10 November 2022

3i Group plc announces results for the six months to 30 September 2022

Resilient performance in a challenging market

- **Total return of £1,765 million or 14%** on opening shareholders' funds (September 2021: £2,199 million, 24%) and **NAV per share of 1,477 pence** (31 March 2022: 1,321 pence), including a 74 pence gain on foreign exchange translation.
- **Our Private Equity business delivered a gross investment return of £1,970 million or 16%** (September 2021: £2,373 million, 27%). Action continues to perform very strongly and we continue to see strong earnings growth and momentum in a number of our portfolio companies in the value-for-money consumer, healthcare, specialty industrial and business and technology service sectors. However, a limited number of investments have seen a deterioration in performance as a result of cost pressures and reduced demand. 91% of our Private Equity portfolio companies by value grew earnings in the 12 months to 30 June 2022. Valuation multiples were reduced for eight portfolio companies.
- **Action**'s sales in the nine months ending on 2 October 2022 ("P9") grew to €6.1 billion (P9 2021: €4.8 billion) and like-for-like sales growth was very strong at 15.7%, with footfall significantly ahead of last year. Last 12 months' EBITDA to the end of P9 was €1,036 million (P9 2021: €765 million), representing a 35% increase over the same period last year. Action is seeing strong sales growth across all countries and categories; margins continue to be well managed, with tight operational cost control mitigating increased operating costs.
- In competitive markets the **Private Equity** team deployed **£292 million** in four new investments, two portfolio bolt-on acquisitions and other further investments. In addition, our portfolio companies completed three self-funded bolt-on acquisitions. Realisations for the current financial year are off to a good start, with **£193 million** of proceeds received in the period and a further **£476 million** received in early October 2022 following the completion of the realisation of Havea, which achieved a 50% uplift on 31 March 2022 value.
- **Our Infrastructure business generated a gross investment return of £35 million, or 3%** (September 2021: £60 million, 5%). We continued to see strong performance across our Infrastructure portfolios, with assets benefiting from defensive characteristics and positive correlation to inflation and power prices, however the return was impacted by a 12.4% decline in 3i Infrastructure plc's share price, despite the 9.3% total return on its opening NAV it achieved in the first half.
- **First dividend of 23.25 pence per share** for FY2023, set at 50% of the total dividend for FY2022, to be paid in January 2023.

Simon Borrows, 3i's Chief Executive, commented:
"This was a good half for 3i against a tough macroeconomic and market backdrop. We have carefully constructed our Private Equity and Infrastructure portfolios over many years with the aim of generating good returns for our shareholders across the market cycle. Over the past few years, there have been significant levels of investment in the private equity industry, at elevated prices and often with significant leverage. In contrast to many private equity investors, we were highly selective in the new investments made in 2020 and 2021, which together account for only 5% by value of our current investment portfolio.

Action continues to exceed expectations as it expands across Europe and attracts significant new customer flow through very low prices and the flexibility of its category format.

We are anticipating difficult macroeconomic conditions in 2023 which will continue to present significant challenges to the consumer and corporate sector alike and the Group's conservative capital structure gives us considerable flexibility to respond to opportunities and developments as they arise. Our near-term decisions will remain guided by patience and discipline as we continue to deliver the significant growth potential of our existing portfolio."

Summary financial highlights under the Investment basis

3i prepares its statutory financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). However, we also report a non-GAAP "Investment basis" which we believe aids users of our report to assess the Group's underlying operating performance. The Investment basis (which is unaudited) is an alternative performance measure ("APM") and is described on page 20. Total return and net assets are the same under the Investment basis and IFRS and we provide a reconciliation of our Investment basis financial statements to the IFRS statements from page 21. Pages 1 to 17 are prepared on an Investment basis.

Investment basis	**Six months to/as at 30 September 2022**	Six months to/as at 30 September 2021	12 months to/as at 31 March 2022
Total return[1]	**£1,765m**	£2,199m	£4,014m
% return on opening shareholders' funds	**14%**	24%	44%
Dividend per ordinary share	**23.25p**	19.25p	46.5p
Gross investment return[2]	**£2,016m**	£2,463m	£4,525m
As a percentage of opening 3i portfolio value	**14%**	24%	43%
Cash investment[2]	**£298m**	£59m	£543m
Realisation proceeds	**£193m**	£124m	£788m
3i portfolio value	**£16,417m**	£12,784m	£14,305m
Gross debt	**£1,129m**	£975m	£975m
Net debt[2]	**£1,074m**	£931m	£746m
Gearing[2]	**8%**	8%	6%
Liquidity	**£801m**	£544m	£729m
Diluted net asset value per ordinary share ("NAV per share")	**1,477p**	1,153p	1,321p

1 Total return is defined as Total comprehensive income for the year, under both the Investment basis and the IFRS basis.
2 Financial measure defined as APM. Further information on page 18.

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

Enquiries:

Silvia Santoro, Group Investor Relations Director 020 7975 3258

Kathryn van der Kroft, Communications Director 020 7975 3021

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

For further information, including a live webcast of the results presentation at 10.00am on 10 November 2022, please visit **www.3i.com/investor-relations**

3i Group Half-year report 2022

Chief Executive's review

Against a tough macroeconomic backdrop, the Group delivered a good result in the first half of its financial year, generating a total return of £1,765 million, or 14% on opening shareholders' funds (September 2021: £2,199 million, or 24%). The NAV per share at 30 September 2022 was 1,477 pence (31 March 2022: 1,321 pence), including a 74 pence gain on foreign exchange translation, and after payment of the 27.25 pence second FY2022 dividend in July 2022. Our Private Equity and Infrastructure portfolios continue to perform well and demonstrate their trading resilience. We have remained active and disciplined investors in more volatile markets, deploying capital in four new investments for Private Equity and one new investment for Infrastructure. We also completed or signed realisations totalling £669 million at good premiums to their carrying values, underlining the quality of our portfolio.

Private Equity

The Private Equity portfolio delivered a gross investment return ("GIR") of £1,970 million or 16% on opening value in the period, including a £685 million gain on foreign exchange translation. Despite a challenging macroeconomic environment, 91%[1] of our portfolio companies by value grew earnings in the last 12 months ("LTM") to the end of 30 June 2022. Our portfolio is well constructed from a thematic, geographic and sector perspective and continues to demonstrate resilience in the current environment. A number of our portfolio companies in the value-for-money consumer, healthcare, specialty industrial and business and technology service sectors have generated strong earnings growth and have good momentum as we head into the second half of our financial year. Our portfolio company management teams have reacted quickly and decisively taking the necessary actions to partially mitigate the impact of inflationary pressures and weaker consumer sentiment across the portfolio. A small number of our portfolio companies have been disproportionately affected by the current macroeconomic environment and we continue to actively manage these companies through this challenging period.

Our Private Equity portfolio is funded with all senior debt structures, with long-dated maturity profiles and with over 80% of the total repayable from 2025 and beyond. Average leverage across our Private Equity portfolio was 2.7x at 30 September 2022 (31 March 2022: 3.3x) or 4.1x excluding Action (31 March 2022: 4.6x). As part of our active portfolio management, we monitor and manage our portfolio companies' interest rate related risk. Across our Private Equity portfolio term debt is well protected against interest rate rises with over two-thirds of total term debt hedged at a weighted average tenor of more than 3 years with the interest rate element capped at a weighted average hedge rate below 2%. The average margin across the portfolio is under 4%, so the all in debt cost across the portfolio is capped below 6%.

Action performance

Action continues to trade very strongly, reaffirming the attractiveness of its low-price format to a wide range of increasingly price-conscious customers. In the nine months ending on 2 October 2022 ("P9"), sales grew to €6.1 billion (P9 2021: €4.8 billion) and like-for-like sales growth was 15.7%, with footfall significantly ahead of last year. Action delivered LTM EBITDA of €1,036 million to the end of P9 2022 (P9 2021: €765 million), a 35% increase over the same period in the prior year. Action is seeing strong sales growth across all countries and categories and margins continue to be well managed, with tight operational cost control mitigating increased operating costs. Strong trading continued through to 30 October 2022 ("P10"), with sales increasing to €6.8 billion and LTM EBITDA of €1,057 million.

The business has opened 182 new stores in the year to the end of P10 2022 and is on track to open more stores than it opened in 2021. Store roll-outs across Poland and the Czech Republic are proceeding well and its new markets of Italy and Spain are showing strong early trading, underpinning the case for further sizeable store expansion in these countries. Action strengthened its distribution infrastructure in the half by opening a new hub in Le Havre, France and has plans to open three new distribution centres ("DCs") in 2023. The business remains highly cash generative, with a cash balance of approximately €800 million at P10 2022 and net debt to run-rate EBITDA of under 2.0x.

1.LTM adjusted earnings to June 2022. Includes 31 companies.

Other portfolio performance

SaniSure continues to outperform our expectations, benefiting from sustained demand for its products in the bioprocessing market. The business continues to grow its top line and increase capacity in its manufacturing operations, which will allow it to further accelerate its growth both organically and through selected bolt-on acquisitions. **nexeye**'s value-for-money omnichannel proposition remains very attractive to its customers and the business continues to expand its store network. The business added 13 stores in the first six months of its financial year, taking the total number of stores to 723, with significant expansion potential remaining across its markets. Since our initial investment in early 2021, we have seen **WilsonHCG** continue to prove its value proposition in an attractive recruitment process outsourcing market, helping its customers stay ahead of shifting labour market trends globally and drive better results for reoccurring hiring needs. **Tato** traded well through the first six months of 2022, with good overall demand for its products, and has maintained good levels of supply. Whilst there are signs of more challenging market conditions into the second half of 2022, Tato's global footprint and specialty chemicals focus provide mitigation against potential headwinds. **AES** has delivered a strong performance as a result of its leading position in the global seal market. **WP** recorded a solid performance in the period as the business benefits from exposure to non-discretionary products and its broad geographical diversification.

We have seen a good increase in demand across our travel-related assets. **Audley Travel** has demonstrated an encouraging recovery profile, particularly in the US. **arrivia**'s membership bookings have been ahead of 2019 levels, however cruise travel recovery has been slower than expected, particularly outside of the US. In September 2022, the business completed the bolt-on acquisition of RedWeek, an online timeshare marketplace that connects travellers to lodging options offered by timeshare owners.

Consumer discretionary spending is increasingly constrained due to high inflation, cost of living pressures and weakening consumer sentiment. Like many of its eCommerce peers, **Luqom** is experiencing muted demand as consumers react to the current challenging backdrop and demand normalises from the peak seen during the pandemic. During the period, the business made significant progress on strategic and operating initiatives designed to mitigate the current challenges and further improved its more resilient Business-to-Business ("B2B") proposition through the acquisition of Brumberg. Following a solid start to 2022, **YDEON** (previously known as GartenHaus) has experienced a decline in order intake as a result of weaker discretionary consumer spending. The price of YDEON's main raw material, wood, has normalised at a lower level in recent months which will help to maintain margins in the near term.

Investment and realisation activity in the period

The volume of buyout transactions across the market has slowed considerably compared to 2021 and we continue to maintain discipline when assessing new and bolt-on investments. We completed four new Private Equity investments totalling £217 million: the £100 million investment in **xSuite**, an accounts payable process automation specialist focused on the SAP ecosystem; the £60 million investment in **Konges Sløjd**, a premium brand offering apparel and accessories for babies and children; the £37 million investment in **VakantieDiscounter**, a technology-enabled online travel agency in the Benelux focused on affordable holidays; and the £20 million investment in **Digital Barriers**, a provider of unique video compression technology. We also completed five bolt-on acquisitions for our portfolio companies including two (Luqom's acquisition of Brumberg and arrivia's acquisition of RedWeek) that required further funding from 3i and three which were self-funded by the portfolio companies.

