14 May 2015

3i Group plc announces full year results to 31 March 2015

All three businesses are performing well

- Strong total return of 20% (£659m) in the year
- Good flow of Private Equity realisations with proceeds of £831m; continued selective investment of £369m in four transactions and strong earnings growth in the portfolio underpinned a £719m investment return
- Gross investment return of 20% in Infrastructure, which benefited from a 25% total shareholder return from 3i Infrastructure plc, its strongest performance since IPO
- Debt Management raised £2.4bn AUM during the year, closing 6 CLOs and diversifying its offering through the €250m first close of the European Middle Market Loan Fund
- Continued material improvement in cash income and ongoing operational efficiency led to operating cash profit of £28m
- Robust balance sheet with gross debt and interest costs reduced to £815m and £49m respectively. Net cash of £49m and nil gearing at 31 March 2015
- 14% increase in NAV to 396 pence per share, despite significant foreign exchange headwinds of £114m or 12 pence per share
- Proposed final dividend of 14.0 pence per share, bringing the total dividend for FY2015 to 20.0 pence per share, subject to shareholder approval

Simon Borrows, 3i's Chief Executive, commented:

"This has been a strong year for 3i with all three of our businesses performing well. We have reshaped our business model and our shareholders are benefiting from attractive returns and dividends. We look forward with confidence."

Financial highlights

	Year to/as at 31 March 2015	Year to/as at 31 March 2014
Group		
Total return	**£659m**	£478m
- Total return on opening shareholders' funds	**19.9%**	16.3%
Dividend per ordinary share	**20.0p**	20.0p
Operating expenses	**£131m**	£136m
- As a percentage of assets under management	**1.0%**	1.0%
Operating cash profit	**£28m**	£5m
Proprietary Capital		
Realisation proceeds	**£841m**	£677m
- Uplift over opening book value[1]	**£145m/27%**	£191m/45%
- Money multiple	**2.0x**	1.8x
Gross investment return[2]	**£805m**	£665m
- As a percentage of opening 3i portfolio value	**22.6%**	20.2%
Operating profit [3]	**£721m**	£539m
Cash investment	**£474m**	£337m
3i portfolio value	**£3,877m**	£3,565m
Gross debt	**£815m**	£857m
Net cash/(debt)	**£49m**	£(160)m
Gearing	**nil**	5%
Liquidity	**£1,214m**	£1,197m
Net asset value	**£3,806m**	£3,308m
Diluted net asset value per ordinary share	**396p**	348p
Fund Management		
Total assets under management	**£13,474m**	£12,911m
- Third party capital	**£10,140m**	£9,508m
- Proportion of third party capital	**75%**	74%
Total fee income	**£125m**	£127m
- Third-party fee income	**£80m**	£76m
Operating profit[3]	**£26m**	£19m
Underlying Fund Management profit[3,4]	**£33m**	£33m
- Underlying Fund Management margin	**26%**	26%

1 Uplift over opening book value excludes refinancings. The 2014 balance has been restated from £202m to £191m to exclude refinancings.
2 Gross investment return includes portfolio fees of nil (2014: £3 million) allocated to Fund Management.
3 Operating profit for the Proprietary Capital and Fund Management activities excludes carried interest and performance fees payable/receivable, which is not allocated between these activities.
4 Excludes Fund Management restructuring costs of £1m and amortisation costs of £6m (2014: £8 million, £6 million).

ENDS

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For further information regarding the announcement of 3i's annual results to 31 March 2015, including a live videocast of the results presentation at 10.00am, please visit www.3i.com.

Notes to editors

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

Notes to the announcement of the results

Note 1

All of the financial data in this announcement is taken from the Investment basis financial statements. The statutory accounts are prepared under IFRS for the year to 31 March 2015 and have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2014 have been delivered to the Registrar of Companies. The auditors' reports on the statutory accounts for these years are unqualified and do not contain any matters to which the auditor drew attention by way of emphasis or any statements under section 498(2) or (3) of the Companies Act 2006. This announcement does not constitute statutory accounts.

Note 2

Copies of the Annual report and accounts 2015 will be distributed to shareholders on or soon after 26 May 2015.

Note 3

This announcement has been prepared solely to provide information to shareholders. It should not be relied on by any other party for any other purpose.

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

Note 4

Subject to shareholder approval, the proposed final dividend is expected to be paid on 24 July 2015 to holders of ordinary shares on the register on 19 June 2015.

Excellent progress and strong results

Chairman's statement

"2015 has been another good year and 3i continues to make excellent progress against its strategic plan."

Sir Adrian Montague
Chairman

When I joined 3i in 2010, I believed that it was fundamentally a strong business which had not recovered purpose and direction since the financial crisis. The appointment of Simon Borrows as Chief Executive in 2012, and the subsequent strategic review, resulted in a clear set of objectives designed to enable 3i to generate long-term value through the economic cycle. 3i has focused back to its core sectors and geographies, underpinned by a strengthened investment process and by a disciplined approach to cost management. I am pleased to report that Simon and his management team have made excellent progress against these objectives and the 3i of today is a more resilient and high performing operation.

PERFORMANCE

In 2015 all three businesses contributed to the good performance. Against an unstable macro-economic environment and geo-political landscape we generated strong realisations of £841 million (2014: £677 million). We added four new companies to our Private Equity portfolio with total cash invested of £369 million (2014: £276 million). With significant levels of capital searching for good investment and returns as well as the continuation of central bank measures such as quantitative easing, we have invested selectively. We have focused on companies where our sector expertise and international experience can generate enhanced returns. Our Infrastructure business performed well and our holding in 3i Infrastructure plc delivered a 25% total shareholder return, its strongest annual return since its IPO in 2007. Debt Management benefited from a very good year of fund raising in its CLO funds and, in an important diversification, launched a €250 million European Middle Market Loan fund.

DIVIDEND

The Board has declared a total dividend of 20.0p (2014: 20.0p) for 2015. This is made up of an 8.1p base dividend and an 11.9p additional dividend, making a total of 20.0p for the year after taking into account the interim dividend paid in January 2015. Due to net divestment in the year and our robust balance sheet, we have proposed an additional dividend above the top end of our 15% - 20% distribution range, equivalent to 23% of gross realised proceeds. Subject to shareholder approval, we will pay the final dividend of 14.0p (2014: 13.3p) in July 2015.

OUTLOOK

We remain cautious about the current environment. Many financial markets are at or near all time highs and currencies are subject to increased volatility. We are focused on enhancing the value of our existing investment portfolio as well as pursuing investment opportunities if the strategic and financial case is strong.

BOARD CHANGES

I will be stepping down as Chairman after the AGM in June 2015. The Board has announced that Simon Thompson will succeed me as Chairman. Simon is an experienced FTSE 100 chairman and non-executive director. He joined the Board in April and will take over from me in June. It has been a great privilege to serve in the role of Chairman over the last five years as 3i has progressively recovered its poise, and I am confident that, in its 70th year, I am leaving the Group in very capable hands.

I wish 3i, its employees, investors and all of its stakeholders every success for the future.

Strategic report

Delivering our strategic plan

Chief Executive's review

"This has been a strong year for 3i with all three of our businesses performing well. We have reshaped our business model and our shareholders are benefiting from attractive returns and dividends. We look forward with confidence."

Simon Borrows
Chief Executive

INTRODUCTION

We are now at the end of our three-year restructuring and have met or exceeded all of the priorities set out in our scorecard. Since 2012, we have made considerable progress by streamlining and refocusing 3i into a more resilient business capable of generating long-term value through the economic cycle. This is reflected in this year's strong performance and good progress against all of the Group's KPIs over the last three years.

