
13	Einsteinring 10, 85609 Aschheim, Germany
14	Mørupvej 16 Mørup, 7400 Herning, Denmark
15	New Mill, New Mill Lane, Witney, Oxfordshire, OX29 9SX, UK
16	29-31, rue de Berri, 75008 Paris, France
17	11-15 Seaton Place, St. Helier, JE4 0QH, Jersey
18	1 Bartholomew Lane, London, EC2N 2AX, UK
19	Perenmarkt 15, Zwaagdijk East, 1681PG, Netherlands
20	Bradmarsh Business Park, Mill Close, Rotherham, South Yorkshire, S60 1BZ, UK
21	90 Lea Ford Road, Birmingham, B33 9TX, UK
22	1st James Court, Whitefriars, Norwich, Norfolk, NR3 1RU, UK
23	Nybrogade 12, 1203 København K, Denmark
24	Schanzenstr. 6-20, Gebäude 2.08, 51063 Cologne, Germany
25	Avenida Brigadeiro Faria Lima, 2055, 19 andar, 01452-001 – Sao Paulo, SP, Brazil
26	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware, 19801, USA
27	Papland 21, 4206CK Gorinchem, Netherlands
28	Thor Specialities (Uk) Ltd, Wincham Avenue, Wincham, Northwich, England, CW9 6GB, UK
29	Park a Eco Vendee Sud Loire, 85600, Bouffere, France
30	44 Oberoi Complex, Andheri (West), Mumbai, India
31	Havneholmen 25, 8. Kobenhavn V, 1561, Denmark
32	251 Little Falls Drive, Wilmington, DE 19808, New Castle, USA
33	Bahrenfelder Chaussee 49, 22761, Hamburg, Germany
34	Berner Feld 10, 78628 Rottweil, Germany
35	Milton Gate, 60 Chiswell Street, London, EC1Y 4AG, UK
36	c/o Latham & Watkins LLP, Reuterweg 20, Frankfurt am Main, 60323, Germany
37	Herengracht 262, 1016 BV Amsterdam, Netherlands
38	c/o Bruun & Hjejle, Nørregade 21, Copenhagen, 1165, Denmark
39	2nd Floor, Gaspé House, 66-72 Esplanade, St Helier, JE1 1GH, Jersey
40	Aalsvoort 101, 7241 MB Lochem, Netherlands
41	Weidehek 46, 4824 AS Breda, Netherlands
42	Kronosstraat 2, 5048 CE Tilburg, Netherlands

KPMG LLP's independent auditor's report

1. Our opinion is unmodified

In our opinion:

- the financial statements of 3i Group plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of 3i Group plc (“the Group”) for the year ended 31 March 2023 (FY2023) included in the Annual Report and Accounts, which comprise:

Group (3i Group plc and its subsidiaries)	Parent Company (3i Group plc)
Consolidated statement of comprehensive income	Company statement of financial position
Consolidated statement of financial position	Company statement of changes in equity
Consolidated statement of changes in equity	Company cash flow statement
Consolidated cash flow statement	Notes to the Parent Company Financial Statements, including the summary of significant accounting policies
Notes to the Consolidated Financial Statements, including the summary of significant accounting policies	

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit and Compliance Committee (“ACC”).

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks

The year ended 31 March 2023 is our third year as the Group's auditor. Following our FY2022 audit, and considering developments affecting the Group since then, we have updated our risk assessment.

In early 2022, the conflict between Russia and Ukraine intensified geopolitical tensions which continued during 2023. In addition, during 2022, energy costs increased significantly, impacting all sectors of the economy globally, and this was one of the main drivers for the high inflation not seen in major economies for decades. This required central banks to adopt a series of monetary policy measures, primarily through increases in interest rates, to seek to contain inflation. Late in 2022, food supply chains also faced disruption which contributed to the high levels of cost inflation. All these factors contributed to an ongoing 'cost of living' crisis for many people, squeezing people's disposable income, which in turn impacted many sectors the Group invest in, such as retail, travel and leisure.

In late 2022 and early 2023, China ended its zero-COVID policy. While it caused short term supply chain issues due to the sudden increases in COVID cases, in the long run, it is a positive move for the global supply chain, with the caveat that the tension between US and China continues.

Based on the predictions formed by OECD in March 2023, major economies will see recovery in 2023 and 2024, with the exception of the UK which are expected to see the economy contracting in both years.