In the period, we completed or signed realisations totalling £669 million. We completed the sale of **Q Holding**'s QSR division, which we announced in April 2022, for proceeds of £190 million and retained a significant stake in its medical business, QMD. In June 2022, we agreed the sale of **Havea**. We delivered a significant strategic transformation in Havea during our holding period resulting in double-digit organic growth and the completion of five bolt-on acquisitions. We received proceeds of £476 million from the sale of Havea in October 2022, representing a 50% uplift on its 31 March 2022 value, resulting in a sterling money multiple of 3.1x and an IRR of 24%.

Infrastructure

In the six months to 30 September 2022, our Infrastructure business delivered a GIR of £35 million or 3% on opening value, predominantly driven by a gain on foreign exchange on investments of £58 million and good dividend income offsetting a 12.4% decrease in the **3i Infrastructure plc** ("3iN") share price to 304 pence at 30 September 2022 (31 March 2022: 347 pence).

3iN generated a total return on its opening NAV of 9.3% in the six months to 30 September 2022 as its underlying portfolio continues to perform significantly ahead of the expectations set at the beginning of this financial year. During the period, 3iN completed its new investment in **Global Cloud Xchange** ("GCX") and agreed the acquisition of an additional stake in its existing portfolio company, **TCR**. 3iN also completed the sale of its European projects portfolio to the **3i European Operational Projects Fund** ("3i EOPF") for £106 million.

Smarte Carte exceeded expectations in the period, as the business is benefiting from strong US domestic leisure travel volumes increasing demand for its airport service offering, as well as from valuable contract improvements. The two assets in our North American Infrastructure platform are performing well: **Regional Rail** has seen good performance across the majority of its freight lines, largely offsetting inflationary pressures in fuel and labour expenses; whilst **EC Waste** is seeing strength in the high margin landfill segment.

Scandlines

Scandlines delivered a solid performance in the period. Freight volumes remained strong, ahead of 2021 record levels, and leisure volumes traded ahead of pre-pandemic levels during the peak summer months of July and August 2022. The recovery in performance following the Covid-19 Omicron variant resulted in a £12 million dividend to 3i in the period. Scandlines has good liquidity and is well equipped to manage potential headwinds as a result of the uncertain macroeconomic outlook.

Sustainability

We continue to advance our sustainability agenda, with a near-term focus on the climate topic. We have continued to make good progress in the collection of greenhouse gas (“GHG”) emissions data from the portfolio with the objective of setting a portfolio baseline, and are further improving our assessment of climate-related risks and opportunities in our investment and portfolio management processes and equipping the teams with the necessary skills. We intend to report in alignment with the TCFD framework by the 2024 deadline set by the FCA for asset managers such as 3i and will report on progress in that direction in our next annual report.

Balance sheet, liquidity, foreign exchange and dividend

We increased our available liquidity in the period by introducing an additional two-year £400 million tranche to the existing base £500 million RCF; which matures in March 2027. The £400 million additional tranche provides the Group with additional financial flexibility at low cost.

At 30 September 2022 we had total liquidity of £801 million (31 March 2022: £729 million). Gross debt was £1,129 million, comprising £975 million of fixed debt and a £154 million RCF drawdown. Net debt was £1,074 million and gearing was 8% (31 March 2022: £746 million net debt, gearing 6%), before the receipt of the Havea proceeds (£476 million) in early October 2022.

Post the period end, and in light of significant volatility in foreign exchange markets, we implemented a medium-term foreign exchange hedging programme to partially reduce the sensitivity of the Group’s future returns to euro and US dollar exchange movements. The exposure of the Group’s underlying investment portfolio to euro and US dollar has increased significantly in recent years through the organic growth of our existing European and US portfolio companies and due to the majority of our new investments being denominated in euro and US dollar. At 30 September 2022, 88% of the Group’s net assets were denominated in euros or US dollars. As at 4 November 2022, the notional amount of the forward foreign exchange contracts held by the Group associated with this hedging programme was €2.0 billion and $1.2 billion. We do not currently expect to extend this hedging programme materially beyond these amounts. In addition, we have increased the size of our hedging programme for Scandlines, increasing the notional amount from €500 million to €600 million in September 2022. Following implementation of the hedging programme, a 1% movement in the euro and US dollar would now result in a net total return movement for 3i of £83 million and £13 million (30 September 2022 excluding hedging programme: £101 million and £24 million) respectively.

In line with our dividend policy, we will pay a first FY2023 dividend of 23.25 pence, which is half of our FY2022 total dividend. This first FY2023 dividend will be paid to shareholders on 11 January 2023.

Valuation

While the valuation of private assets has become a much debated subject over the last 12 months, we have not changed our well-established approach to the valuation of our Private Equity portfolio. Over many years, our valuation approach has used “through the cycle” multiples, cross referenced where appropriate with relevant transaction multiples. In practice, we have seen the stock market increase in recent years to valuation levels we didn’t view as sustainable or as representative of fair value based on our cross-cycle marks. Whilst we are not immune from this year’s market correction and economic headwinds, our cross-cycle valuation approach has limited the impact of the recent market volatility across our portfolio, however we have reduced valuation multiples for eight portfolio companies. Where there are limited relevant public comparables for our portfolio companies, we look at a range of alternatives that have similar growth and financial profiles. Our non-Action portfolio companies, comprising businesses that target a doubling of profitability over a five-year hold period, are held at a weighted average multiple post liquidity discount of around 13x EBITDA. This compares favourably with most other Private Equity portfolios and has consistently delivered strong returns and healthy premiums on exit, as has recently been demonstrated through the sales of Q Holding's QSR division and Havea.

Our largest investment, Action, has very few close comparators of a similar growth and financial profile. Action has outstanding organic growth potential and is one of those rare retail businesses that has demonstrated an ability to expand across international borders. In addition, Action has consistently outperformed the peers we currently reference across its most important operating key performance indicators ("KPIs"). We use an 18.5x (post liquidity discount) LTM run-rate EBITDA multiple to value Action and take comfort from the fact that its excellent annual growth over the last 30 years, including the last 11 years under our ownership, means this 18.5x historic multiple translates to a much more modest prospective multiple. Action's excellent growth meant its valuation at 30 September 2021 of 18.5x LTM run-rate EBITDA translated to 13.8x the run-rate EBITDA achieved one year later.

Outlook

This was a good half for 3i against a tough macroeconomic and market backdrop. We have carefully constructed our Private Equity and Infrastructure portfolios over many years with the aim of generating good returns for our shareholders across the market cycle. Over the past few years, there have been significant levels of investment in the private equity industry, at elevated pricing and often with significant leverage. In contrast to many private equity investors, we were highly selective in the new investments made in 2020 and 2021, which together account for only 5% by value of our current investment portfolio.

Action continues to exceed expectations as it attracts significant new customer flow through very low prices and the flexibility of its category format. Our wider portfolio is trading resiliently in the current environment, while our investment teams continue to devote significant time to the assets which have seen a deterioration in performance as a result of cost pressures and reduced demand. We will continue to invest capital carefully, as well as execute realisations selectively in the current volatile markets.

We are anticipating difficult macroeconomic conditions in 2023 which will continue to present significant challenges to the consumer and corporate sector alike and the Group's conservative capital structure gives us considerable flexibility to respond to opportunities and developments as they arise. Our near-term decisions will remain guided by patience and discipline as we continue to deliver the significant growth potential of our existing portfolio.

Simon Borrows
Chief Executive
9 November 2022

Business and Financial review

Private Equity

Our Private Equity business performed well in the first half, generating a GIR of £1,970 million (September 2021: £2,373 million), or 16% of the opening portfolio value (September 2021: 27%), including a gain on foreign exchange on investments of £685 million (September 2021: £97 million).

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

Investment basis	2022 £m	2021 £m
Realised (losses)/profits over value on the disposal of investments	(4)	12
Unrealised profits on the revaluation of investments	1,244	2,219
Dividends	–	10
Interest income from investment portfolio	39	33
Fees receivable	6	2
Foreign exchange on investments	685	97
Gross investment return	**1,970**	2,373
Gross investment return as a % of opening portfolio value	**16%**	27%

Investment

Table 2: Private Equity cash investment in the six months to 30 September 2022

Investment	Type	Business description/ bolt on description	Date	£m
xSuite	New	Accounts payable process automation specialist focused on the SAP ecosystem	August 2022	100
Konges Sløjd	New	Premium brand offering apparel and accessories for babies and children	August 2022	60
VakantieDiscounter	New	Online travel agency in the Benelux focused on affordable holidays	August 2022	37
Digital Barriers	New	Provider of unique video compression technology	August 2022	20
Total new cash investment				**217**
ten23 health	Further	Biologics drug product CDMO	July 2022	13
Other	Further	Various	Various	5
Total further cash investment				**18**
Luqom	Further	Brumberg: B2B manufacturer and distributor of luminaries and lighting products	June 2022	34
arrivia	Further	RedWeek: Online timeshare marketplace	September 2022	23
Total further cash investment for bolt-on investment				**57**
Total Private Equity Cash investment				**292**

Table 3: Private Equity portfolio bolt-on acquisitions – funded by the portfolio company in the six months to 30 September 2022

Asset	Name of acquisition	Business description of bolt-on investments	Date
MAIT	Nittmann & Pekoll	Austrian abas ERP partner	June 2022
Evernex	XS International	Specialist in a suite of IT lifecycle services and IT hardware lifecycle support	September 2022
Evernex	Integra	Provider of IT maintenance and cloud services	September 2022

During the period, our Private Equity business invested £292 million (September 2021: £58 million), comprising £235 million of new and further investment and £57 million of bolt-on investments.

Our new investments in **xSuite**, **VakantieDiscounter** and **Digital Barriers** continue to build on our thematic approach of digitalisation and technological disruption. Our investment in **Konges Sløjd** already has a well-established international footprint and has several organic opportunities to accelerate its growth across Europe, Asia and North America. A description of the new investments is provided in Table 2 and in the Chief Executive's review.

We continued our focus on buy-and-build acquisitions for a number of our portfolio companies. **Luqom** completed the acquisition of Brumberg, a well-known B2B lighting brand in Germany, whilst **arrivia** acquired RedWeek, a leading timeshare rental marketplace. We supported these acquisitions with further investments of £34 million and £23 million respectively. Our portfolio companies also completed a number of self-funded bolt-on investments. **MAIT** completed its acquisition of Nittmann & Pekoll, the fifth since our investment, and **Evernex** completed its acquisitions of XS International and Integra, enabling the business to expand its footprint in the US, Nordic and Benelux markets. We also invested a further £13 million in **ten23 health** to support the growth of the platform.

Realisations

We recognised total realised proceeds of £193 million in the period (September 2021: £118 million), of which £190 million was received following the completion of the sale of **Q Holding**'s QSR division.