This year's financial results build on the momentum established last year. 3i generated a total shareholder return of 27%, compared to 6% for the FTSE 100. All three of our businesses performed well and contributed to the Group's total return on shareholders' funds of 20% (2014: 16%) and 14% increase in NAV per share to 396p (31 March 2014: 348p). The strong performance was achieved despite significant foreign exchange headwinds, with the euro alone depreciating by 13% against sterling, reducing the NAV per share by 12 pence.

HOW WE PERFORMED IN THE YEAR

Private Equity had another very successful year, generating a gross investment return of £719 million, or 24% on opening value (2014: £647 million, 24%). This reflected strong earnings growth and a flow of realisations ahead of our expectations at this time last year. Earnings growth of 19% was driven by our larger assets such as Action, Element and Basic-Fit, and a significant reduction in investments with declining earnings.

During the year, our Private Equity team generated total proceeds of £831 million (2014: £669 million) from realisations. These included £155 million returned as a result of refinancings (2014: £59 million). Favourable debt markets have allowed us to enhance capital structures and introduce higher leverage in a number of our best performing and highly cash generative assets. Despite this, average debt to EBITDA within the portfolio remained stable at 3.1x (2014: 3.1x). Proceeds from refinancings are generally returned as a repayment of shareholder loans, and do not usually generate a profit over value. Excluding refinancings, we realised profits of £144 million over opening valuation, an overall uplift of 27%, from a combination of asset sales and IPOs (2014: £190 million, 45%), including sales of Hilite at 2.1x and Vedici at 2.0x original cost.

In particular, the sustained, constructive market backdrop for realisations has meant that we have made very good progress in selling some of our smaller, more challenged investments and the number of portfolio companies has reduced to 65 at 31 March 2015 (31 March 2014: 81). The sale of Azelis, signed in February 2015 and completed in May 2015, is an excellent example of the potential for recovery, when we are able to focus on more intensive asset management. Over the last few years we have changed the Chairman and management at Azelis and agreed a new plan and financial structure which has underpinned its successful recovery and exit. We recognised £40 million of value growth in the year against an opening value of £26 million at 31 March 2014.

In strong equity markets, we have also had the opportunity to IPO investments such as Eltel, Refresco and Phibro. We generated £273 million in proceeds from quoted equity sales at, or post, IPO. Strong performance from our quoted portfolio, including prior listings such as Quintiles, has meant that the Private Equity quoted portfolio generated £177 million in value growth and realised profits of 49% on the opening value.

Notwithstanding the strong overall performance, our portfolio companies are not immune to wider macro issues and we had to reduce the value of one investment materially during the course of the year. Inspecta, which had been impacted by the economic environment in Finland and Russia, declined in value by £32 million during the year. We announced the sale of Inspecta in April 2015 and expect it to complete in the first half of FY2016, with proceeds in line with our 31 March 2015 valuation.

Although we have continued to be net divestors, we have maintained the investment momentum started in FY2014. Our approach remains selective, as the availability of competing capital can quickly move prices outside our target returns. However, our sector and market expertise has continued to deliver attractive opportunities during the year. We invested in two US headquartered businesses, Q Holding and Dynatect, and a UK business, Aspen Pumps, which have ambitious plans to grow internationally. Together with our Eurofund V investors, we also invested in Christ, a German-based jewellery retailer, alongside our existing investment in Amor. During the year our portfolio companies made over 20 acquisitions, representing a combined enterprise value of over €400 million, funded almost entirely out of the companies' own finances. These acquisitions are an important part of building the strategic value of our portfolio companies, including delivering their international growth potential. In total we made cash investments of £457 million, of which £369 million was 3i's proprietary capital (2014: £372 million, £276 million).

We continue to review a wide number of opportunities, but many are not pursued if we judge that the sale price is likely to move beyond where we see value.

Our longer term hold investments now account for approximately 50% of our portfolio value, and their strong performance, together with realisations, has led to material improvement in Eurofund V and the Growth Capital Fund, with multiples of 1.4x and 1.7x of invested capital respectively (31 March 2014: 1.1x, 1.3x respectively).

Infrastructure had a good year as gross investment return increased to £96 million, or 20% (2014: £2 million, 0%). The European portfolio continued to perform well and the dividends and advisory fees from 3iN generated a good level of cash income for the Group.

3iN's total shareholder return was 25% in the year, following the highly successful sale of its holding in Eversholt Rail. This transaction demonstrates how competitive the environment for large European Core infrastructure investments has become, as sovereign wealth and pension funds increase their investment appetite in the face of prolonged low interest rates. The team achieved a good level of new investment for 3iN, with £114 million of total investment commitments in the year (2014: £80 million). The Infrastructure team used its expertise gained through an existing investment in Oystercatcher and its strong relationship with Oiltanking to invest €107 million in two oil storage facilities in the Netherlands and Belgium. The team also completed five PPP deals, committing a total of £37 million.

3iN has a portfolio of high quality Core infrastructure assets and this is reflected in significant increases in value in addition to Eversholt Rail. Core infrastructure accounted for 83% of 3iN's total investments at 31 March 2015.

3i has recognised £30 million of advisory and management fees (2014: £24 million) and £45 million of performance fees during the period (2014: nil). £35 million of these fees was accrued as carry payable to the investment team (2014: nil). This carry will be paid out to the team over a number of years.

The more favourable credit markets ensured that **Debt Management** had a good year of fundraising, launching six CLOs in Europe and North America and increasing AUM by 12% to £7.2 billion (31 March 2014: £6.5 billion). The team also launched a European Middle Market Loan Fund with an investment mandate that permits a wider range of investments, typically investing in smaller businesses than CLOs. In the US, our Senior Loan Fund passed the $100 million milestone which has created more investor interest in the product. Both initiatives were important steps in diversifying the business beyond CLOs and generating additional fee income. In total, Debt Management recognised fee income of £34 million in FY2015 (2014: £32 million), as new fundraising offset the effect of the run-off of older funds.

The CLO markets are subject to increased regulatory change. Regulators in Europe have mandated that CLO managers hold a minimum amount of capital investments in their products. The US market has introduced a similar practice although the corresponding legislation does not come into force until December 2016. 3i is well placed to comply with these changes given its proprietary capital. 3i supported the development of the business and invested £79 million in new CLOs in the year (2014: £40 million). These equity investments generate a good cash yield which, together with the fee income, is an important component of our operating cash profit.

In 2012 we were operating with a substantial annual operating cash loss and, as this was diluting capital returns to investors, we set a KPI to achieve an **operating cash profit**. We undertook a significant transformation programme, focusing on recurring fee income and operational efficiencies and as a result, in FY2014, we recorded a first annual profit of £5m. This measure improved significantly to £28 million in FY2015. All of the businesses have contributed to increased cash income with additional fundraising in Debt Management and strong portfolio income from Private Equity and Infrastructure. Operating expenses also declined in FY2015 to £131 million or 1.0% of AUM (2014: £136 million, 1.0%). These costs included £12 million relating to acquisitions made since 2012 and £1 million of restructuring costs (2014: £6 million, £9 million). To reflect increased activity levels, we have recruited to support origination in both Private Equity and Infrastructure and fundraising in Debt Management. The Group has also now launched a Graduate Programme and will welcome its first graduates in the Autumn. Looking forward, further cost efficiencies are not expected and expenses will increase marginally as the businesses continue to grow.