Close to 3i's financial year end, the global banking sector saw turmoil with a small number of mainstream banks in the US and Switzerland having either collapsed or required rescue. These events have further added market uncertainties.

These geopolitical and macroeconomic factors have had a significant impact on the performance of a number of portfolio companies invested in by 3i. This means the level of judgement required to be exercised by the Group and Parent Company in valuations of unquoted investments, in particular as a result of volatility in earnings (including earnings adjustments) and comparable company multiples, continued to be a focus area.

Carried Interest payable in investment entity subsidiaries has been similarly impacted, as its calculation is primarily driven by the valuation of the investment portfolio as at the year end.

As part of our risk assessment, we have maintained our focus on the valuation of the unquoted investment portfolio held directly and by investment entity subsidiaries and on completeness and accuracy of carried interest payable included in the valuation of investment entities. We have designed our audit procedures accordingly. This has included specific focus on key assumptions adopted by management. We have further considered the impact of the geopolitical uncertainty and macroeconomic downturn on the portfolio companies. We have also designed additional procedures over the largest asset in the portfolio, Action.

Key Audit Matters (Group and Parent Company)		Items
Valuation of Unquoted Investments	↔	4.1
Valuation of investment entity subsidiaries after deducting carried interest payable in investment entities as a liability	↔	4.2

- ⊕ Newly identified risk
- ↔ Similar risk to FY2022
- ↑ Increased risk since FY2022
- ↓ Decreased risk since FY2022

KPMG LLP's independent auditor's report continued

Audit and compliance committee ("ACC") interaction	During the year, the ACC met 6 times. KPMG are invited to attend all ACC meetings and are provided with an opportunity to meet with the ACC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the ACC in section 4, including matters that required particular judgement for each. The matters included in the Audit and Compliance Committee Chair's report on page 114 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements, including the FRC Ethical Standard as applied to listed public interest entities.

Apart from the matter noted below, we have not performed any non-audit services during FY2023 the year ended 31 March 2023 or subsequently which are prohibited by the FRC Ethical Standard.

During 2023, we identified that certain KPMG member firms had provided preparation of local GAAP financial statement services over the periods ending 31 March 2018 to 31 March 2023 to some subsidiaries of controlled portfolio companies of the group. The services, which have been terminated, were administrative in nature and did not involve any management decision-making or bookkeeping. The work in each case had no direct or indirect effect on 3i Group plc's consolidated financial statements.

In our professional judgement, we confirm that based on our assessment of the breach, our integrity and objectivity as auditor has not been compromised and we believe that an objective, reasonable and informed third party would conclude that the provision of this service would not impair our integrity or objectivity for any of the impacted financial years. The Audit and Compliance Committee have concurred with this view.

We were first appointed as auditor by the shareholders for the year ended 31 March 2021. The period of total uninterrupted engagement is for the three financial years ended 31 March 2023.

The Group engagement partner is required to rotate every five years. As these are the third set of the Group's financial statements signed by Jonathan Mills, he will be required to rotate off after the FY2025 audit.

Total audit fee	£2.8m (FY2022: £2.7m)
Audit related fees (including interim review)	£0.3m (FY2022: £0.26m)
Non-audit fee as a % of audit fee %	10% (FY2022: 11.1%)
Date first appointed	25 June 2020
Uninterrupted audit tenure	3 years
Next financial period which requires a tender	31 March 2031
Tenure of Group signing partner	3 years

KPMG LLP's independent auditor's report continued

Materiality (item 6 below)

The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

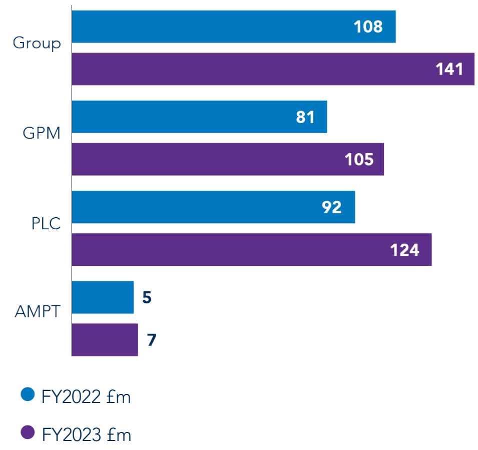
We have determined overall materiality for the Group financial statements as a whole at £141m (FY2022: £108m) and for the Parent Company financial statements as a whole at £124m (FY2022: £92m).