Table 4: Private Equity realisations in the six months to 30 September 2022

Investment	Country	Calendar year invested	31 March 2022 value[1] £m	3i realised proceeds £m	Profit/(loss) in the year[2] £m	Uplift on opening Value[3] %	Residual value £m
Partial realisations							
Q Holding	US	2014	189	190	1	1%	272
Other	n/a	n/a	8	2	(6)	n/a	n/a
Deferred consideration							
OneMed	Sweden	2011	–	1	1	n/a	–
Total Private Equity realisations			**197**	**193**	**(4)**	**–**	**272**

1 For partial realisations and refinancings, 31 March 2022 value represents value of stake sold or refinanced.
2 Cash proceeds realised in the period less opening value.
3 Profit in the year over opening value.

In June 2022, we agreed the sale of **Havea** at a 50% uplift to the value at 31 March 2022, for proceeds of £476 million. These proceeds were received in October 2022, realising a sterling money multiple of 3.1x and a sterling IRR of 24%.

Portfolio performance

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

	2022 £m	2021 £m
Action		
Performance	**1,156**	1,491
Earnings based valuations (excluding Action)		
Performance	**142**	354
Multiple movements	**(180)**	162
Other bases		
Discounted cash flow ("DCF")	**4**	1
Other movements in unquoted investments	**(1)**	–
Imminent sale	**154**	166
Quoted portfolio	**(31)**	45
Total	**1,244**	2,219

1 More information on our valuation methodology, including definitions and rationale, is included in our Annual report and accounts 2022 on pages 212 to 213.

Action valuation and performance

In the 12 months to the end of **Action**'s P9 2022 (which ended 2 October 2022), the business continued to perform ahead of expectations, with strong sales, earnings growth and cash generation driving the unrealised value growth of £1,156 million (September 2021: £1,491 million), as shown in Table 5. As the largest Private Equity investment by value, it represented 59% of the Private Equity portfolio at 30 September 2022 (31 March 2022: 58%). Further information on Action's performance in the period is provided in the Chief Executive's review.

At 30 September 2022, Action was valued using its LTM run-rate earnings to the end of P9 2022 of €1,135 million. The LTM run-rate earnings used included our normal adjustment to reflect stores opened in the year. At 30 September 2022, Action was valued on a multiple of 18.5x net of the liquidity discount (31 March 2022: 18.5x). This resulted in a valuation of our 52.7% stake in Action of £8,612 million (31 March 2022: £7,165 million). As part of our valuation process, we check our multiple based mark against the results of a DCF analysis. The assumptions required to correlate our 30 September 2022 valuation mark through this DCF analysis are not demanding.

Performance (excluding Action)

Excluding Action, the performance of investments valued on an earnings basis resulted in unrealised profits of £142 million (September 2021: £354 million), primarily driven by strong earnings growth and cash generation from some of our portfolio companies operating in the value-for-money consumer, healthcare, specialty industrials and business and technology service sectors. This more than offset softer performance from companies in the discretionary retail sector, which are experiencing challenging consumer headwinds.

SaniSure's strong first half performance was driven by robust industry demand resulting in accelerated top line growth, which it was able to deliver via investments in capacity and improvements in operational processes that materially increased output. The company has had modest exposure to Covid-19 end-demand, which demand across the industry has moderated, and looking forward SaniSure's core customer demand and commercial pipeline remain strong. **nexeye** continues to perform well. The business has maintained an attractive price point for customers helping to maintain order intake, whilst remaining stringent on cost control, leading to good margins. Eyes + More, part of the nexeye Group, has seen a gradual recovery in its German market and contributed 12 of the 13 new stores opened by nexeye in its financial year. **WilsonHCG** has capitalised on the expansion of outsourcing in recruitment, evidenced by expanding the scope of work with its existing customers and new customer wins. WilsonHCG's onboarding of new customers, the reoccurring nature of its relationships, and diversification across industries will help offset potential headwinds in labour markets. **Tato** traded well in the period with good overall demand for its products and is well positioned to mitigate more challenging market conditions. **AES** continues to perform well financially and operationally, whilst **WP** recorded a solid performance in the period as the business benefits from exposure to non-discretionary products and its broad geographical diversification.

With the re-opening of key travel destinations, **Audley Travel** benefited from increased departure revenue and an increase in bookings in the period. Detail on Audley Travel's valuation can be found under the DCF heading below. **arrivia**'s acquisition of RedWeek increases its exposure to the resilient timeshare rentals end market where arrivia has strong customer relationships. The business has seen an increase in memberships in the period, however its recovery in cruise has been slower than expected.

Luqom has seen a normalisation in demand from the peak levels achieved during the pandemic, as well as muted customer sentiment as a result of ongoing pressures on disposable incomes. The business has made significant operational and strategic improvements across sourcing, operations and pricing and its acquisition of Brumberg increases its exposure to the more resilient business-to-business segment. **YDEON** (formerly known as GartenHaus) has faced similar headwinds to Luqom, with significant pressure on its order book. As a result YDEON is initiating a broad set of measures to improve sales, reduce the cost base and develop further international expansion opportunities. **Mepal** has also seen softening demand from smaller offline retail customers and in non-core markets.

Overall, 91%[1] of our portfolio companies by value in our Private Equity portfolio grew their earnings in the 12 months to 30 June 2022.

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

	Number of companies at 30 September 2022	3i carrying value at 30 September 2022 £m
<0%	5	1,076
0 - 9%	4	1,170
10 - 19%	3	1,136
20 - 29%	2	279
≥30%	6	9,733

1 Includes top 20 Private Equity companies by value excluding Havea, which was valued on imminent sale basis and Audley Travel, which was valued on a DCF basis. This represents 92% of the Private Equity portfolio by value (31 March 2022: 96%). LTM adjusted earnings to 30 June 2022 and Action based on LTM run-rate earnings to P9 2022. P9 2022 runs to 2 October 2022.

Our Private Equity portfolio is funded with all senior debt structures, with long-dated maturity profiles with over 80% repayable from 2025 and beyond. Across our Private Equity portfolio term debt is well protected against interest rate rises with over two-thirds of total term debt hedged at a weighted average tenor of more than 3 years with the interest rate element capped at a weighted average hedge rate below 2%. The average margin across the portfolio is under 4%, so the all in debt cost across two thirds of the portfolio is capped below 6%. Average leverage was 2.7x at 30 September 2022 (31 March 2022: 3.3x). Excluding Action, leverage across the portfolio was 4.1x (31 March 2022: 4.6x). Table 7 shows the ratio of net debt to adjusted earnings by portfolio value at 30 September 2022.

1.LTM adjusted earnings to June 2022. Includes 31 companies.

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

	Number of companies at 30 September 2022	3i carrying value at 30 September 2022 £m
1 - 2x	3	8,984
2 - 3x	5	890
3 - 4x	6	1,449
4 - 5x	5	743
5 - 6x	1	314
>6x	3	234

1 This represents 87% of the Private Equity portfolio by value (31 March 2022: 92%). Quoted holdings, assets valued on an imminent sale basis, and companies with net cash are excluded from the calculation. Net debt and adjusted earnings as at 30 June 2022. Action based on net debt at P9 2022 and LTM run-rate earnings to P9 2022.

Multiple movements

We continue our approach of taking a long-term through the cycle view on the multiples used to value our portfolio companies, consistent with our approach to value creation. When selecting multiples to value our portfolio companies we consider a number of factors including recent performance and outlook, comparable recent transactions and exit plans, and the performance of quoted comparable companies. Since the start of this calendar year, capital markets have been volatile, particularly since Russia's invasion of Ukraine, with significant inflation and central bank interventions resulting in expectations for lower growth or even contraction across major markets. As a consequence, we have seen a derating of quoted comparable company multiples across the majority of the portfolio, especially those with discretionary spending exposure. The consistency of our long-term, through the cycle approach to the setting of valuation multiples has enabled us largely to mitigate the impact of recent market volatility. Whilst our portfolio companies often outperform their quoted peers, we do take into account the derating of comparable companies when determining the level of our multiples. As a result, we adjusted eight of the valuation multiples for our portfolio companies, recognising a decrease in value due to multiple movements of £180 million (September 2021: £162 million value growth increase).

Action continues to trade strongly across all important KPI's and its relative performance continues to compare favourably to any of its quoted comparable peer group. As a result, we made no change to the multiple used to value Action at 30 September 2022. Based on the valuation at 30 September 2022, a 1.0x movement in Action's post-discount multiple would increase or decrease the valuation of 3i's investment by £526 million.

DCF

Audley Travel remains valued on a DCF basis. Audley Travel's performance has improved significantly since the lifting of Covid-19 related travel restrictions. We expect the travel market to continue to recover into 2023.

Imminent sale

At 30 September 2022, **Havea** was valued on an imminent sale basis after we agreed a sale of the business at a 50% uplift to the 31 March 2022 value. The uplift reflects Havea's strong organic growth, investments made in the business during our ownership, and the strategic value of the business. We received proceeds of £476 million in October 2022 from this divestment.

Quoted portfolio

Basic-Fit is the only quoted investment in our Private Equity portfolio. We recognised an unrealised value loss of £31 million from Basic-Fit in the period (September 2021: unrealised value gain of £45 million) as its share price decreased to €30.98 at 30 September 2022 (31 March 2022: €40.42). At 30 September 2022, our residual 5.7% shareholding was valued at £103 million (31 March 2022: £129 million).

Assets under management

The value of the Private Equity portfolio, including third-party capital, increased to £19.6 billion (31 March 2022: £16.7 billion) principally due to unrealised value movements in the period.

Table 8: Private Equity 3i vintage carrying value and money multiple

Vintages[1]	3i carrying value[3] 30 September 2022 £m	Vintage money multiple[4] 30 September 2022	3i carrying value[3] 31 March 2022 £m	Vintage money multiple[4] 31 March 2022
Buyouts 2010-2012	**2,959**	**13.3x**	2,462	12.3x
Growth 2010-2012	**26**	**2.2x**	18	2.1x
2013-2016	**934**	**2.4x**	1,022	2.3x
2016-2019	**2,445**	**1.9x**	2,210	1.8x
2019-2022	**1,497**	**1.5x**	1,319	1.3x
2022-2025	**223**	**1.0x**	–	–
Other[2]	**6,399**	**n/a**	5,389	n/a
Total	**14,483**		12,420	

1 Assets included in these vintages are disclosed in the Glossary on pages 47 and 49.
2 Includes value of £5,653 million (31 March 2022: £4,703 million) held in Action through the 2020 Co-investment vehicles and 3i.
3 3i carrying value is the unrealised value for the remaining investments in each vintage.
4 Vintage money multiple (GBP) includes realised value and unrealised value as at the reporting date.

Table 9: Private Equity assets by geography

3i office location	Number of companies	3i carrying value at 30 September 2022 £m
Netherlands	10	**9,872**
France	2	**792**
Germany	8	**850**
UK	9	**1,056**
US	9	**1,882**
Other	3	**31**
Total	41	**14,483**

Table 10: Private Equity assets by sector

Sector	Number of companies	3i carrying value at 30 September 2022 £m
Action (Consumer)	1	**8,612**
Consumer	14	**1,965**
Industrial Technology	7	**1,128**
Business & Technology Services	13	**895**
Healthcare	6	**1,883**
Total	41	**14,483**

Infrastructure

Our Infrastructure portfolio generated a GIR of £35 million in the period, or 3% on the opening portfolio value (September 2021: £60 million, 5%), including a gain on foreign exchange on investments of £58 million (September 2021: £7 million).