Maintaining the profitability of the combined **fund management** platform is a key component of operating cash profit. This measure improved in the year, as Debt Management's fundraising offset the expected decline in Private Equity fees as a result of its strong realisations. Actual fund management profit grew strongly to £26 million, with a margin of 21% (2014: £19 million, 15%). Underlying profit, after restructuring and acquisition costs, was stable at £33 million, with a margin of 26% (2014: £33m, 26%).

Reflecting our confidence in the future growth and cash generation capacity of the business, we have announced a final dividend ahead of our established guidance. We propose to pay a total dividend for the year of 20 pence per share (2014: 20 pence per share). This results in a final dividend for 2015 of 14.0p, subject to shareholder approval.

WHAT WE HAVE ACHIEVED IN THE LAST THREE YEARS

To strengthen 3i both commercially and financially, our emphasis has been on asset management, cash generation, cost control and fund management margins. We have now completed our transformation programme and our performance against our June 2012 objectives is summarised on the next page and detailed below.

The six asset management initiatives were an essential part of the strategic plan as Private Equity is, and will continue to be, the biggest contributor to value growth for the Group. Since 2012 we have rebalanced the Private Equity business, selling off non-core or underperforming assets and refocusing on a smaller number of high growth middle-market companies. Over the longer term we aim to have a portfolio of fewer than 40 investments and, to date, we have made very good progress. The number of assets has reduced to 65 at 31 March 2015 (31 March 2012: 124) and 89% of assets by value are now held in our core geographies of northern Europe and North America (31 March 2012: 77%). The improvement in asset management is also producing quantifiable results. Unrealised value growth over the last three years has principally been driven by earnings which have improved to 19% in 2015 (2012: 9%). This was driven by excellent performance in our largest assets and a material reduction in smaller and non-core assets with negative earnings growth. 22% of the portfolio by value at 31 March 2012 had negative earnings growth compared to 7% at 31 March 2015. Early indications on the new investments made since 2012 are very promising.

This stronger portfolio of assets was valued at an average of 10.5x EBITDA (post discount) at 31 March 2015 compared to 14.6x EBITDA for the FTSE 250.

The Group's AUM has increased by 9% per annum to £13.5 billion at 31 March 2015 (31 March 2012: £10.5 billion) predominantly driven by Infrastructure and Debt Management. Infrastructure acquired a PPP platform in 2013, which is delivering deal flow to 3iN, and Debt Management expanded in the US via an acquisition in 2012. Debt Management, in particular, has successfully raised new funds in both Europe and the US in the last two years.

A critical part of our strategic plan was to reduce the operating cost base in order to use shareholders' capital for distribution or reinvestment. Against a March 2012 run-rate cost base of £185 million, we have savings of £70 million and reduced costs to 1.0% of AUM (2012: 1.6%). Headcount reduced by 45% to 240 at 31 March 2015, excluding acquisitions, and 276 including acquisitions (31 March 2012: 435).

In 2012 we set out a target capital allocation model to rebalance returns to our investors. Over the last three years we have generated £2,124 million of realisation proceeds, invested £766 million in new Private Equity investments, and £189 million to support Debt Management fundraising. Following the reduction of gross debt of £542 million, we initiated an enhanced shareholder distribution policy in July 2013. Including the proposed final dividend for this year we will have returned £506 million of dividends to shareholders, whilst reaching a net cash position and maintaining a robust balance sheet to support longer term net asset growth.

At the end of our three-year restructuring, the Group has three diverse, but complementary, businesses underpinned by the expertise of our people and differentiated by our selective investment approach and disciplined focus on returns.

The scorecard below reports on our achievements against the objectives set following the Chief Executive's strategic review as announced in June 2012.

3i's total shareholder return between 28 June 2012 and 31 March 2015 significantly outperformed benchmarks

3i Group plc	+177%
FTSE 250	+72%
FTSE 100	+36%

ACHIEVEMENTS AGAINST 2012 OBJECTIVES

1	2	3	4	5
Create a leaner organisation with a cost base more closely aligned with its income	Improve consistency and discipline of investment processes and asset management approach	Re-focus and re-shape the Private Equity business	Grow third-party AUM and income	Materially reduce gross debt and funding costs
Achieved £70m of ongoing savings by March 2015, compared to original £40m target. Headcount reduced by 37% to 276 at 31 March 2015, including 36 from new acquisitions. Actual costs, including acquisitions, were £131m in FY2015 (2012: £180m) representing 1.0% of AUM (2012: 1.6%).	Monthly dashboard monitoring of performance across the Private Equity portfolio. Detailed exit strategy in place for every asset. Controls in place to minimise risk of over investment at the top of the cycle. Significant improvement in overall portfolio performance with earnings growth of 19% in FY2015 (2012: 9%).	Closed eight offices and refocused activity in northern Europe and North America. Selective recruitment to support future investment activity. Number of portfolio companies reduced from 124 at 31 March 2012 to 65 at 31 March 2015, with a particular focus on realising lower value and underperforming assets. Eight new investments in Germany, Benelux, US and UK since 2012.	AUM up to £13.5bn (2012: £10.5bn), representing a 9% CAGR. Platform acquisitions in US Debt Management and European Infrastructure added £2.8bn of AUM. £3.5bn of new funds raised in last 18 months.	Gross debt of £815m at 31 March 2015 halved from £1,623m at 31 March 2012. Gross interest costs reduced by 52% to £49m, 18% below the target of £60m (2012: £103m). RCF refinanced and term extended to at least 2019. Nil gearing at 31 March 2015 (2012: 18%).

OUR BUSINESS TODAY

Today 3i offers a differentiated and attractive value proposition. By combining proprietary capital investing and the management of third-party capital, our business model generates capital returns and recurring fund management income. 3i is the largest single investor in its Private Equity and Infrastructure funds and this ensures that the interests of our shareholders, our fund investors and co-investors are aligned. It also enables us to retain a material share of the “alpha-generating” returns from mid-market private equity and infrastructure investing. Recurring management fee income contributes to the financial resilience of the business and eliminates the capital dilution caused by the costs of running the business. Capital growth and regular dividends evidence our progress and provide long-term value for our shareholders.

In **Private Equity**, our strong international network of local investment teams and proven ability to develop businesses internationally allows us to build credibility with management and vendors. Our proprietary capital affords us flexibility and speed, which differentiates our competitive position.

Combining our focus on driving operational excellence within our portfolio companies and an institutional approach to the process of investment management supports our strategic objective to achieve our target of at least 2x our money invested over three to five years.

Monetary policy across the developed world has led to an abundance of equity and debt capital chasing a limited supply of investment opportunities. So the principal constraint on our activity is investment opportunity at sensible prices. We expect to invest in four to seven new investments a year and commit €500 - €750 million. But we will only do this if investments meet our demanding strategic and financial criteria. Given the strength of the Group’s financial position, and the scale of potential investment, we intend to fund this activity principally from proprietary capital.

As a result, we have decided not to initiate a new third-party fundraising in the short to medium term, notwithstanding our improved performance.

The impact of central bank intervention on sovereign wealth and pension fund managers’ appetite for infrastructure investing is expected to persist. Although the **Infrastructure** team is actively participating in bidding processes, our priority, as investment adviser to 3iN, is to maintain a disciplined approach to new investments. The team continues to monitor and review opportunities in adjacent markets, including new sectors and geographies. In the meantime, significant value growth in the existing portfolio is supporting 3iN’s NAV appreciation and the business will continue to be an important contributor to our fund management profitability and to operating cash profit.