A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering which metrics have the greatest bearing on shareholder decisions.

Consistent with FY2022, we determined that Total Assets remains the benchmark for the Group as the valuation of the investment portfolio remains the key financial measure. As such, we based our Group materiality on Total Assets, of which it represents 0.79% (FY2022: 0.77%).

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company Total Assets of which it represents 0.70% (FY2022: 0.66%).

Materiality levels used in our audit



Group	Group Materiality
GPM	Group Performance Materiality
PLC	Parent Company Materiality
AMPT	Reporting Differences Threshold

KPMG LLP’s independent auditor’s report continued

Group scope (item 7 below)

We have performed risk assessment and planning procedures to determine which of the Group’s components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed and the extent of involvement required. The Parent Company is the only component in scope for full scope audit of financial information for consolidation purposes. This is consistent with the prior year.

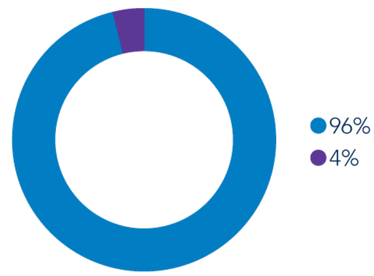
The component within the scope of our work accounted for the percentages illustrated opposite.

We have performed audit procedures centrally across the Group, as set out in more detail in item 7 In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit and Compliance Committee, to be an appropriate basis for our audit opinion.

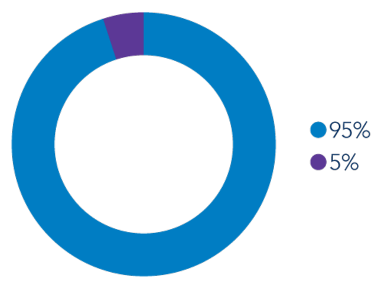
Coverage of Group financial statements

Total Profits and losses that made up group before tax



Total assets

Revenue



● Full scope audits

● Remaining components

The impact of climate change on our audit

In planning our audit, we have considered the potential impacts of climate change on the Group’s business and its financial statements.

Climate change impacts the Group in a variety of ways including the impact of climate risk on investment valuations, potential reputational risk associated with the Group’s delivery of its climate related initiatives, and greater emphasis on climate related narrative and disclosure in the annual report.

The Group’s exposure to climate change is primarily through the portfolio companies, as the key valuation assumptions and estimates may be impacted by climate change risks.

As a part of our audit, we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group’s financial statements and the Group’s preparedness for this. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit, in particular over the valuation of portfolio companies. We held discussions with our own climate change professionals to challenge our risk assessment. For the biggest asset in the portfolio, Action, we read its sustainability report to understand the climate change risks and considered the impact on its valuations.

On the basis of the risk assessment procedures performed above, we concluded that, while climate change posed a risk to the determination of the valuation of portfolio companies due to the potential impact on the maintainability of valuation earnings or free cash flow forecast, the risk was not significant when we considered the portfolio of investments. As a result, there was no material impact from this on our key audit matters.

We have also read the disclosure of climate related information in the front half of the annual report as set out on pages 60 to 66 and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group and Parent Company, their industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that management considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period are:

- Continued geopolitical tension and macroeconomic downturn, including persistent inflation, cost of living crisis and market uncertainties, impacting the performance of portfolio companies, including their liquidity (which may require 3i to provide further liquidity support to portfolio companies);
- A material downturn in performance of the Group's largest portfolio company, Action; and
- A combination of the two scenarios.

We critically assessed the assumptions in the Directors' downside scenarios relevant to liquidity metrics, in particular, in relation to the continued impact of macroeconomic downturn and geopolitical uncertainties on the severely impacted portfolio companies, the expected recovery for these companies, and the potential liquidity support required. We assessed whether the scenarios applied take into account all reasonably possible downsides.

Our procedures also included an assessment of whether the going concern disclosure in Accounting Policy A to the financial statements gives a complete and accurate description of the Directors' assessment of going concern.