Table 11: Gross investment return for the six months to 30 September

Investment basis	2022 £m	2021 £m
Realised profits	–	3
Unrealised (losses)/profits on the revaluation of investments	(47)	30
Dividends	16	15
Interest income from investment portfolio	8	5
Foreign exchange on investments	58	7
Gross investment return	35	60
Gross investment return as a % of opening portfolio value	3%	5%

Fund management

3iN

3iN’s portfolio continues to perform strongly, demonstrating a positive correlation between inflation, power prices and total portfolio value and is significantly ahead of the expectations set at the beginning of this financial year. In the six months to 30 September 2022, 3iN generated a total return on opening NAV of 9.3% (September 2021: 10.6%) and is on track to meet its dividend target for the year to 31 March 2023 of 11.15 pence per share, up 6.7% year-on-year.

In the period, 3iN completed its $377 million investment to acquire a 100% stake in **GCX** and agreed to acquire an additional stake in **TCR** for €394 million, in a transaction that closed in October 2022. 3iN also completed the sale of its **European projects portfolio** to the **3i European Operational Projects Fund** (“3i EOPF”) for £106 million.

As 3iN’s investment manager, 3i received a management fee of £23 million in the period (September 2021: £16 million).

North American Infrastructure platform

Both assets within our North American Infrastructure platform are performing well. **Regional Rail** benefited from strong freight volumes from food and agriculture customers, largely offsetting increased fuel and wage expenses. In the period, Regional Rail agreed to acquire a portfolio of rail assets located across central Canada, further diversifying its geographical footprint. **EC Waste** saw good performance from its landfill segment with an increase in special waste volumes. Both assets were valued on a DCF basis at 30 September 2022.

Other funds

Following the acquisition of the European projects portfolio from 3iN, 3i EOPF has now deployed 85% of its total commitments. Both 3i EOPF and the **3i Managed Infrastructure Acquisitions LP** performed in line with expectations in the period.

Assets under management

Infrastructure AUM was £5.9 billion at 30 September 2022 (31 March 2022: £5.7 billion) and we generated fee income of £30 million from our fund management activities in the period (September 2021: £23 million).

Table 12: **Assets under management as at 30 September 2022**

Fund/strategy	Close date	Fund size	3i commitment/ share	Remaining 3i commitment	% invested[2] at September 2022	AUM £m	Fee income earned in the period £m
3iN[1]	Mar 07	n/a	£817m	n/a	n/a	**2,706**	**23**
3i Managed Infrastructure Acquisitions LP	Jun 17	£698m	£35m	£5m	87%	**1,160**	**2**
3i European Operational Projects Fund	Apr 18	€456m	€40m	€5m	85%	**353**	**1**
BIIF	May 08	£680m	n/a	n/a	91%	**479**	**2**
3i India Infrastructure Fund	Mar 08	US$1,195m	US$250m	n/a	73%	**–**	**–**
3i managed accounts	various	n/a	n/a	n/a	n/a	**518**	**1**
3i North American Infrastructure platform	Mar-22[3]	US$495m	US$300m	US$116m	58%	**377**	**1**
US Infrastructure	Nov-17	n/a	n/a	n/a	n/a	**304**	**–**
Total						**5,897**	**30**

1 AUM based on the share price at 30 September 2022.
2 % invested is the capital deployed into investments against the total Fund commitment.
3 First close completed in March 2022.

3i's Infrastructure investment portfolio

Quoted stake in 3iN

3iN's share price decreased by 12.4% in the period, closing at 304 pence on 30 September 2022 (31 March 2022: 347 pence), resulting in the recognition of a £117 million unrealised value loss (September 2021: £20 million unrealised value gain) on our 3iN investment. We partially offset this unrealised value loss with £14 million of dividend income in the period (September 2021: £13 million). At 30 September 2022, our investment in 3iN was valued at £817 million (31 March 2022: £934 million).

Smarte Carte

Smarte Carte has outperformed compared to expectations, due to the strong recovery in the domestic US travel market and resulting demand for its airport service offering. As at 30 September 2022, Smarte Carte was valued on a DCF basis in line with our policy for infrastructure assets.

Table 13: **Unrealised (losses)/profits on the revaluation of Infrastructure investments[1]** in the six months to 30 September

	2022 £m	2021 £m
Quoted	**(117)**	20
DCF	**63**	8
Fund/other	**7**	2
Total	**(47)**	30

1 More information on our valuation methodology, including definitions and rationale, is included in our Annual report and accounts 2022 on pages 212 to 213.

Scandlines

Scandlines generated a GIR of £11 million (September 2021: £30 million) or 2% of opening portfolio value in the period (September 2021: 7%).

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

Investment basis	2022 £m	2021 £m
Unrealised profit on the revaluation of investments	–	30
Dividends	12	–
Foreign exchange on investments	21	4
Movement in the fair value of derivatives	(22)	(4)
Gross investment return	**11**	30
Gross investment return as a % of opening portfolio value	**2%**	7%

Performance

Scandlines delivered a solid performance in the period. Freight volumes remained strong, ahead of 2021 record levels, and leisure volumes were ahead of pre-pandemic levels during the peak summer months of July and August 2022. The business remains cash generative and we received a dividend of £12 million in the period. At 30 September 2022, Scandlines was valued at £554 million (31 March 2022: £533 million) on a DCF basis and this valuation reflects the proven resilience the business continues to demonstrate and its ability to manage through potential short-term pressure on freight and leisure volumes as a result of current macroeconomic headwinds.

Foreign exchange

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

We recognised a £21 million gain on foreign exchange translation (September 2021: £4 million) offset by a £22 million fair value loss (September 2021: £4 million) from derivatives in our hedging programme.

Overview of financial performance

We generated a total return of £1,765 million, or a profit on opening shareholders' funds of 14%, in the six months to 30 September 2022 (September 2021: £2,199 million, or 24%). The diluted NAV per share at 30 September 2022 increased to 1,477 pence (31 March 2022: 1,321 pence) including the 74 pence gain on foreign exchange translation in the period, and after the payment of the second FY2022 dividend of £262 million, or 27.25 pence per share in July 2022 (September 2021: £203 million, 21.0 pence per share).

Table 15: Gross investment return for the six months to 30 September

Investment basis	2022 £m	2021 £m
Private Equity	**1,970**	2,373
Infrastructure	**35**	60
Scandlines	**11**	30
Gross investment return	**2,016**	2,463
Gross investment return as a % of opening portfolio value	**14%**	24%
Total comprehensive income ("Total return")	**1,765**	2,199
Total return on opening shareholders' funds	**14%**	24%

GIR was £2,016 million in the period (September 2021: £2,463 million) driven by the strong performance of Action and some of our portfolio companies operating in the value-for-money consumer, healthcare, specialty industrial and business and technology service sectors. The GIR also includes a £742 million net foreign exchange gain on translation of our investments (September 2021: £104 million gain). Further information on the Private Equity, Infrastructure and Scandlines valuations is included in the business reviews.

Operating cash loss

Table 16: Operating cash loss for the six months to 30 September

	2022 £m	2021 £m
Cash fees from external funds	**33**	24
Cash portfolio fees	**1**	3
Cash portfolio dividends and interest	**33**	26
Cash income	**67**	53
Cash operating expenses[1]	**(84)**	(72)
Operating cash loss	**(17)**	(19)

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

We generated an operating cash loss of £17 million in the period (September 2021: £19 million). Cash income increased to £67 million (September 2021: £53 million) principally due to an increase in dividend income and third-party fee income compared to the same period last year. Cash operating expenses incurred during the period increased to £84 million (September 2021: £72 million) driven principally by higher compensation costs. We expect to report an operating cash profit at 31 March 2023, due to a good pipeline of cash income.

Net foreign exchange movements

At 30 September 2022, 88% of the Group's net assets were denominated in euros or US dollars (31 March 2022: 86%). The Group recorded a total foreign exchange translation gain of £711 million net of derivatives during the period (September 2021: £98 million) as a result of the weakening of sterling against the euro and US dollar.

Post the period end, and in light of significant volatility in foreign exchange markets, we implemented a medium-term foreign exchange hedging programme to partially reduce the sensitivity of the Group's future returns to euro and US dollar exchange movements. The exposure of the Group's underlying investment portfolio to euro and US dollar has increased significantly in recent years through the organic growth of our existing European and US portfolio companies and due to the majority of our new investments being denominated in euro and US dollar. As at 4 November 2022, the notional amount of the forward foreign exchange contracts held by the Group associated with this hedging programme was €2.0 billion and $1.2 billion. We do not currently expect to extend this hedging programme materially beyond these amounts. The total notional amount of the forward foreign exchange contracts held by the Group, including the Scandlines hedging programming, is €2.6 billion and $1.2 billion.

Table 17 sets out the sensitivity of net assets to foreign exchange movements at 30 September 2022 and post 30 September 2022 including the hedging programme.

Table 17: Net assets and sensitivity by currency at 30 September 2022

	FX rate	Net assets £m	%	1% sensitivity £m	1% sensitivity[2] (after hedging programme implemented post 30 September 2022) £m
Sterling	n/a	**1,500**	10%	n/a	n/a
Euro[1]	1.1387	**10,104**	71%	101	83
US dollar	1.1162	**2,365**	17%	24	13
Danish krone	8.4681	**238**	2%	2	2
Other	n/a	**33**	–	n/a	n/a
Total		**14,240**			

1 Sensitivity impact is net of derivatives at 30 September 2022.
2 Sensitivity based on net assets at 30 September 2022 including the impact of the hedging programme implemented post 30 September 2022. Euro and US dollar sensitivity is net of derivatives.

Carried interest and performance fees

We pay carried interest to participants in plans relating to our proprietary capital invested. We also receive performance fees from third-party funds and pay a portion of those performance fees to participants in our carry plans. Carried interest at 30 September 2022 was calculated assuming that remaining assets in the portfolio were realised at their fair value at that date.

Table 18: Carried interest and performance fees for the six months to 30 September

Investment basis Statement of comprehensive income	2022 £m	2021 £m
Carried interest and performance fees receivable		
Private Equity	**2**	2
Total	**2**	2
Carried interest and performance fees payable		
Private Equity	**(157)**	(194)
Infrastructure	**(5)**	(6)
Total	**(162)**	(200)
Net carried interest payable	**(160)**	(198)

Table 19: Carried interest and performance fees

Investment basis Statement of financial position	30 September 2022 £m	31 March 2022 £m
Carried interest and performance fees receivable		
Private Equity	**10**	8
Infrastructure	**–**	51
Total	**10**	59
Carried interest and performance fees payable		
Private Equity	**(1,106)**	(926)
Infrastructure	**(8)**	(37)
Total	**(1,114)**	(963)

In Private Equity, we typically accrue net carried interest payable at between 10% and 13% of GIR. We accrued carried interest payable of £157 million (September 2021: £194 million) for Private Equity in the period. This was driven by the continued strong performance of the 2010-12 vintage, which includes Action, as well as by the return generated by other Private Equity carry vintages.

Carried interest is paid to participants when cash proceeds have actually been received following a realisation, refinancing event or other cash distribution and performance hurdles are passed in cash terms. Due to the time between investment and realisation, the schemes are usually active for a number of years. Their participants are both current and previous employees of 3i. Total carried interest and performance fee cash paid in the period was £39 million (30 September 2021: £13 million), and total performance fee cash received in the period was £51 million (30 September 2021: £8 million).

Overall, the effect of the income statement charge, the cash payments, as well as the currency translation meant that the balance sheet carried interest and performance fees payable increased to £1,114 million at 30 September 2022 (31 March 2022: £963 million).