Our **Debt Management** business is principally a fund management platform; its calls on 3i’s proprietary capital are limited to regulatory requirements and seed capital for new product development. Aided by the positive market conditions throughout FY2014 and FY2015, our US and European teams were very successful in raising new funds. We expect this general environment to persist as banks continue to actively manage their lending exposures by syndicating assets to alternative funds such as CLOs. The current appetite for yield is also supportive for our new product offerings such as the European Middle Market Loan Fund and the US Senior Loan Fund.

OUTLOOK

3i is demonstrably a more resilient business, both commercially and financially, than it was when we started the restructuring three years ago. The focus we have placed on embedding institutional quality investment management processes throughout the businesses and our ongoing cost discipline has generated real results. We are confident that this, along with the expertise and integrity of our people, will underpin our aim to generate attractive shareholder returns through the cycle.

None of this progress would have been possible without the dedication and hard work of the 3i team. I would like to thank them for their application and good work over the period to bring 3i back to today’s healthy position. I would also like to take this opportunity to thank Sir Adrian Montague, our departing Chairman. He has been a pleasure to work with over the last three years and he has revamped our Board in line with the restructuring of the Group.

We look to the future with confidence in the knowledge that there is still much more to achieve at 3i.

Key Performance Indicators

<table>
<tr><th colspan="3">GROSS INVESTMENT RETURN (“GIR”)</th><th colspan="3">NET ASSET VALUE (“NAV”)</th><th colspan="4">TOTAL SHAREHOLDER RETURN (“TSR”)</th></tr>
<tr><td colspan="3">% of opening portfolio value
Financial year</td><td colspan="3">NAV per share (p)
As at 31 March</td><td colspan="4">%
Financial year</td></tr>
<tr><td>FY2013</td><td>FY2014</td><td>FY2015</td><td>FY2013</td><td>FY2014</td><td>FY2015</td><td></td><td>FY2013</td><td>FY2014</td><td>FY2015</td></tr>
<tr><td>19</td><td>20</td><td>23</td><td>311</td><td>348</td><td>396</td><td>**TSR**</td><td>54</td><td>30</td><td>27</td></tr>
<tr><td colspan="3"></td><td colspan="3"></td><td>Share price</td><td>50</td><td>26</td><td>22</td></tr>
<tr><td colspan="3"></td><td colspan="3"></td><td>Dividend</td><td>4</td><td>4</td><td>5</td></tr>
<tr><td colspan="3">**Rationale**
GIR is how we measure the performance of proprietary investments portfolio</td><td colspan="3">**Rationale**
NAV is a measure of the fair value of our proprietary investments after the net costs of operating the business</td><td colspan="4">**Rationale**
TSR measures the return to our shareholders through the change in share price and dividends paid during the period</td></tr>
<tr><td colspan="3">**2015 progress**
▪ Strong Private Equity performance demonstrates the benefits of the asset management improvement initiatives
▪ Good flow of Private Equity realisations delivered realised profits over opening value of £144m representing an uplift of 27% (excluding refinancings)
▪ Value uplifts and realisations from the European infrastructure portfolio led to a material increase in the value of 3iN
▪ Negative foreign exchange movements in the year of £154m on our investment portfolio</td><td colspan="3">**2015 progress**
▪ Good progression in NAV per share to 396p, up 14% over the year
▪ Strong Private Equity and Infrastructure GIR, the primary contributors to 48p NAV growth
▪ Sterling materially strengthened against the euro in the year, offset by its weakening against the US dollar, resulting in a net translation loss of £114m on net assets in the year, which reduced NAV by 12p</td><td colspan="4">**2015 progress**
▪ TSR of 27% reflecting an increase in share price from 398p at close 28 March 2014 to 482p at close 31 March 2015, the final FY2014 dividend of 13.3p paid in July 2014 and the interim FY2015 dividend of 6.0p paid in January 2015
▪ Good flow of realisations and strong balance sheet resulted in proposed additional dividend of 11.9p per share for the year over base annual dividend of 8.1p per share, bringing the total for FY2015 to 20.0p per share</td></tr>
<tr><td colspan="3">**Key risks**
▪ Investment rate or quality of investments is lower than expected
▪ Subdued M&A activity and high pricing in 3i’s core markets could impact the timing of exits, cash returns and investments
▪ Operational underperformance of portfolio companies impacting earnings growth and valuations
▪ Failure to invest in people to support our activities</td><td colspan="3">**Key risks**
▪ G20 political and economic uncertainty affects 3i’s core markets, impacts valuations and increases foreign exchange volatility
▪ Unplanned increase in cost base eg due to regulatory changes</td><td colspan="4">**Key risks**
▪ Lower NAV due to investment under-performance or political and economic uncertainty
▪ Volatility in equity markets
▪ The appeal of our business model
▪ Regulatory or legal change materially affecting one or more of the Group’s businesses</td></tr>
</table>

ASSETS UNDER MANAGEMENT (“AUM”)

£bn
Financial year

	FY2013	FY2014	FY2015
AUM	12.9	12.9	13.5
Proprietary Capital	3.7	3.4	3.3
Third-party Capital	9.2	9.5	10.2

Rationale
AUM forms the basis on which management fee income is generated. For funds out of their reinvestment period, this is measured at residual cost

2015 progress
- Total AUM grew by 4% to £13.5bn
- Growth in third-party AUM to £10.2bn (75% of total AUM)
- New funds raised in the year included six new CLOs and the first close of a €250m European Middle Market Loan Fund which offset the effect of Private Equity realisations and the normal attrition in Debt Management as funds mature
- Proprietary Capital AUM stable at £3.3bn as the good flow of Private Equity realisations largely replaced with new investments

Key risks
- Portfolio performance is weak or impacted by a legal, macroeconomic/political conditions and/or regulatory event
- Regulatory change limits 3i’s ability to raise third-party capital

UNDERLYING FUND MANAGEMENT

Profit (£m) and Margin (%)
Financial year

	FY2013	FY2014	FY2015
Profit	£17m	£33m	£33m
Margin	13%	26%	26%

Rationale
Underlying Fund Management profit allows us to assess the performance of our Fund Management business

2015 progress
- Underlying Fund Management profit remained stable at £33m in the year, as reduced fees from Private Equity were offset by growth in fees from Debt Management and Infrastructure
- Divestment activity led to a reduction of 8% in Private Equity AUM and a reduction in total fee income (including synthetic fee) of 14%
- Infrastructure fee income increased by 25% as we recognised a full year of income from the BIFM PPP funds
- Debt Management AUM increased by 12% and fee income increased by 6%

Key risks
- G20 political and economic uncertainty affects investment opportunity or fundraising appetite
- Adverse fluctuations in financial markets impact our fee-based businesses
- Regulatory change adds to 3i’s cost base

OPERATING CASH PROFIT/(LOSS)

£m
Financial year

FY2013	FY2014	FY2015
(8)	5	28

Rationale
Covering the annual cost of running our business with the annual cash income eliminates capital return dilution

2015 progress
- Operating cash profit improved significantly to £28m
- Good cash income generated by the Private Equity portfolio and increased AUM in Debt Management and Infrastructure funds
- Further enhanced the Group’s operational efficiency following the cost reduction programme initiated in 2012

Key risks
- Portfolio performance, and therefore portfolio income, is weak due to operational underperformance
- Unplanned increase in cost base eg due to regulatory changes

Business review

This business review reports on the activity of each of our businesses. Financial performance is summarised in the Chief Executive's review and reported in detail in the Financial review.

Private Equity

Business lines

"A strong performance across all aspects of the business, including £457 million of investment."