Accordingly, based on those procedures, we found the Directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- The Parent Company is in a net current liabilities position. The current liabilities primarily consist of amounts due to subsidiaries, and the Parent Company holds quoted investments within non-current assets with the value in excess of the current liabilities;
- We have nothing material to add or draw attention to in relation to the Directors' statement in Accounting Policy A to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in Accounting Policy A to be acceptable; and
- The related statement under the Listing Rules set out on page 124-125 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability	
Our responsibility We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge. Based on those procedures, we have nothing material to add or draw attention to in relation to: • the Directors' confirmation within the Principal risks and mitigations statement that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; • the Principal risks and mitigations disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and • the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to review the Viability statement set out on page 124-125 under the Listing Rules. Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.	**Our reporting** We have nothing material to add or draw attention to in relation to these disclosures. We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters (unchanged from FY2022) in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Valuation of unquoted investments (Group and Parent Company)

Financial Statement Elements	FY2023	FY2022	Our assessment of risk vs FY2022	Our results
Unquoted investments – Group (Note 11, 13)	**£8,677m**	£5,708m	↔ Our assessment is the risk is similar to FY2022.	**FY2023: Acceptable** FY2022: Acceptable
Unquoted investments – Parent Company (Note 11, 13)	**£8,677m**	£5,708m		

KPMG LLP's independent auditor's report continued

Description of the Key Audit Matter	Our response to the risk
Subjective valuation The proprietary investment portfolio comprises a number of unquoted investments. These are held by the Group and the Parent Company, both directly and indirectly within unconsolidated investment entity subsidiaries whose fair value consists primarily of the valuation of the unquoted investments it holds (Refer to section 4.2 for valuation of investment entity subsidiaries). As these investments are unquoted and illiquid, the fair value is determined through the application of valuation techniques. The application of valuation techniques involves the exercise of significant judgement by the Group and Parent Company in relation to the assumptions and inputs into the respective models (e.g., maintainable earnings, earnings multiple, and discount rate). During the year, a number of portfolio companies faced challenging trading conditions primarily driven by geopolitical tensions and macroeconomic downturn. The impact of these events on individual portfolio companies vary. Accordingly, the level of judgement required to be exercised by the Group and the Parent Company to determine maintainable earnings and earnings multiple remain high in FY2023. We have considered the impact of the geopolitical uncertainty and macroeconomic downturn (including supply chain issues and the cost of living crisis (inflationary)) in our risk assessment and have designed our audit procedures accordingly. The effect of these matters is that, as part of our risk assessment, we determined that the subjective estimates in fair value measurement of unquoted investments, as detailed above, have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	**Our procedures to address the risk included:** **Control design:** We obtained an understanding of any key changes to the processes and controls to determine the fair value of unquoted investments. We documented and assessed the design and implementation of the investment valuation processes and controls. We performed the tests below rather than seeking to rely on any of these controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Control observation:** We attended quarterly Valuations Committee meetings with the Directors and management to assess their discussion and review of the investment valuations. **Benchmarking assumptions:** We challenged the Group and Parent Company on key judgements affecting investee portfolio company valuations, such as the maintainability of the earnings used in valuations, the determination of earnings multiples (with reference to a selection of comparable companies' earnings multiples), projected cash flows, discount factors and terminal value for discounted cash flow valuations. We challenged the assumptions around maintainability of earnings based on the plans of investee portfolio companies and whether these are achievable. Our work considered the current macro-economic conditions, including the cost of living crisis. and geopolitical uncertainties. **Our valuation expertise:** For a sample of investments, selected based on audit materiality and risk profile of each investment, we used our own valuations specialists to assist us in assessing the principles and appropriateness of the valuation methodology, critically reviewing the key assumptions, and independently providing a reasonable range for earnings multiples. **Understanding of the business:** For the largest asset in the portfolio, Action, we visited Action's Head Office in the Netherlands, an Action store in Amsterdam, and a distribution centre in the Netherlands, to observe its operations to enhance our business understanding. We also held discussions with Action management and the external audit team for Action to understand the business strategy, how accounting estimates are made and any key audit findings. **Historical comparisons:** We assessed investment realisations in the period and compared actual investment sales proceeds to prior valuations to understand the reasons for significant variances and determine whether they are indicative of bias and error in the Group's approach to valuations. **Assessing transparency:** We considered the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Communications with the 3i Group plc Audit and Compliance Committee and Valuations committee

Our discussions with and reporting to the Audit and Compliance Committee and the Valuations Committee included:

- Our approach to the audit of the fair value of the unquoted investment portfolio including details of our planned substantive procedures and the extent of our control reliance.
- Our conclusions on the appropriateness of 3i's fair value methodology and policy.
- Our conclusions on the appropriateness of the valuation outcome for individual portfolio companies and, for the sample of investments subject to valuation specialists' review, an indication of where the Group's valuations multiple (where applicable) lays within our reasonable range.
- The adequacy of the sensitivity disclosures, particularly as they relate to valuation inputs.