Balance sheet

Table 20: **Simplified consolidated balance sheet**

Investment basis	30 September 2022 £m	31 March 2022 £m
Investment portfolio	**16,417**	14,305
Gross debt	**(1,129)**	(975)
Cash and deposits	**55**	229
Net debt	**(1,074)**	(746)
Carried interest and performance fees receivable	**10**	59
Carried interest and performance fees payable	**(1,114)**	(963)
Other net assets	**1**	99
Net assets	**14,240**	12,754
Gearing[1]	**8%**	6%

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

The investment portfolio value increased to £16,417 million at 30 September 2022 (31 March 2022: £14,305 million) driven by unrealised profit of £1,197 million and gains on foreign exchange translation.

At 30 September 2022, the Group had net debt of £1,074 million (31 March 2022: £746 million) after the payment of the second FY2022 dividend of £262 million.

Going concern and liquidity

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

Liquidity increased to £801 million at 30 September 2022 (31 March 2022: £729 million) and comprised cash and deposits of £55 million (31 March 2022: £229 million) and a facility of £746 million (31 March 2022: £500 million). Net debt was £1,074 million (31 March 2022: £746 million) and gearing was 8% (31 March 2022: 6%).

In July 2022, we increased our available liquidity by introducing an additional two-year £400 million tranche to the existing base £500 million RCF which matures in March 2027. At 30 September 2022, £154 million was drawn. The RCF drawdown was repaid in October 2022.

Alternative Performance Measures ("APMs") .

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

The explanation of and rationale for the Investment basis and its reconciliation to IFRS is provided from page 20. The table below defines our additional APMs and should be read in conjunction with our Annual report and accounts 2022.

APM	Purpose	Calculation	Reconciliation to IFRS
Gross investment return as a percentage of opening portfolio value	A measure of the performance of our investment portfolio. For further information, see the Group KPIs in our Annual report and accounts 2022.	It is calculated as the gross investment return, as shown in the Investment basis Consolidated statement of comprehensive income, as a % of the opening portfolio value.	The equivalent balances under IFRS and the reconciliation to the Investment basis are shown in the Reconciliation of consolidated statement of comprehensive income and the Reconciliation of consolidated statement of financial position respectively.
Cash realisations	Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities. For further information, see the Group KPIs in our Annual report and accounts 2022.	The cash received from the disposal of investments in the period as shown in the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of consolidated cash flow statement.
Cash investment	Identifying new opportunities in which to invest proprietary capital is the primary driver of the Group's ability to deliver attractive returns. For further information, see the Group KPIs in our Annual report and accounts 2022.	The cash paid to acquire investments and recognising syndications in the period as shown on the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of consolidated cash flow statement.
Operating cash profit/(loss)	By covering the cash cost of running the business with cash income, we reduce the potential dilution of capital returns. For further information, see the Group KPIs in our Annual report and accounts 2022.	The cash income from the portfolio (interest, dividends and fees) together with fees received from external funds less cash operating expenses and leases payments as shown on the Investment basis Consolidated cash flow statement. The calculation is shown in Table 16 of the Overview of financial performance.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of consolidated cash flow statement.
Net cash/(net debt)	A measure of the available cash to invest in the business and an indicator of the financial risk in the Group's balance sheet.	Cash and cash equivalents plus deposits less loans and borrowings as shown on the Investment basis Consolidated statement of financial position.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of consolidated statement of financial position.
Gearing	A measure of the financial risk in the Group's balance sheet.	Net debt (as defined above) as a % of the Group's net assets under the Investment basis. It cannot be less than zero.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of consolidated statement of financial position.

Principal risks and uncertainties

3i's risk appetite statement, approach to risk management and governance structure are set out in the Risk section of the Annual report and accounts 2022, which can be accessed on the Group's website at www.3i.com.

Notwithstanding increased market volatility, global economic uncertainty and current geopolitical tensions, the principal risks to the achievement of the Group's strategic objectives are unchanged from those reported on pages 67 to 71 of the Annual report and accounts 2022 and remain broadly stable in terms of impact and likelihood. Given the challenging external operating environment and uncertain outlook, the Group's principal risks continue to be closely monitored and may be subject to change.

Principal risks

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

As noted above, there is considerable uncertainty in the outlook for the global economy, impacted by a range of factors including increased cost of living, higher interest rates and lower forecast economic growth. These economic headwinds have the potential to affect trading performance, liquidity and valuations in varying degrees across 3i's investment portfolio. As outlined below, 3i has a well-funded balance sheet and a diverse portfolio of international companies operating in a range of different sectors, which has continued to perform well overall.

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

The portfolio continues to perform well in the current economic conditions. However, some portfolio companies are potentially more exposed to the adverse effects of, for example, higher energy prices and the impact of higher living costs on consumer discretionary spend. This is being closely monitored. The current economic and market uncertainties add complexity to transactions; for example, pricing and the setting of investment case assumptions. In addition, changes to the availability and pricing of debt could potentially impact investment activity or refinancing plans.

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

The Group's day-to-day operations have been stable in the period. This includes the continued resilience and security of the Group's IT systems and maintenance of robust processes and internal controls. Staff turnover rates have been stable notwithstanding a competitive recruitment market.

Capital management – Risks in relation to the management of capital resources including liquidity risk, currency exposures and leverage risk

3i's approach to capital management remains conservative, with a well-funded balance sheet and low company debt. The company increased available liquidity in July 2022 by way of an additional two-year £400 million tranche to the existing base £500 million RCF which matures in March 2027. This provides the Company with additional financial flexibility at low cost. The investment and divestment pipeline and balance of investment and realisation flows are subject to regular reviews.

Post the period end, the Group implemented a medium-term foreign exchange hedging programme to partially reduce the sensitivity of the Group's future returns to euro and US dollar exchange movements as part of its overall capital management approach.

The Half-year report provides an update on 3i's strategy and business performance, as well as on market conditions, which is relevant to the Group's overall risk profile and should be viewed in the context of the Group's risk management framework and principal risks as disclosed in the Annual report and accounts 2022.

Reconciliation of the Investment basis to IFRS

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

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

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

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

A more detailed explanation of the effect of IFRS 10 is provided in the Annual report and accounts 2022 on page 53.

Reconciliation between Investment basis and IFRS

A detailed reconciliation from the Investment basis to IFRS basis of the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated cash flow statement is shown on pages 21 to 24.

Reconciliation of consolidated statement of comprehensive income

	Notes	Six months to 30 September 2022 Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (unaudited) £m	Six months to 30 September 2021 Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (unaudited) £m
Realised (losses)/profits over value on the disposal of investments	1,2	(4)	2	(2)	15	(4)	11
Unrealised profits on the revaluation of investments	1,2	1,197	(657)	540	2,279	(1,205)	1,074
Fair value movements on investment entity subsidiaries	1	–	962	962	–	1,094	1,094
Portfolio income							
Dividends	1,2	28	(12)	16	25	(3)	22
Interest income from investment portfolio	1,2	47	(32)	15	38	(25)	13
Fees receivable	1,2	6	–	6	2	1	3
Foreign exchange on investments	1,4	764	(502)	262	108	(66)	42
Movement in the fair value of derivatives		(22)	–	(22)	(4)	–	(4)
Gross investment return		2,016	(239)	1,777	2,463	(208)	2,255
Fees receivable from external funds		33	–	33	25	–	25
Operating expenses	1,3	(67)	1	(66)	(56)	–	(56)
Interest received	1	1	–	1	–	–	–
Interest paid	1	(27)	–	(27)	(27)	–	(27)
Exchange movements	1,4	(31)	51	20	(6)	5	(1)
Income from investment entity subsidiaries	1	–	28	28	–	11	11
Other income		1	–	1	–	–	–
Operating profit before carried interest		1,926	(159)	1,767	2,399	(192)	2,207
Carried interest							
Carried interest and performance fees receivable	1,3	2	–	2	2	–	2
Carried interest and performance fees payable	1,3	(162)	153	(9)	(200)	190	(10)
Operating profit before tax		1,766	(6)	1,760	2,201	(2)	2,199
Tax charge	1,3	(1)	–	(1)	(2)	–	(2)
Profit for the period		1,765	(6)	1,759	2,199	(2)	2,197
Other comprehensive income that may be reclassified to the income statement							
Exchange differences on translation of foreign operations	1,4	–	6	6	–	2	2
Other comprehensive expense that will not be reclassified to the income statement							
Re-measurement of defined benefit plans		–	–	–	–	–	–
Other comprehensive income for the period		–	6	6	–	2	2
Total comprehensive income for the period ("Total return")		1,765	–	1,765	2,199	–	2,199

Notes:

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

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

3 Other items also aggregated into the "Fair value movements on investment entity subsidiaries" line include operating expenses, carried interest and performance fees receivable, carried interest and performance fees payable and tax. Operating expenses, carried interest and performance fees receivable and tax do not impact fair value movements on investment entity subsidiaries for the six months to 30 September 2022.

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

Reconciliation of consolidated statement of financial position

	Notes	As at 30 September 2022 Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (unaudited) £m	As at 31 March 2022 Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (audited) £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	920	(103)	817	1,063	(129)	934
Unquoted investments	1	15,497	(8,763)	6,734	13,242	(7,534)	5,708
Investments in investment entity subsidiaries	1,2	–	7,817	7,817	–	6,791	6,791
Investment portfolio		16,417	(1,049)	15,368	14,305	(872)	13,433
Carried interest and performance fees receivable	1	9	1	10	8	1	9
Other non-current assets	1	50	(4)	46	50	(5)	45
Intangible assets		6	–	6	6	–	6
Retirement benefit surplus		53	–	53	53	–	53
Property, plant and equipment		3	–	3	3	–	3
Right of use asset		11	–	11	13	–	13
Derivative financial instruments		1	–	1	7	–	7
Deferred income taxes		1	–	1	1	–	1
Total non-current assets		16,551	(1,052)	15,499	14,446	(876)	13,570
Current assets							
Carried interest and performance fees receivable	1	1	–	1	51	–	51
Other current assets	1	21	(3)	18	105	(1)	104
Current income taxes		1	–	1	1	–	1
Derivative financial instruments		4	–	4	10	–	10
Cash and cash equivalents	1	55	(17)	38	229	(17)	212
Total current assets		82	(20)	62	396	(18)	378
Total assets		16,633	(1,072)	15,561	14,842	(894)	13,948
Liabilities							
Non-current liabilities							
Trade and other payables	1	(21)	7	(14)	(21)	7	(14)
Carried interest and performance fees payable	1	(1,110)	1,062	(48)	(915)	873	(42)
Loans and borrowings		(775)	–	(775)	(775)	–	(775)
Retirement benefit deficit		(27)	–	(27)	(26)	–	(26)
Lease liability		(7)	–	(7)	(9)	–	(9)
Derivative financial instruments		(12)	–	(12)	–	–	–
Deferred income taxes		(1)	–	(1)	(1)	–	(1)
Provisions		(3)	–	(3)	(3)	–	(3)
Total non-current liabilities		(1,956)	1,069	(887)	(1,750)	880	(870)
Current liabilities							
Trade and other payables	1	(69)	3	(66)	(81)	1	(80)
Carried interest and performance fees payable	1	(4)	–	(4)	(48)	13	(35)
Loans and borrowings		(354)	–	(354)	(200)	–	(200)
Lease liability		(5)	–	(5)	(5)	–	(5)
Derivative financial instruments		(1)	–	(1)	–	–	–
Current income taxes		(4)	–	(4)	(4)	–	(4)
Total current liabilities		(437)	3	(434)	(338)	14	(324)
Total liabilities		(2,393)	1,072	(1,321)	(2,088)	894	(1,194)
Net assets		14,240	–	14,240	12,754	–	12,754
Equity							
Issued capital		719	–	719	719	–	719
Share premium		790	–	790	789	–	789
Other reserves	3	12,839	–	12,839	11,346	–	11,346
Own shares		(108)	–	(108)	(100)	–	(100)
Total equity		14,240	–	14,240	12,754	–	12,754