Alan Giddins and Menno Antal
Managing Partners and Co-heads of Private Equity

Private Equity is the largest contributor to the Proprietary Capital returns; accounting for 81% of the Proprietary Capital portfolio at 31 March 2015 (31 March 2014: 82%). The portfolio's performance was strong in the year; driven by growth of 19% in earnings and good realisations, through sales and IPOs as well as refinancings. The gross investment return was £719 million for the year, or 24% on the opening portfolio (2014: £647 million, 24%).

INVESTMENT ACTIVITY

We increased the amount of investment in the year and completed four new transactions. In total £457 million was invested; including £369 million of 3i's Proprietary Capital (2014: three, £372 million, £276 million).

Each new investment demonstrates our origination and investment execution strengths. We invested in Q Holding and Dynatect, which are both leading US headquartered industrial businesses with clear strategies to accelerate their growth internationally. Our sector focus and proven experience in achieving international growth and diversification, recently demonstrated by Mold-Masters and Hilite, were important as key differentiators against competing US private equity firms for both investments.

Table 1 : **Private Equity cash investment** in the year to 31 March 2015

Investment	Type	Business description	Date	Total investment £m	Proprietary capital investment £m	**Proprietary capital value at 31 March 2015 £m**
Christ	New[1]	Jewellery and watch retailer in Germany	December 2014	173	99	165
Q Holding	New	Manufacturer of specialist moulded rubber and silicone components	December 2014	102	100	109
Dynatect	New	Manufacturer of engineered, mission critical protective equipment	September 2014	66	65	71
Aspen	New	Manufacturer of condensate removal pumps	February 2015	65	64	64
EFV stake	Further	Acquisition of LP stake in Eurofund V	June 2014	27	27	n/a
Other[2]	Further		n/a	24	14	n/a
Total				**457**	**369**	

1 Christ was acquired alongside Amor as a follow on investment for Eurofund V and is now recorded as a single investment "Amor/Christ". The value in the table above includes Amor.
2 Other includes further investment to support the portfolio, including acquisition funding or working capital.

We also invested in Christ, a German-based jewellery retailer, and Aspen Pumps, a UK-based specialist manufacturer of condensate removal pumps. Christ was acquired through Eurofund V, alongside our investment in Amor. We had followed Christ as a potential target since late 2012. This positioned us well when the process started, allowing us to move quickly and secure the investment. Similarly, we had followed Aspen since early 2014, allowing us to develop a good understanding of the business and broader market environment as well as build relationships with management, which gave us good insight when a sales process was initiated.

In June 2014, we took the opportunity to purchase a small additional stake in Eurofund V at the 31 March 2014 NAV, adjusted for cash flows, which further increased our exposure to investments we know well.

An important part of building the strategic value of our portfolio companies, including achieving international expansion, is an active acquisition programme. Our portfolio companies made over 20 acquisitions in the year, with a combined enterprise value of over €400 million, primarily funded from the companies' own cash and banking facilities.

REALISATIONS ACTIVITY

Realisations, refinancings and IPOs generated £831 million of proceeds during the year. Excluding refinancings of £155 million, this represented an uplift over opening value of £144 million, or 27% (2014: £190 million, 45%). The uplift was lower than the prior year due to a number of investments being valued on an imminent sales basis at 31 March 2014. Proceeds from refinancings are usually recognised primarily as a repayment of shareholder loans with minimal uplifts as a result.

In addition to the number of notable larger exits and IPOs, we continued to sell smaller and non-core assets. At 31 March 2015, there were 65 investments in the Private Equity portfolio, down from 81 at 31 March 2014. In the longer term, we expect to hold a portfolio of fewer than 40 Private Equity investments.

Table 2 details the Private Equity realisations activity in the year.

Table 2: **Private Equity realisations** in the year to 31 March 2015

Investment	Country	Calendar year invested	31 March 2014 value £m	3i realised proceeds £m	Profit/(loss) in the year[1] £m	Uplift on opening value[1] %	Residual value £m	Money multiple over cost[2]	IRR
Full realisations									
Hilite	Germany	2011	133	151	25	20%	-	2.1x	31%
Phibro	USA	2009	93	122	27	28%	-	1.7x	11%
Vedici	France	2010	58	83	27	48%	-	2.0x	17%
LHI	China	2008	33	40	8	25%	2	2.8x	18%
John Hardy	Hong Kong	2007	25	25	-	-%	2	1.6x	7%
Gain Capital	USA	2008	12	10	(2)	(17)%	-	0.9x	(2)%
WFCI	France	2011	-	10	10	100%	-	0.8x	(6)%
Derprocon	Spain	2000	5	7	1	17%	-	2.0x	7%
Café y Te	Spain	2006	4	6	2	50%	-	0.5x	(7)%
Other investments	n/a	n/a	-	2	2	n/a	-	n/a	n/a
Partial realisations									
Eltel	Nordic	2007	63	87	24	38%	47	0.9x	(1)%
Foster + Partners	UK	2007	66	66	-	-%	40	1.8x	10%
Quintiles	USA	2008	25	29	4	16%	144	3.1x	24%
Refresco	Benelux	2010	15	25	10	67%	47	1.6x	11%
Other investments	n/a	n/a	7	9	2	n/a	150	n/a	n/a
Refinancings									
Action	Benelux	2011	95	113	18	19%	592	7.1x	80%
Element	Benelux	2010	22	23	1	5%	145	3.0x	31%
Amor[3]	Germany	2010	21	19	(2)	(10)%	55	1.6x	15%
Deferred consideration									
Other investments	n/a	n/a	-	4	4	n/a	n/a	n/a	n/a
Total			**677**	**831**	**161**	**24%**	**1,224**	**2.0x**	**n/a**

1 Cash proceeds in the year over opening value realised.
2 Cash proceeds over cash invested. For partial realisations and refinancings, 31 March 2014 value reflects the element being disposed and valuations of any remaining investment are included in the multiple.
3 Loss on disposal offset by income received.

ASSETS UNDER MANAGEMENT

AUM declined to £3.8 billion at 31 March 2015 (31 March 2014: £4.1 billion) as a result of net divestment activity. AUM is calculated as the original cost of our managed portfolio and, while this has reduced, the value of the portfolio has increased to £4.8 billion (2014: £4.6 billion) as a result of strong value growth.

The performance of Eurofund V and the Growth Capital Fund continued to improve with money multiples at 31 March 2015 of 1.4x and 1.7x respectively (31 March 2014: 1.1x, 1.3x). The investments made in the second half of Eurofund V, post 2010, are showing a particularly strong performance, with a money multiple of 2.6x at 31 March 2015 (31 March 2014: 2.1x).

The Group is well placed to fund the current level of activity from current resources and future realisations. Consequently we have no plans to initiate a new Private Equity fundraising in the short to medium term, notwithstanding the success of the team in improving the performance of our most recent funds.
The results of the business have been delivered by an internationally cohesive team, further strengthened by recruitment at associate level in the year.

Table 3: Assets under management

Private Equity	Close date	Original fund size	Original 3i commitment	Remaining 3i commitment at March 2015	% invested at March 2015	Gross money multiple[1] at March 2015	AUM	Fee income received in the year £m
3i Growth Capital Fund	Mar 2010	€1,192m	€800m	€376m	53%	1.7x	€472m	2
3i Eurofund V	Nov 2006	€5,000m	€2,780m	€118m	94%	1.4x	€2,310m	11
3i Eurofund IV	Jun 2004	€3,067m	€1,941m	€78m	96%	2.3x	€471m	-
Other	Various	Various	Various	n/a	n/a	n/a	£1,098m	-
Total Private Equity AUM							**£3,785m**	**13**

1 Gross money multiple is the cash returned to the fund plus remaining value as at 31 March 2015, as a multiple of cash invested.