Areas of particular auditor judgement

Auditor judgement is required to assess whether the directors' estimate of the following key assumptions fall within an acceptable range:

- For assets valued using an earnings multiple approach:
  - Determination of valuation multiples
  - Determination of maintainable earnings (including any earnings adjustments)
- For assets valued using a discounted cash flow approach:
  - Discount rate
  - Projected cash flows
  - Terminal value exit multiple
  - Terminal value earnings

Our results

Based on the risk identified and our procedures performed, we consider the valuation of the unquoted investments to be acceptable (FY2022: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Compliance Committee Report on page 114-118 and the Valuation Committee report on page 126-130 for details on how the committees considered Valuation as an area of significant attention, and page 182 for the accounting policy for unquoted investments.

KPMG LLP's independent auditor's report continued

4.2 Valuation of investment entity subsidiaries after deducting carried interest payable in investment entity subsidiaries as a liability (Group and Parent Company)

Financial Statement Elements	FY2023	FY2022	Our assessment of risk vs FY2022	Our results
Investments in investment entity subsidiaries – Group (Note 12,13)	**£7,844**	£6,791	Our assessment is the risk is similar to FY2022.	**FY2023: Acceptable** FY2022: Acceptable
Interest in Group entities – Parent Company (Note 23)	**£7,867**	£6,801		
Carried interest payable recognised in investment entity subsidiaries (Note 15)	**£1,274m**	£885m		

Description of the Key Audit Matter

The valuation of investment entity subsidiaries is primarily driven by the valuation of unquoted investments held in investment entity subsidiaries and the carried interest liabilities of the investment entity subsidiaries. The risks attributable to the unquoted investments held in investment entity subsidiaries are consistent with those risks in section 4.1 above in respect of unlisted investments.

Carried interest payable is a liability for the investment entity subsidiaries which reduces the Net Asset Value ('NAV') for investment entity subsidiaries. Carried interest payable is calculated as a function of the investment returns that would be achieved if the investments within each fund or scheme were realised at reported fair value at the year-end date, subject to the relevant hurdle rates or performance conditions (as set out in relevant limited partnership agreements) being met.

Calculation error

Due to the number of bespoke, complex agreements and the manual nature of the calculation and recognition process, there is an increased risk of error in relation to carried interest payable.

The financial statements (Note 15) disclose the sensitivity estimated by the Group and the Parent Company.

Our response to the risk

Our procedures to address the risk included:

Subjective valuation

Our audit procedures for the valuation of unquoted investments held in investment entity subsidiaries are consistent with those outlined in section 4.1.

Calculation error

Control design: We obtained an understanding of the Group and Parent Company's processes to determine the carried interest payable. We documented and assessed the design and implementation of the processes and controls. We performed the tests below rather than seeking to rely on any of the Group's and Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Methodology implementation: We agreed the methodology used in management's calculations to the relevant limited partnership agreements.

Reperformance: We vouched key inputs, including estimated valuations, relevant hurdles, and performance obligations, to supporting documentation. We independently reperformed calculations and compared our reperformance to management's calculations.

Completeness: To assess the completeness of carry expense/payable recorded, we reperformed calculations of the funds' investment returns and compared them to the relevant hurdle rates or performance conditions.

Communications with the 3i Group plc Audit and Compliance Committee

Our discussions with and reporting to the Audit and Compliance Committee included:

- Our approach to the audit of the fair value of the unquoted investment portfolio including details of our planned substantive procedures and the extent of our control reliance.
- Our conclusions on the appropriateness of 3i's fair value methodology and policy.
- Our conclusions on the appropriateness of the valuation outcome for individual portfolio companies and, for the sample of investments subject to valuation specialists' review, an indication of where the Group's valuations multiple (where applicable) lays within our reasonable range.
- The adequacy of the sensitivity disclosures, particularly as they relate to valuation inputs.
- Our assessment of whether an overstatement identified through these procedures was material.
- Our approach to the audit of carried interest payable.
- The results of our work over the carried interest payable balance held within investment entities.