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

Reconciliation of consolidated statement of financial position continued

Notes:

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

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

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

Reconciliation of consolidated cash flow statement

	Notes	Six months to 30 September 2022 Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (unaudited) £m	Six months to 30 September 2021 Investment basis (unaudited) £m	IFRS adjustments (unaudited) £m	IFRS basis (unaudited) £m
Cash flow from operating activities							
Purchase of investments	1	(241)	209	(32)	(59)	35	(24)
Proceeds from investments	1	228	(194)	34	123	(61)	62
Amounts paid to investment entity subsidiaries	1	–	(233)	(233)	–	(50)	(50)
Amounts received from investment entity subsidiaries	1	–	220	220	–	78	78
Net cash flow from derivatives		4	–	4	6	–	6
Portfolio interest received	1	2	(2)	–	–	–	–
Portfolio dividends received	1	31	(12)	19	26	(3)	23
Portfolio fees received	1	1	–	1	3	–	3
Fees received from external funds		33	–	33	24	–	24
Carried interest and performance fees received	1	51	–	51	8	–	8
Carried interest and performance fees paid	1	(39)	11	(28)	(13)	–	(13)
Operating expenses paid		(81)	–	(81)	(70)	–	(70)
Co-investment loans received/(paid)	1	–	1	1	(4)	–	(4)
Tax paid		–	–	–	(1)	–	(1)
Interest received	1	1	–	1	–	–	–
Net cash flow from operating activities		(10)	–	(10)	43	(1)	42
Cash flow from financing activities							
Issue of shares		1	–	1	–	–	–
Purchase of own shares		(30)	–	(30)	–	–	–
Dividend paid		(262)	–	(262)	(203)	–	(203)
Lease payments		(3)	–	(3)	(2)	–	(2)
Interest paid		(20)	–	(20)	(19)	–	(19)
Drawdown of revolving credit facility		145	–	145	–	–	–
Net cash flow from financing activities		(169)	–	(169)	(224)	–	(224)
Change in cash and cash equivalents	2	(179)	–	(179)	(181)	(1)	(182)
Cash and cash equivalents at the start of the period	2	229	(17)	212	225	(9)	216
Effect of exchange rate fluctuations	1	5	–	5	–	3	3
Cash and cash equivalents at the end of the period	2	55	(17)	38	44	(7)	37

Notes:

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

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

IFRS Financial statements

Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2022 (unaudited) £m	Six months to 30 September 2021 (unaudited) £m
Realised (losses)/profits over value on the disposal of investments	2	**(2)**	11
Unrealised profits on the revaluation of investments	3	**540**	1,074
Fair value movements on investment entity subsidiaries	8	**962**	1,094
Portfolio income			
Dividends		**16**	22
Interest income from investment portfolio		**15**	13
Fees receivable	4	**6**	3
Foreign exchange on investments		**262**	42
Movement in the fair value of derivatives		**(22)**	(4)
Gross investment return		**1,777**	2,255
Fees receivable from external funds	4	**33**	25
Operating expenses		**(66)**	(56)
Interest received		**1**	–
Interest paid		**(27)**	(27)
Exchange movements		**20**	(1)
Income from investment entity subsidiaries		**28**	11
Other income		**1**	–
Operating profit before carried interest		**1,767**	2,207
Carried interest			
Carried interest and performance fees receivable	4	**2**	2
Carried interest and performance fees payable		**(9)**	(10)
Operating profit before tax		**1,760**	2,199
Tax charge		**(1)**	(2)
Profit for the period		**1,759**	2,197
Other comprehensive income that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**6**	2
Other comprehensive expense that will not be reclassified to the income statement			
Re-measurements of defined benefit plans		**–**	–
Other comprehensive income for the period		**6**	2
Total comprehensive income for the period ("Total return")		**1,765**	2,199
Earnings per share			
Basic (pence)	5	**182.7**	227.4
Diluted (pence)	5	**182.5**	226.9

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

Condensed consolidated statement of financial position

	Notes	30 September 2022 (unaudited) £m	31 March 2022 (audited) £m
Assets			
Non-current assets			
Investments			
Quoted investments	7	**817**	934
Unquoted investments	7	**6,734**	5,708
Investments in investment entity subsidiaries	8	**7,817**	6,791
Investment portfolio		**15,368**	13,433
Carried interest and performance fees receivable		**10**	9
Other non-current assets		**46**	45
Intangible assets		**6**	6
Retirement benefit surplus		**53**	53
Property, plant and equipment		**3**	3
Right of use asset		**11**	13
Derivative financial instruments		**1**	7
Deferred income taxes		**1**	1
Total non-current assets		**15,499**	13,570
Current assets			
Carried interest and performance fees receivable		**1**	51
Other current assets		**18**	104
Current income taxes		**1**	1
Derivative financial instruments		**4**	10
Cash and cash equivalents		**38**	212
Total current assets		**62**	378
Total assets		**15,561**	13,948
Liabilities			
Non-current liabilities			
Trade and other payables		**(14)**	(14)
Carried interest and performance fees payable		**(48)**	(42)
Loans and borrowings		**(775)**	(775)
Retirement benefit deficit		**(27)**	(26)
Lease liability		**(7)**	(9)
Derivative financial instruments		**(12)**	–
Deferred income taxes		**(1)**	(1)
Provisions		**(3)**	(3)
Total non-current liabilities		**(887)**	(870)
Current liabilities			
Trade and other payables		**(66)**	(80)
Carried interest and performance fees payable		**(4)**	(35)
Loans and borrowings		**(354)**	(200)
Lease liability		**(5)**	(5)
Derivative financial instruments		**(1)**	–
Current income taxes		**(4)**	(4)
Total current liabilities		**(434)**	(324)
Total liabilities		**(1,321)**	(1,194)
Net assets		**14,240**	12,754
Equity			
Issued capital		**719**	719
Share premium		**790**	789
Capital redemption reserve		**43**	43
Share-based payment reserve		**27**	33
Translation reserve		**–**	(6)
Capital reserve		**11,657**	10,151
Revenue reserve		**1,112**	1,125
Own shares		**(108)**	(100)
Total equity		**14,240**	12,754

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

Condensed consolidated statement of changes in equity

For the six months to 30 September 2022 (unaudited)	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the period	719	789	43	33	(6)	10,151	1,125	(100)	12,754
Profit for the period	–	–	–	–	–	1,686	73	–	1,759
Exchange differences on translation of foreign operations	–	–	–	–	6	–	–	–	6
Re-measurements of defined benefit plans	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	6	1,686	73	–	1,765
Share-based payments	–	–	–	12	–	–	–	–	12
Release on exercise/forfeiture of share awards	–	–	–	(18)	–	–	18	–	–
Exercise of share awards	–	–	–	–	–	(22)	–	22	–
Ordinary dividends	–	–	–	–	–	(158)	(104)	–	(262)
Purchase of own shares	–	–	–	–	–	–	–	(30)	(30)
Issue of ordinary shares	–	1	–	–	–	–	–	–	1
Total equity at the end of the period	719	790	43	27	–	11,657	1,112	(108)	14,240

1 Refer to the Glossary on pages 47 to 49 for the nature of the capital and revenue reserves.

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

1 Refer to the Glossary on pages 47 to 49 for the nature of the capital and revenue reserves.

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

Condensed consolidated cash flow statement

	Notes	Six months to 30 September 2022 (unaudited) £m	Six months to 30 September 2021 (unaudited) £m
Cash flow from operating activities			
Purchase of investments		**(32)**	(24)
Proceeds from investments		**34**	62
Amounts paid to investment entity subsidiaries		**(233)**	(50)
Amounts received from investment entity subsidiaries		**220**	78
Net cash flow from derivatives		**4**	6
Portfolio dividends received		**19**	23
Portfolio fees received		**1**	3
Fees received from external funds		**33**	24
Carried interest and performance fees received		**51**	8
Carried interest and performance fees paid		**(28)**	(13)
Operating expenses paid		**(81)**	(70)
Co-investment loans received/(paid)		**1**	(4)
Tax paid		**–**	(1)
Interest received		**1**	–
Net cash flow from operating activities		**(10)**	42
Cash flow from financing activities			
Issue of shares		**1**	–
Purchase of own shares		**(30)**	–
Dividend paid	6	**(262)**	(203)
Lease payments		**(3)**	(2)
Interest paid		**(20)**	(19)
Drawdown of revolving credit facility		**145**	–
Net cash flow from financing activities		**(169)**	(224)
Change in cash and cash equivalents		**(179)**	(182)
Cash and cash equivalents at the start of the period		**212**	216
Effect of exchange rate fluctuations		**5**	3
Cash and cash equivalents at the end of the period		**38**	37

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

Notes to the condensed consolidated financial statements

Basis of preparation and accounting policies

Compliance with International Financial Reporting Standards ("IFRS")

The Half-year condensed consolidated financial statements of 3i Group plc have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and IAS 34 Interim Financial Reporting as adopted for use in the UK. The Half-year condensed consolidated financial statements should be read in conjunction with the Annual report and accounts 2022 which have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted international accounting standards. The Annual report and accounts for the year ended 31 March 2023 will be prepared in accordance with UK-adopted international accounting standards.

The Half-year condensed consolidated financial statements are presented to the nearest million sterling (£m), the functional currency of the Company. The accounting policies applied by 3i Group plc for the Half-year condensed consolidated financial statements are consistent with those described on pages 155 to 192 of the Annual report and accounts 2022. There was no change in the current period to the critical accounting estimates and judgements applied in 2022, which are stated on page 157 of the Annual report and accounts 2022.

The financial information for the year ended 31 March 2022 and for the six months ended 30 September 2022 contained within this Half-year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for the year to 31 March 2022, prepared under IFRS in conformity with the requirements of the Companies Act 2006, have been reported on by KPMG LLP and delivered to the Registrar of Companies. The report of the Auditor on these statutory accounts was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

Going concern

These condensed consolidated financial statements are prepared on a going concern basis. The Directors have made an assessment of going concern for a period of at least 12 months from the date of approval of the accounts, taking into account the Group's current performance, financial position and the principal and emerging risks facing the business. As detailed in the Chief Executive's review and Business and Financial review, the Group delivered a good result in the first half despite a tough macroeconomic backdrop as our portfolios continue to perform well and demonstrate their trading resilience. To support the going concern assessment the Directors considered:

- an analysis of the Group's liquidity, solvency and regulatory capital position. The Group manages and monitors liquidity regularly, ensuring it is adequate and sufficient and is underpinned by its monitoring of investments, realisations, operating expenses and receipt of portfolio cash income. At 30 September 2022, the Group has liquidity of £801 million (31 March 2022: £729 million). Liquidity comprised of cash and deposits of £55 million (31 March 2022: £229 million) and an undrawn facility of £746 million (31 March 2022: £500 million), which has no financial covenants. In July 2022, we increased our available liquidity by introducing an additional two-year £400 million tranche to the existing base £500 million RCF which matures in March 2027, to further support the Group's long-term liquidity. In October 2022, we received proceeds of £476 million from the realisation of Havea and utilised some of these proceeds to repay the Group's £154 million draw of the RCF. Within the next 12 months, the Group's £200 million fixed rate bond is due for repayment and the Group is expected to have adequate liquidity to meet the liability as it falls due; and

- the stress test scenarios on the Group's portfolio. The Directors have modelled a number of severe, yet plausible individual and combined stress test scenarios based on the position of the Group as at 30 September 2022. The scenarios include the consideration of the potential impact of a recession induced by persistent inflation and supply chain disruption, as well as the impact of a significant downturn event relating specifically to 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 liquidity of the Group. A key judgement applied is the extent of recessionary impacts alongside the likely recovery profile of portfolio companies. The severe scenarios include assumptions modelling a combined scenario of a recessionary environment modelled alongside the impact of a significant downturn event on the Group's largest asset.