Infrastructure

"The business delivered a strong result, driven by the performance of its investment in 3i Infrastructure plc."

Ben Loomes and Phil White
Managing Partners and Co-heads of Infrastructure

Infrastructure generates returns for Proprietary Capital, primarily through our holding in 3iN, and Fund Management returns from advisory and management fees from 3iN, PPP funds and the legacy Indian Infrastructure fund. Infrastructure performed strongly in the year with a gross investment return of £96 million, or 20% on the opening portfolio (2014: £2 million, 0%). The business generated £30 million (2014: £24 million) of advisory and management fees across its funds and £10 million of net performance fees (2014: nil).

INVESTMENTS ADVISER TO 3iN

In its capacity as 3iN's investment adviser, 3i advised on six new investments including the acquisition of holdings in two further oil storage facilities and a number of primary PPP projects. In total, 3iN committed £114 million to new investment in 2015 (2014: £80 million).

We also advised 3iN on the exit of its holding in Eversholt Rail, one of the three leading rail rolling stock companies in the UK. Eversholt Rail was acquired by 3iN in December 2010 as part of a consortium. In January 2015, all of the consortium partners agreed to sell the business. This resulted in proceeds of approximately £381 million for 3iN, inclusive of a £15 million dividend received by 3iN in December 2014. This compares to a 31 March 2014 valuation of £160 million.

In July 2014, 3iN's shareholders approved a number of amendments to its Investment Advisory Agreement with 3i. These included the extension of the fixed term of the agreement for a period of four years, with one year's rolling notice thereafter.

Under the terms of the investment advisory agreement, 3i received an advisory fee of £17 million (2014: £16 million) and a NAV-based performance fee of £45 million (2014: nil), of which £34 million (2014: nil) is accrued as payable to the team. Actual payments will be made over a number of years. A further £1 million in performance fees payable to the team has been accrued as a result of performance of other reward schemes.

3iN PERFORMANCE

In addition to its role as investment adviser, 3i holds a 34% (2014: 34%) stake in 3iN. 3iN performed strongly in the year; the share price increased by 19% to 160 pence at 31 March 2015 (31 March 2014: 135 pence) and it delivered a 25% total shareholder return in the year, the strongest annual return since the IPO in 2007.

In total, 3i's investment in 3iN contributed £77 million of value growth (2014: £5 million) and £20 million of dividend income in 2015 (2014: £21 million). This uplift was underpinned by the exit of Eversholt Rail, and value growth across its Core infrastructure portfolio, supported by the continued returns compression and consequent reduction in discount rates applied.

ASSETS UNDER MANAGEMENT

Due to the growth in 3iN's NAV, AUM increased to £2.5 billion (31 March 2014: £2.3 billion). 3iN's strong performance offset a small value reduction in the India Infrastructure Fund following the first realisations of investments in the Fund, and where the portfolio continues to face a number of challenges. 3i's share of the Indian portfolio is now valued at £64 million (2014: £75 million).

In line with our strategy to grow Infrastructure's contribution to our Fund Management profits, we continue to explore opportunities to grow AUM. Our acquisition of BIFM in 2013 broadened the Infrastructure team's skill set and market access and, as the business grows, we expect to continue to enhance both our investment and support capabilities.

Debt Management

"Six new CLOs and important product diversification added £2.4 billion of new AUM."

Jeremy Ghose
Managing Partner, and CEO, 3i Debt Management

Debt Management is principally a Fund Management business which primarily generates returns through managing third-party capital through CLOs and other senior debt focused funds. We also generate Proprietary Capital returns from 3i's investment in funds managed by Debt Management. Such investments are made to support new products or for regulatory purposes and totalled £105 million during the year (2014: £61 million).

The Debt Management team had a good year of fundraising, closing six new CLOs and a new €250 million European Middle Market Loan Fund. AUM grew to £7.2 billion at the end of the year (31 March 2014: £6.5 billion) as £2.4 billion of new AUM was offset by run-off and foreign exchange movements of £1.7 billion of AUM. The business generated £34 million of fee income in the year (2014: £32 million).

FUNDRAISING ACTIVITY

In the year the team closed three CLOs in Europe and three in the US, raising a total of £2.2 billion new CLO AUM. We continue to operate CLO warehouse vehicles in both Europe and the US ahead of establishing new CLO vehicles. We also held a first close of the European Middle Market Loan Fund at €250 million, entirely with third-party funds. This is a new fund established to invest in smaller businesses than we typically target in the CLOs and is an important diversification.

The US Senior Loan Fund, an open-ended fund, performed strongly and outperformed its benchmarks in the year. AUM increased to $157 million at 31 March 2015 (31 March 2014: $79 million).
The team was able to take advantage of strong CLO markets and grow AUM without increasing resource in the year but is likely to require some incremental additional resource for further AUM growth, particularly as we look to diversify and grow our non-CLO product offering.

Table 4 details Debt Management AUM.

REGULATORY ENVIRONMENT

The regulatory environment continues to evolve. European regulation now in force requires CLO sponsors or originators to retain a 5% minimum stake in each CLO raised. Similar rules are being introduced in the US and many new US CLOs are being structured to comply with both the European rules and the future US rules. This is concentrating the CLO market to those managers with access to long-term capital, such as 3i, but it is also giving rise to new business models and vehicles to support future CLOs, which 3i continues to monitor.

VALUATIONS AND INCOME

Debt Management generated a negative gross investment return of £10 million (2014: £16 million profit), primarily as a result of an unrealised value reduction of £25 million during the year (2014: £10 million gain). As noted above, 3i is required to hold at least 5% of the European CLOs it manages. We typically invest in the most junior ranked level subordinated notes, which we account for as equity given its characteristics. During the year, we typically invested at or near par in the most junior ranked subordinated notes to satisfy the 5% holding requirement. In most cases, third-party investors have invested at a discount to 3i's investment, which sets an external reference point for valuation. This resulted in a fair value reduction of £5 million in the year. Value also reduced as a result of strong distributions from the CLO portfolio; £16 million of income was recognised. Finally, in our older European CLOs and Palace Street 1, there were a small number of underlying assets that were restructured in the year, contributing to value losses.

The performance of all of the CLOs launched in the last two years is very good, with early performance ahead of plan. There were no defaults and distributions are providing an annualised yield of between 8% and 20%.