Areas of particular auditor judgement

Auditor judgement is required to assess whether the directors' estimate of the following key assumptions fall within an acceptable range:

- For assets valued using an earnings multiple approach:
  - Determination of valuation multiples
  - Determination of maintainable earnings (including any earnings adjustments)
- For assets valued using a discounted cash flow approach:
  - Discount rate
  - Projected cash flows
  - Terminal value exit multiple
  - Terminal value earnings

Our results

Based on the risk identified and our procedures performed, we consider the valuation of investment entity subsidiaries after deducting carried interest payable in investment entity subsidiaries to be acceptable (FY2022: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Compliance Committee Report on page 114-118 for details on how the Audit and Compliance Committee considered carried interest as an area of significant attention, and page 186-187 for the accounting policy and sensitivity disclosure on carried interest payable, and page 180 for accounting policy on investments in subsidiaries.

5. Our ability to detect irregularities, and our response

Fraud – identifying and responding to risks of material misstatement due to fraud	
Fraud risk assessment	To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. In this risk assessment we considered the following: • Our meetings throughout the year with the Group General Counsel and Head of Compliance including obtaining and reviewing supporting documentation such as; – Board and Audit and Compliance Committee minutes; – Internal audit reports; – Internal risk registers; and – Breaches registers. • Enquiries of directors, finance team, the Group General Counsel, the Head of Compliance, internal audit, and the Audit and Compliance Committee as to whether they have knowledge of any actual, suspected, or alleged fraud. • Consideration of the Group's remuneration policies, key drivers for remuneration and bonus levels; and • Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes audit partners and staff who have extensive experience of working with companies in the same sectors as 3i operates, and this experience was relevant to the discussion about where fraud risks may arise.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
Fraud risks	As required by auditing standards, and taking into account possible pressures to meet performance targets, we performed procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of the unquoted investment portfolio. On this audit we assessed there to be no fraud risk related to revenue recognition because the Group has a relatively simple revenue model with no material estimation or judgement; the simple nature and low volume of individual revenue transactions means there is a remote risk of material misstatement from fraudulent manipulation; and opportunities for a material misstatement due to fraudulent revenue recognition are limited due to the nature of the portfolio income received. We identified additional fraud risks relating to the valuation of unquoted investments held on balance sheet and within investment entity subsidiaries. As these investments are unquoted and illiquid, they are valued using valuation techniques. Such techniques are subjective and involve the exercise of judgement by the Group and Parent Company over areas such as the maintainability of the earnings used in valuations, the determination of earnings multiples, projected cash flows, discount factors and terminal value for discounted cash flow valuations. In addition, the valuation of unquoted investments drives the share price of the Group, which in turn drives remuneration of the Executive Directors, and is a key indicator for their performance. Due to the highly judgemental nature of these valuations, the reliance on unobservable inputs, and the linkage to Executive Directors' remuneration, we consider there to be increased risk of fraud in relation to the valuation of unquoted investment portfolio. We have further identified that the group CEO is also the chair of the group's largest investment, Action. The CEO can influence decisions made from an operational point of view and could affect the investment held in Action. We consider this to be increased risk of fraud in relation to the valuation of Action.
Link to KAMs	We have challenged key judgements and assumptions used in the valuation of unquoted investments. Further detail in respect to procedures performed over the valuation of unquoted investments is contained within the key audit matter disclosures in section 4.1 of this report.
Procedures to address fraud risks	We performed substantive audit procedures including: • Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included, post close journals, those journals containing unusual pairings or those containing unusual journal descriptions; and • Assessing significant accounting estimates, including valuation of unquoted investments and investment entity subsidiaries after deducting carried interest payable in investment entities as a liability, for any indicators of management bias.

Laws and regulations - identifying and responding to risks of material misstatement relating to compliance with laws and regulations	
Laws and regulations risk assessment	Identifying and responding to risks of material misstatement related to compliance with laws and regulations. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience ,and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group operates in a highly regulated environment, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. Our assessment included inspection of key frameworks, policies, and standards in place, understanding and evaluating the role of the compliance function in establishing these and monitoring compliance and testing of related controls around whistleblowing and complaints.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including: • financial reporting legislation (including related companies legislation) • distributable profits legislation • taxation legislation We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/ regulation areas	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate in countries where the non-adherence to laws could prevent trading in such countries. We identified the following areas as those most likely to have such an effect: • Anti-bribery and corruption; • Competition legislation; • Pensions legislation; • Regulatory capital and liquidity • Health and safety legislations; • Market abuse regulations; and • Certain aspects of company legislation recognising the financial and regulated nature of two of the Group's subsidiaries and their legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£141m
(FY2022: £108m)
Materiality for the financial statements as a whole

What we mean

A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied

Materiality for the Group financial statements as a whole was set at £141m (FY2022: £108m). Consistent with FY2022, we determined that Total Assets remains the main benchmark for the Group as the valuation of the investment portfolio remains the key financial measure.