The results of each of the stress test scenarios indicate that the Group is able to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements by, in certain cases, making use of controllable management actions. In all these scenarios, the Directors expect the Group to be able to recover without a permanent long-term impact on its solvency or capital requirements. Mitigating actions within management control include, 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 condensed consolidated financial statements of the Group on a going concern basis and have concluded that the Group has sufficient financial resources, is well placed to manage business risks in the current economic environment and can continue operations for a period of at least 12 months from the date of issue of these financial statements.

1 Segmental analysis

The tables below are presented on the Investment basis which is the basis used by the chief operating decision maker, the Chief Executive, to monitor the performance of the Group. A description of the Investment basis and a reconciliation of the Investment basis to the IFRS financial statements is provided on pages 20 to 24. Further detail on the Group's segmental analysis can be found on pages 159 to 161 of the Annual report and accounts 2022. The remaining Notes are prepared on an IFRS basis.

Investment basis **Six months to 30 September 2022**	**Private Equity £m**	*Of which is Action £m*	**Infrastructure £m**	**Scandlines £m**	**Total[4] £m**
Realised losses over value on the disposal of investments	(4)	–	–	–	(4)
Unrealised profits/(losses) on the revaluation of investments	1,244	*1,156*	(47)	–	1,197
Portfolio income					
Dividends	–	–	16	12	28
Interest income from investment portfolio	39	–	8	–	47
Fees receivable	6	–	–	–	6
Foreign exchange on investments	685	*291*	58	21	764
Movement in the fair value of derivatives	–	–	–	(22)	(22)
Gross investment return	**1,970**	*1,447*	**35**	**11**	**2,016**
Fees receivable from external funds	3	–	30	–	33
Operating expenses	(43)	–	(23)	(1)	(67)
Interest received					1
Interest paid					(27)
Exchange movements					(31)
Other income					1
Operating profit before carried interest					**1,926**
Carried interest					
Carried interest and performance fees receivable	2	–	–	–	2
Carried interest and performance fees payable	(157)	–	(5)	–	(162)
Operating profit before tax					**1,766**
Tax charge					(1)
Profit for the period					**1,765**
Other comprehensive income					
Re-measurements of defined benefit plans					–
Total return					**1,765**
Realisations[1]	193	–	–	–	193
Cash investment[2]	(292)	–	(6)	–	(298)
Net divestment	**(99)**	**–**	**(6)**	**–**	**(105)**
Balance sheet					
Opening portfolio value at 1 April 2022	12,420	*7,165*	1,352	533	14,305
Investment[3]	326	–	6	–	332
Value disposed	(197)	–	–	–	(197)
Unrealised value movement	1,244	*1,156*	(47)	–	1,197
Other movement (including foreign exchange)	690	*291*	69	21	780
Closing portfolio value at 30 September 2022	**14,483**	*8,612*	**1,380**	**554**	**16,417**

1 Realised proceeds may differ from cash proceeds due to timing of receipts. During the period Private Equity received £2 million of cash proceeds which were recognised as realised proceeds in FY2022 and Infrastructure received £33 million of cash proceeds which were recognised as realised proceeds in FY2022.
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.
3 Includes capitalised interest and other non-cash investment.
4 The total is the sum of Private Equity, Infrastructure and Scandlines. "Of which is Action" is part of Private Equity.

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 specific segment.

1 Segmental analysis continued

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

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

Interest received, interest paid, exchange movements, 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 specific segment.

2 Realised profits over value on the disposal of investments

Six months to 30 September 2022	**Unquoted investments £m**	**Total £m**
Realisations	**1**	**1**
Valuation of disposed investments	**(3)**	**(3)**
	(2)	**(2)**
Of which:		
– profit recognised on realisations	**1**	**1**
– losses recognised on realisations	**(3)**	**(3)**
	(2)	**(2)**

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

3 Unrealised profits on the revaluation of investments

Six months to 30 September 2022	**Unquoted investments £m**	**Quoted investments £m**	**Total £m**
Movement in the fair value of investments	**657**	**(117)**	**540**
Of which:			
– unrealised gains	**780**	**–**	**780**
– unrealised losses	**(123)**	**(117)**	**(240)**
	657	**(117)**	**540**

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

4 Revenue

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

Six months to 30 September 2022	**Private Equity £m**	**Infrastructure £m**	**Total £m**
Total revenue by geography[1]			
UK	**4**	**27**	**31**
Northern Europe	**5**	**2**	**7**
North America	**2**	**1**	**3**
Other	**–**	**–**	**–**
Total	**11**	**30**	**41**
Revenue by type			
Fees receivable[2] from portfolio	**6**	**–**	**6**
Fees receivable from external funds	**3**	**30**	**33**
Carried interest and performance fees receivable[2]	**2**	**–**	**2**
Total	**11**	**30**	**41**

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

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 20 to 24.

5 Per share information

The calculation of basic net assets per share is based on the net assets and the number of shares in issue at the period end. When calculating the diluted net assets per share, the number of shares in issue is adjusted for the effect of all dilutive share awards.

	30 September 2022	31 March 2022
Net assets per share (£)		
Basic	**14.79**	13.24
Diluted	**14.77**	13.21
Net assets (£m)		
Net assets attributable to equity holders of the Company	**14,240**	12,754

	30 September 2022	31 March 2022
Number of shares in issue		
Ordinary shares	**973,282,405**	973,238,638
Own shares	**(10,497,272)**	(10,212,745)
	962,785,133	963,025,893
Effect of dilutive potential ordinary shares		
Share awards	**1,607,098**	2,705,623
Diluted shares	**964,392,231**	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 period to 30 September 2022 are 962,660,451 (30 September 2021: 966,063,483). When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effect of all dilutive share awards. The diluted weighted average shares in issue for the period to 30 September 2022 are 964,057,452 (30 September 2021: 968,079,404).

	6 months to 30 September 2022	6 months to 30 September 2021
Earnings per share (pence)		
Basic	**182.7**	227.4
Diluted	**182.5**	226.9
Earnings (£m)		
Profit for the period attributable to equity holders of the Company	**1,759**	2,197

6 Dividends

	6 months to 30 September 2022 pence per share	6 months to 30 September 2022 £m	6 months to 30 September 2021 pence per share	6 months to 30 September 2021 £m
Declared and paid during the period				
Second dividend	**27.25**	**262**	21.0	203
	27.25	**262**	21.0	203
Proposed first dividend	**23.25**	**224**	19.25	186

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

The distributable reserves of the parent company as at 31 March 2022 were £3,968 million (31 March 2021: £3,811 million) and the Board reviews the distributable reserves bi-annually, including consideration of any material changes since the most recent audited accounts, ahead of proposing any dividend. The Board also reviews the proposed dividends in the context of the requirements of being an approved investment trust. Shareholders are given the opportunity to approve the total dividend for the year at the Company's Annual General Meeting. Details of the Group's continuing viability and going concern can be found in the Risk management section on pages 58 to 71 of the Annual report and accounts 2022.

7 Investment portfolio

This section should be read in conjunction with Note 11 on page 167 of the Annual report and accounts 2022, which provides more detail about initial recognition and subsequent measurement of investments at fair value.

Non-current	6 months to 30 September 2022 £m	Year to 31 March 2022 £m
Opening book value	**6,642**	5,010
Additions	**94**	138
– of which loan notes with nil value	**–**	(4)
Disposals, repayments and write-offs	**(3)**	(282)
Fair value movement[1]	**540**	1,781
Other movements and net cash movements[2]	**278**	(1)
Closing book value	**7,551**	6,642
Quoted investments	**817**	934
Unquoted investments	**6,734**	5,708
Closing book value	**7,551**	6,642

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

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

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

	6 months to 30 September 2022 £m	Year to 31 March 2022 £m
Purchase of investments	**32**	324
Transfer of portfolio investments to investment entity subsidiaries	**–**	(157)
Syndication[1]	**57**	(53)
Investment	**89**	114
Capitalised interest received by way of loan notes	**5**	24
Additions	**94**	138

1 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 period to 30 September 2022, we received the £57 million cash syndication.

Included within profit or loss is £15 million (30 September 2021: £13 million) of interest income. Interest income included £2 million (30 September 2021: £3 million) of accrued income capitalised during the period and £13 million (30 September 2021: £10 million) of accrued income remaining uncapitalised at the period end.

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

8 Investments in investment entity subsidiaries

This section should be read in conjunction with Note 12 on page 168 of the Annual report and accounts 2022, which provides more detail about accounting policies adopted, entities which are typically investment in investment entities and the determination of fair value.

Level 3 fair value reconciliation – investments in investment entity subsidiaries

Non-current	6 months to 30 September 2022 £m	Year to 31 March 2022 £m
Opening fair value	**6,791**	4,905
Amounts paid to investment entity subsidiaries	**233**	349
Amounts received from investment entity subsidiaries	**(220)**	(685)
Fair value movement on investment entity subsidiaries	**962**	1,974
Transfer of portfolio investments to investment entity subsidiaries	**–**	205
Transfer of assets to investment entity subsidiaries	**51**	43
Closing fair value	**7,817**	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.

Restrictions
3i Group plc, the ultimate parent company, receives dividend income from its subsidiaries. There are no restrictions on the ability to transfer funds from these subsidiaries to the Group at 30 September 2022.

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

9 Fair values of assets and liabilities

This section should be read in conjunction with Note 13 on pages 169 to 171 of the Annual report and accounts 2022, which provides more detail about accounting policies adopted, the definitions of the three levels of fair value hierarchy, valuation methods used in calculating fair value and the valuation framework which governs oversight of valuations. There have been no changes in the accounting policies adopted or the valuation methodologies used.

Valuation

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

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

9 Fair values of assets and liabilities continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 30 September 2022:

	30 September 2022				31 March 2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Quoted investments	817	–	–	817	934	–	–	934
Unquoted investments	–	–	6,734	6,734	–	–	5,708	5,708
Investments in investment entity subsidiaries	–	–	7,817	7,817	–	–	6,791	6,791
Other financial assets	–	5	36	41	–	17	37	54
Liabilities								
Other financial liabilities	–	(13)	–	(13)	–	–	–	–
Total	817	(8)	14,587	15,396	934	17	12,536	13,487

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

The fair values of the Group's financial assets and liabilities not held at fair value, are not materially different from their carrying values, with the exception of loans and borrowings. The fair value of loans and borrowings is £970 million (31 March 2022: £1,069 million), determined with reference to their published market prices. The carrying value of the loans and borrowings is £1,129 million (31 March 2022: £975 million) and accrued interest payable (included within trade and other payables) is £20 million (31 March 2022: £13 million).