Table 4: Assets under management – Debt Management

	Close date	Reinvestment period end	Maturity date	Value of fund at launch[1]	Realised equity money Multiple[2]	Annualised equity cash Yield[3, 4, 5]	AUM	Fee income received in the year £m
European CLO funds								
Harvest CLO XI	Mar-15	Mar-19	Mar-29	€525m	n/a	n/a	€400m	–
Harvest CLO X	Nov-14	Nov-18	Nov-28	€467m	n/a	n/a	€450m	0.6
Harvest CLO IX	July-14	Aug-18	Aug-26	€525m	0.1x	19.6%	€508m	1.3
Harvest CLO VIII	Mar-14	Apr-18	Apr-26	€425m	0.1x	12.3%	€413m	1.4
Harvest CLO VII	Sep-13	Oct-17	Oct-25	€310m	0.1x	8.3%	€302m	0.7
Windmill CLO I	Oct-07	Dec-14	Dec-29	€500m	0.6x	8.6%	€479m	2.2
Axius CLO	Oct-07	Nov-13	Nov-23	€350m	0.6x	8.3%	€234m	1.6
Coniston CLO	Aug-07	Jun-13	Jul-24	€409m	1.0x	12.6%	€237m	1.1
Harvest CLO V	Apr-07	May-14	May-24	€632m	0.6x	8.1%	€539m	3.2
Garda CLO	Feb-07	Apr-13	Apr-22	€358m	1.3x	16.8%	€162m	1.3
Pre 2007 CLOs	n/a	n/a	n/a	€3,111m	n/a	n/a	€900m	7.6
							£3,354m	
US CLO funds								
Jamestown CLO VI	Feb-15	Mar-19	Mar-27	US$750m	n/a	n/a	US$750m	0.2
Jamestown CLO V	Dec-14	Jan-19	Jan-27	US$411m	n/a	n/a	US$402m	0.3
Jamestown CLO IV	Jun-14	Jul-18	Jul-26	US$618m	0.1x	16.8%	US$599m	1.2
COA Summit CLO	Mar-14	Apr-15	Apr-23	US$416m	0.3x	30.5%	US$400m	0.6
Jamestown CLO III	Dec-13	Jan-18	Jan-26	US$516m	0.1x	14.9%	US$499m	1.2
Jamestown CLO II	Feb-13	Jan-17	Jan-25	US$510m	0.4x	19.2%	US$501m	1.6
Jamestown CLO I	Nov-12	Nov-16	Nov-24	US$461m	0.4x	18.8%	US$453m	1.4
Fraser Sullivan CLO VII	Apr-12	Apr-15	Apr-23	US$459m	0.6x	20.8%	US$454m	0.7
COA Caerus CLO	Dec-07	Jan-15	Dec-19	US$240m	1.6x	23.7%	US$240m	n/a
Pre 2007 CLOs	n/a	n/a	n/a	US$1,000m	n/a	n/a	US$354m	1.8
							£3,145m	
Other funds								
EMMF	Nov-14	Nov-17	Nov-22	n/a	n/a	n/a	€250m	0.1
Vintage II	Nov-11	Sept-13	n/a	US$400m	n/a	1.5x	US$201m	0.9
Palace Street I	Aug-11	n/a	n/a	n/a	0.9x	1.9%	€3m	n/a
Senior Loan Fund	Jul-09	n/a	n/a	n/a	n/a	8.0%	US$157m	0.3
COA Fund[6]	Nov-07	n/a	n/a	n/a	n/a	0.4%	US$35m	0.3
Vintage I	Mar-07	Mar-09	Jan-22	€500m	2.9x	6.2x	€327m	2.6
Pre 2007 funds	n/a	n/a	n/a	€300m	n/a	n/a	€25m	0.2
European Warehouse vehicles	n/a	n/a	n/a	n/a	n/a	n/a	€48m	n/a
							£740m	
Total Debt Management AUM							**£7,239m**	

1 Includes cost of assets and principal cash amount.
2 Multiple of total equity distributions over par value of equity at launch.
3 Average annualised returns since inception of CLOs calculated as annualised cash distributions over par value of equity. Excludes unrealised equity remaining in CLO.
4 Vintage I & II returns are shown as gross money multiple which is cash returned to the Fund plus value as at 31 March 2015, as a multiple of cash invested.
5 The annualised returns for the COA fund and Senior Loan Fund are the annualised net returns of the Funds since inception.
6 The COA Fund AUM excludes the market value of investments the fund has made in 3i US Debt Management CLO funds (US$54 million as at 31 March 2015).

Financial review

“All of our three businesses are performing well as demonstrated by these strong results.”

Julia Wilson
Group Finance Director

The Group delivered a strong result in the year. The table below summarises our key financial data under the investment basis.

Table 5: Summary financial data

Investment basis	Year to/as at 31 March 2015	Year to/as at 31 March 2014
Group		
Total return	**£659m**	£478m
Total return on opening shareholders’ funds	**19.9%**	16.3%
Dividend per ordinary share	**20.0p**	20.0p
Operating expenses	**£131m**	£136m
As a percentage of assets under management	**1.0%**	1.0%
Operating cash profit	**£28m**	£5m
Proprietary Capital		
Realisation proceeds	**£841m**	£677m
Uplift over opening book value[1]	**£145m/27%**	£191m/45%
Money multiple	**2.0x**	1.8x
Gross investment return[2]	**£805m**	£665m
As a percentage of opening 3i portfolio value	**22.6%**	20.2%
Operating profit[3]	**£721m**	£539m
Cash investment	**£474m**	£337m
3i portfolio value	**£3,877m**	£3,565m
Gross debt	**£815m**	£857m
Net cash/(debt)	**£49m**	£(160)m
Gearing	**nil**	5%
Liquidity	**£1,214m**	£1,197m
Net asset value	**£3,806m**	£3,308m
Diluted net asset value per ordinary share	**396p**	348p
Fund Management		
Total assets under management	**£13,474m**	£12,911m
Third-party capital	**£10,140m**	£9,508m
Proportion of third-party capital	**75%**	74%
Total fee income	**£125m**	£127m
Third-party fee income	**£80m**	£76m
Operating profit[3]	**£26m**	£19m
Underlying Fund Management profit[3,4]	**£33m**	£33m
Underlying Fund Management margin	**26%**	26%

1 Uplift over opening book value excludes refinancings. The 2014 balance has been restated from £202 million to £191 million to exclude refinancings.
2 Gross investment return includes portfolio fees of nil (2014: £3 million) allocated to Fund Management.
3 Operating profit for the Proprietary Capital and Fund Management activities excludes carried interest and performance fees payable/receivable, which is not allocated between these activities.
4 Excludes Fund Management restructuring costs of £1 million and amortisation costs of £6 million (2014: £8 million, £6 million).

BASIS

3i adopted IFRS 10 in 2014 as its investment entity exception prevented the risk of investment companies, such as 3i, having to consolidate their portfolio investments.

However, as described in our 2014 Annual Report and Accounts, we also report using a non-GAAP "Investment basis" as we believe it aids users of our report to assess the Group's underlying operating performance. Total return and net assets are the same under the Investment basis and IFRS and we provide more detail on IFRS 10, as well as a reconciliation of our Investment basis financial statements to the audited IFRS statements, at the end of this section.

TOTAL RETURN

The Group generated a total return of £659 million, or a profit on opening shareholders' funds of 19.9% (2014: £478 million or 16.3%) in 2015, reflecting further progress and achievement of our strategic priorities. Operating profit before carry for the Proprietary Capital business was £721 million (2014: £539 million). Strong underlying portfolio performance generated a gross investment return of £805 million, despite negative foreign exchange movements on the portfolio of £154 million (2014: £665 million and negative £113 million). Fund Management operating profit before carry was £26 million (2014: £19 million). Further details regarding the performance during the year is provided below.