Our Group materiality of £141m was determined by applying a percentage to the Total Assets. When using an asset related measure to determine overall materiality, KPMG's approach for listed public interest entities considers a guideline range 0.5% - 1% of the measure. In setting overall Group materiality, we applied a percentage of 0.79% (FY2022:0.77%) to the benchmark.

Materiality for the Parent Company financial statements as a whole was set at £124m (FY2022: £92m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.70% (FY2022: 0.66%).

£105m
(FY2022: £81m)
Performance materiality

What we mean

Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Basis for determining performance materiality and judgements applied

We have considered performance materiality at a level of 75% (FY2022: 75%) of materiality for 3i Group financial statements as a whole to be appropriate.

The Parent Company performance materiality was set at £93m (FY2022: £69m), which equates to 75% (FY2022: 75%) of materiality for the Parent Company financial statements as a whole.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

£7m
(FY2022: £5m)
Audit misstatement posting threshold

What we mean

This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.

This is also the amount above which all misstatements identified are communicated to 3i Group plc's Audit and Compliance Committee.

Basis for determining the audit misstatement posting threshold and judgements applied

We set our audit misstatement posting threshold at 5% (FY2022: 5%) of our materiality for the Group financial statements. We also report to the Audit and Compliance Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £141m (FY2022: £108m) compares as follows to the main financial statement caption amounts:

	Total Gross investment income		Group profit for the year		Total Group Net Assets	
	FY2023	FY2022	**FY2023**	FY2022	**FY2023**	FY2022
Financial Statement Caption	**£4,666m**	£ 4,079m	**£4,573m**	£ 4,013m	**£16,844m**	£12,754m
Group Materiality as % of caption	**3.0%**	2.6%	**3.1%**	2.7%	**0.8%**	0.8%

7. The scope of our audit

<table>
<tr><td rowspan="9">Group scope</td><td colspan="3">What we mean
How the Group audit team determined the procedures to be performed across the Group.</td></tr>
<tr><td colspan="3">We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed and the extent of involvement required. We have scoped one component for the audit of financial information for consolidation purposes.</td></tr>
<tr><td>Scope</td><td>Number of components</td><td>Range of materiality applied</td></tr>
<tr><td>Full scope audit</td><td>1 (FY2022:1)</td><td>£124m (FY2022:£92m)</td></tr>
<tr><td>Audit of one or more account balances</td><td>0 (FY2022: 0)</td><td>n/a (FY2022: n/a)</td></tr>
<tr><td>Specified audit procedures</td><td>0 (FY2022: 0)</td><td>n/a (FY2022: n/a)</td></tr>
<tr><td colspan="3">The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

We have performed audit procedures centrally across the Group in the following areas:
• Journal entry analysis, to identify journals with higher risk such as those posted by Group management and those containing unusual pairings;
• Share based payments; and
• Defined Benefit Pension.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.</td></tr>
<tr><td rowspan="2">Group audit team oversight</td><td colspan="3">What we mean
The extent of the Group audit team's involvement in component audits.</td></tr>
<tr><td colspan="3">Only the Parent Company was scoped in for full scope audit. As this audit is performed by the Group engagement team, no additional audit team oversight was required.</td></tr>
</table>

8. Other information in the annual report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information	
Our responsibility Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.	**Our reporting** Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and Directors' report
Our responsibility and reporting Based solely on our work on the other information described above we report to you as follows: • we have not identified material misstatements in the strategic report and the Directors' report; • in our opinion the information given in those reports for the financial year is consistent with the financial statements; and • in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report	
Our responsibility We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.	**Our reporting** In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures	
Our responsibility We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and: • the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; • the section of the annual report describing the work of the Audit and Compliance Committee, including the significant issues that the Audit and Compliance Committee considered in relation to the financial statements, and how these issues were addressed; and • the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.	**Our reporting** Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.
We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.	We have nothing to report in this respect.

Other matters on which we are required to report by exception	
Our responsibility Under the Companies Act 2006, we are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	**Our reporting** We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 158, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Mills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
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E14 5GL
10 May 2023