Level 3 fair value reconciliation – unquoted investments

	Six months to 30 September 2022 £m	Year to 31 March 2022 £m
Opening fair value	5,708	4,213
Additions	94	138
– of which loan notes with nil value	–	(4)
Disposals, repayments and write-offs	(3)	(282)
Fair value movement[1]	657	1,644
Other movements and net cash movements[2]	278	(1)
Closing fair value	6,734	5,708

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

Unquoted investments valued using Level 3 inputs also had the following impact on profit or loss: realised losses over value on disposal of investment of £2 million (30 September 2021: £11 million gain), dividend income of £2 million (30 September 2021: £9 million) and foreign exchange gains of £262 million (30 September 2021: £42 million).

9 Fair values of assets and liabilities continued

Assets move between Level 1 and Level 3 when an unquoted equity investment lists on a quoted market exchange. There were no transfers in or out of Level 3 during the period. In the six months to 30 September 2022, eight assets changed valuation basis within level 3. Two assets moved from other basis to an earnings-based valuation, one asset moved from a DCF to an earnings-based valuation, four assets were acquired in the period valued on an Other basis, in line with their fair value, and one asset moved from an earnings-based valuation to an imminent sale basis. Action remains unchanged on an earnings-based valuation. The changes in valuation methodology in the period reflect our view of the most appropriate method to determine the fair value of the eight assets at 30 September 2022. Further information can be found in the Private Equity and Infrastructure sections of the Business and Financial review starting on page 7.

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 significant majority of our portfolio has demonstrated its trading resilience against a challenging macroeconomic backdrop. We continue our approach of taking a long-term through the cycle view on the multiples used to value our portfolio companies. The recent market volatility and the derating of quoted comparable company multiples across the majority of our portfolio, especially those with discretionary spend exposure has been an important consideration in our fair value at 30 September 2022. We have maintained a 5% sensitivity which is appropriate given the good performance of our companies. For the small number of companies in our portfolio that have been disproportionately impacted by the current challenging macroeconomic environment, our fair value at the 30 September 2022 reflects the impact this has had on performance and multiple. All numbers in the table below are on an investment basis.

Level 3 unquoted investments

Methodology	**Description**	**Inputs**	**Fair value at 30 September 2022 (£m)**	**Sensitivity on key unobservable input**	**Fair value impact of sensitivities (£m) +5%/-5%**
Earnings (Private Equity)	Most commonly used Private Equity valuation methodology Used for investments which are typically profitable and for which we can determine a set of listed companies and precedent transactions, where relevant, with similar characteristics	Earnings multiples are applied to the earnings of the company to determine the enterprise value **Earnings multiples** When selecting earnings multiple, we consider: 1. Comparable listed companies' current performance and through the cycle averages 2. Relevant market transaction multiples 3. Exit expectations and other company specific factors For point 1 and 2 of the above we select companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus The pre-discount multiple ranges from 6.8x – 20.0x (31 March 2022: 8.0x – 20.0x)	**13,409** (31 March 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)	**781** (31 March 2022: 695) **(791)** (31 March 2022: (697) **486** (31 March 2022: 417) **(486)** (31 March 2022: (417))

9 Fair values of assets and liabilities continued

Methodology	Description	Inputs	Fair value at 30 September (£m)	Sensitivity on key unobservable input	Fair value impact of sensitivities (£m) +5%/-5%
		Other inputs: **Earnings** Reported earnings are adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, run-rate adjustments to arrive at maintainable earnings The most common measure is earnings before interest, tax, depreciation and amortisation ("EBITDA") Earnings are usually obtained from portfolio company management accounts to the preceding quarter end, with reference also to forecast earnings and the maintainable view of earnings Action, our largest asset, we value using run-rate earnings			
Discounted cash flow (Private Equity/ Infrastructure/ Scandlines)	Appropriate for businesses with long-term stable cash flows, typically in Infrastructure or alternatively businesses where DCF is more appropriate in the short term	Long-term cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment The range of discount rates used in our DCF valuations is 10% to 15%.	**1,146** (31 March 2022: 1,023)	For the assets valued on a DCF basis, we have applied a 5% sensitivity to the discount rate	**(43)** (31 March 2022: (41)) **46** (31 March 2022: 37)
Imminent sale (Private Equity)	Used for assets where a sale has been agreed	Based on expected proceeds net of fees	**478** (31 March 2022: nil)	n/a	n/a
NAV (Private Equity/Infrastructure)	Used for investments in unlisted funds	Net asset value reported by the fund manager. The valuation of the underlying portfolio is consistent with IFRS	**95** (31 March 2022: 77)	A 5% increase on closing NAV	**5** (31 March 2022: 4)
Other (Private Equity/Infrastructure)	Used where elements of a business are valued on different bases	Values of separate elements prepared on one of the methodologies listed above	**369** (31 March 2022: 556)	A 5% increase in the closing value	**18** (31 March 2022: 28)

10 Related parties

All related party transactions that took place in the six months ending 30 September 2022 are consistent in nature with the disclosures in Note 29 on pages 186 to 188 of the Annual report and accounts 2022. Related party transactions which took place in the period and materially affected performance or the financial position of the Group, together with any material changes in related party transactions as described in the Annual report and accounts 2022 that could materially affect the performance or the financial position of the Group are detailed below.

Investments

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

Consolidated statement of comprehensive income	Six months to 30 September 2022 £m	Six months to 30 September 2021 £m
Realised profits over value on the disposal of investments	–	1
Unrealised profits on the revaluation of investments	60	87
Portfolio income	–	6

Consolidated statement of financial position	30 September 2022 £m	31 March 2022 £m
Unquoted investments	745	674

Management arrangements

The Group acted as Investment Manager to 3i Infrastructure plc (“3iN”), which is listed on the London Stock Exchange, for the period to 30 September 2022. The following amounts have been recognised in respect of the management relationship:

Consolidated statement of comprehensive income	Six months to 30 September 2022 £m	Six months to 30 September 2021 £m
Unrealised (losses)/profits on the revaluation of investments	(117)	20
Dividends	14	13
Fees receivable from external funds	23	16

Consolidated statement of financial position	30 September 2022 £m	31 March 2022 £m
Quoted equity investments	817	934
Performance fees receivable	–	26

Statement of Directors' responsibilities

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

The Directors confirm that to the best of their knowledge:

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

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

i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year ending 31 March 2023 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being (i) related party transactions that have taken place in the first six months of the financial year ending 31 March 2023 which have materially affected the financial position or performance of 3i Group during that period; and (ii) any changes in the related party transactions described in the Annual report and accounts 2022 that could materially affect the financial position or performance of 3i Group during the first six months of the financial year ending 31 March 2023.

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

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

K J Dunn, Secretary
9 November 2022

List of Directors and their functions

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

David Hutchinson, Chairman and Chairman of the Nominations Committee
Simon Borrows, Chief Executive and Executive Director
James Hatchley, Group Finance Director and Executive Director
Jasi Halai, Chief Operating Officer and Executive Director
Caroline Banszky, non-executive Director and Chairman of the Audit and Compliance Committee
Stephen Daintith, non-executive Director
Lesley Knox, non-executive Director
Coline McConville, non-executive Director and Chairman of the Remuneration Committee
Peter McKellar, non-executive Director and Chairman of the Valuations Committee
Alexandra Schaapveld, non-executive Director

Independent review report to 3i Group plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022, which comprises: the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

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

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

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Company to cease to continue as a going concern, and the above conclusions are not a guarantee that the Company will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.
As disclosed in 'Basis of preparation and accounting policies', the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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

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

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

9 November 2022

Portfolio and other information

20 large investments

The 20 investments listed below account for 93% of the portfolio value at 30 September 2022 (31 March 2022: 93%).

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] September 2022 £m**	Residual cost[1] March 2022 £m	**Valuation September 2022 £m**	Valuation March 2022 £m	Relevant transactions in the period
Action* General merchandise discount retailer	Private Equity Netherlands 2011/2020 Earnings	**623**	623	**8,612**	7,165	
3i Infrastructure plc* Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	**305**	305	**817**	934	£14 million cash dividend received
Cirtec Medical* Outsourced medical device manufacturing	Private Equity US 2017 Earnings	**172**	172	**613**	513	
Scandlines Ferry operator between Denmark and Germany	Scandlines Denmark/Germany 2018 DCF	**530**	530	**554**	533	£12 million cash dividend received
Havea* Manufacturer of natural healthcare and cosmetics products	Private Equity France 2017 Imminent sale	**201**	196	**478**	304	Sale agreed in June 2022. Proceeds of £476 million received in October 2022
Tato Manufacturer and seller of specialty chemicals	Private Equity UK 1989 Earnings	**2**	2	**437**	407	
SaniSure* Manufacturer, distributor and integrator of single-use bioprocessing systems and components	Private Equity US 2019 Earnings	**76**	76	**422**	277	
nexeye* Value-for-money optical retailer	Private Equity Netherlands 2017 Earnings	**269**	269	**401**	345	
Luqom* Online lighting specialist retailer	Private Equity Germany 2017 Earnings	**239**	196	**341**	448	Acquisition of Brumberg for £34 million in June 2022
Royal Sanders* Private label and contract manufacturing producer of personal care products	Private Equity Netherlands 2018 Earnings	**136**	136	**322**	297	
Evernex* Provider of third-party maintenance services for data centre infrastructure	Private Equity France 2019 Earnings	**292**	285	**314**	291	Acquisition of XS International and Integra in September 2022
Smarte Carte* Provider of self-serve vended luggage carts, electronic lockers and concession carts	Infrastructure US 2017 DCF	**197**	187	**304**	207	
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	**30**	30	**298**	269	
Q Holding* Manufacturer of precision engineered elastomeric components	Private Equity US 2014 Earnings	**162**	162	**272**	398	Sale of QSR division in May 2022 for £190 million

20 large investments continued

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost[1] September 2022 £m	Residual cost[1] March 2022 £m	Valuation September 2022 £m	Valuation March 2022 £m	Relevant transactions in the period
WP* Global manufacturer of innovative plastic packaging systems	Private Equity Netherlands 2015 Earnings	**248**	239	**251**	234	
WilsonHCG* Global provider of recruitment process outsourcing and other talent solutions	Private Equity US 2021 Earnings	**77**	77	**183**	115	
BoConcept* Urban living designer	Private Equity Denmark 2016 Earnings	**105**	99	**177**	184	
MPM* An international branded, premium and natural pet food company	Private Equity UK 2020 Earnings	**145**	139	**175**	162	
Dynatect* Manufacturer of engineered, mission critical components that protect equipment	Private Equity US 2014 Earnings	**65**	65	**141**	102	
Audley Travel* Provider of experiential tailor-made travel	Private Equity UK 2015 DCF	**243**	243	**121**	117	
		4,117	4,031	**15,233**	13,302	

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

Glossary

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

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

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

2022-2025 vintage xSuite, Konges Sløjd, VakantieDiscounter and Digital Barriers.

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

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

Board The board of Directors of the Company.

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

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

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

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

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

Company 3i Group plc.

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

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

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

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

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

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

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

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

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

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

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

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

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

IRR Internal Rate of Return.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Information for shareholders

Note

The first FY2023 dividend is expected to be paid on 11 January 2023 to holders of ordinary shares on the register on 2 December 2022. The ex-dividend date will be 1 December 2022.

3i Group plc

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

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