Table 6: **Total return** for the year to 31 March

Investment basis	**2015 Proprietary Capital £m**	**2015 Fund Management £m**	**2015 Total £m**	2014 Proprietary Capital £m	2014 Fund Management £m	2014 Total £m
Realised profits over value on disposal of investments	162	–	**162**	202	–	202
Unrealised profits on revaluation of investments	684	–	**684**	475	–	475
Portfolio income						
Dividends	45	–	**45**	44	–	44
Income from loans and receivables	62	–	**62**	50	–	50
Fees receivable	6	–	**6**	4	3	7
Foreign exchange on investments	(154)	–	**(154)**	(113)	–	(113)
Gross investment return	**805**	**–**	**805**	**662**	**3**	**665**
Fees receivable from external funds	–	80	**80**	–	73	73
Synthetic fees	(45)	45	–	(51)	51	–
Operating expenses[1]	(32)	(99)	**(131)**	(28)	(108)	(136)
Interest receivable	3	–	**3**	3	–	3
Interest payable	(49)	–	**(49)**	(54)	–	(54)
Movement in the fair value of derivatives	(1)	–	**(1)**	10	–	10
Exchange movements	40	–	**40**	(3)	–	(3)
Other (loss)/income	–	–	–	–	–	–
Operating profit before carry	**721**	**26**	**747**	**539**	**19**	**558**
Carried interest and performance fees receivable			**80**			3
Carried interest and performance fees payable			**(142)**			(85)
Acquisition related earn-out charges			**(8)**			(6)
Operating profit			**677**			**470**
Income taxes			**(4)**			(3)
Re-measurements of defined benefit plans			**(14)**			11
Total comprehensive income ("Total return")			**659**			**478**
Total return on opening shareholders' funds			**19.9%**			**16.3%**

1 Includes restructuring costs of nil (2014: £1 million) and £1 million (2014: £8 million) for Proprietary Capital and Fund Management respectively.

PROPRIETARY CAPITAL RETURNS

Operating profit before carry on our Proprietary Capital increased by 34% to £721 million (2014: £539 million) due to strong value growth in the portfolio and good uplifts on realisations. This performance is despite foreign exchange losses of £114 million (2014: £116 million) which have principally resulted from the weakening of the euro against sterling.

By business line, the gross investment return on the opening portfolio was 24% from Private Equity (2014: 24%) and 20% from Infrastructure (2014: 0%) while Debt Management recorded a loss of 7% (2014: profit of 20%) as a result of mark to market movements which reduced CLO equity valuations. Private Equity accounts for 81% of the Proprietary Capital portfolio at 31 March 2015 (31 March 2014: 82%) and remains the primary driver of Proprietary Capital returns.

REALISED PROFITS

Realised profits of £162 million in the year to 31 March 2015 (2014: £202 million) were driven by another year of strong exits, with realisation proceeds totalling £841 million (2014: £677 million). Realisations, excluding refinancings, were achieved at an uplift over opening value of 27%, which was lower than the 45% achieved in 2014 due to a number of assets being valued on an imminent sales basis at the beginning of the year. This past year also saw a higher level of refinancing activity, which results in cash proceeds with limited realised profit but concentrates value in the remaining investment. We continue to pursue realisations through careful exit planning, and in the current environment of high prices, will take advantage of opportunities to divest should they arise.

The majority of the realisations were from the Private Equity portfolio, which contributed £831 million (2014: £669 million), including £155 million of refinancing proceeds (2014: £59 million). Table 2, in the Private Equity section, details the Private Equity realisations in the year and sets out the accounting uplift reflected in this year’s total return and the longer-term cash-to-cash results. The Private Equity realisations completed in the year have generated a money multiple of 2.0x over their investment life.

We also made our first realisation from our Indian Infrastructure portfolio, with the partial sale of the quoted shares held in Adani Power. This generated £10 million of proceeds at an uplift over the opening value of £1 million.

UNREALISED VALUE MOVEMENTS

Unrealised value movement was very positive in the year, predominantly due to strong value growth from the Private Equity portfolio. The table below summarises the revaluation movement by category and each category is discussed further below.

Table 7: **Unrealised profits/(losses) on revaluation of investments** for the year to 31 March

	2015 £m	2014 £m
Private Equity		
Earnings based valuations		
Performance	**417**	182
Multiple movements	**64**	216
Other bases		
Provisions	**-**	-
Uplift to imminent sale	**22**	9
Discounted cash flow	**89**	11
Other movements on unquoted investments	**3**	(10)
Quoted portfolio	**46**	70
Infrastructure		
Quoted portfolio	**77**	6
Discounted Cash Flow	**(9)**	(19)
Debt Management	**(25)**	10
Total	**684**	**475**

PRIVATE EQUITY UNREALISED VALUE GROWTH

The Private Equity portfolio performed strongly with value growth of £641 million in the year (2014: £478 million). This was underpinned by good value weighted earnings growth of 19% (2014: 19%) and a multiple increase of 6% (2014: 20%), following rises in quoted comparable multiples during the year and the re-rating of a small number of assets. Net debt remained stable at 3.1x EBITDA notwithstanding the fact that we took advantage of favourable debt conditions to refinance a number of our high quality companies (2014: 3.1x). The majority of the portfolio (93% by value, 2014: 87%) grew its earnings in the year and the larger investments continue to perform very well.

Consistent with good performance and strong equity markets, our opening quoted portfolio and the successful IPOs of Phibro, Eltel, Dphone and Refresco during the year, resulted in unrealised value growth of £46 million in addition to realised profits of £63 million in the year.

PERFORMANCE

Improvements in the performance of the portfolio valued on an earnings basis resulted in an increase in value of £417 million (2014: £182 million). Value weighted earnings, the most relevant measure of NAV impact, increased by 19% (2014: 19%) in the year. Action, as our largest asset, with over 30% earnings growth in the 12 months, is a big contributor to this measure. Excluding Action, the earnings growth is still a very robust 16% and now includes all our recent investments. Acquisitions, principally funded from portfolio companies' balance sheets, contributed 2% of the 19% growth.

Table 8: **Portfolio earnings growth** weighted by March 2015 carrying values[1]

Last 12 months' (LTM) earnings growth	3i carrying value at 31 March 2015 (£m)
<(20)%	**32**
(20) - (11)%	**-**
(10) - (1)%	**131**
0 - 9%	**753**
10 - 19%	**88**
20 - 30%	**387**
>30%	**868**

1 Includes all companies valued on an earnings basis where comparable earnings data is available. This represents 72% of the Private Equity portfolio by value.

Although performance overall was good, there were a small number of investments where company and geography specific issues impacted value. In total, value reductions of £44 million, in relation to seven assets, offset the general improvement. The largest single negative movement related to Inspecta where performance was impacted by the economic environment in Finland and Russia. Inspecta reduced in value from £34 million at 31 March 2014 to £6 million at 31 March 2015. After the year end, we agreed an exit for this investment which is in line with the year-end valuation.

Forecast earnings, used when the forecast EBITDA outlook is lower than the last 12 months' data, were used for only two investments at 31 March 2015, representing 6% of the portfolio by number and 3% by value (2014: four, 9% by number and 3% by value). Table 8 shows the earnings growth rates across the portfolio.

In the case of Action, the Dutch headquartered discount retailer, EBITDA for valuation purposes is adjusted to reflect a run-rate basis. Action is growing strongly due, in part, to its successful store roll-out programme. We believe this run-rate methodology fairly reflects the high growth characteristics of this business, and therefore its maintainable earnings. Following a number of IPOs by more directly comparable businesses in the discount retail sector in the last 18 months, we have also reviewed the valuation comparable set for Action. We have increased the EBITDA multiple applied to Action's run-rate earnings to 14.2x pre-liquidity discount and 13.5x post-discount (2014: 13.2x, 12.5x). Based on the run-rate earnings and capital structure at 31 March 2015, a 1x movement in the EBITDA multiple applied would increase or decrease Action's value by £56 million. At £592 million (2014: £501 million), Action is the largest Private Equity investment by value, representing 19% of the Private Equity portfolio (2014: 17%).

We took the opportunity to refinance a number of high quality companies, both increasing and extending the maturity of portfolio debt, with 88% of the debt now repayable in 2017 or later (2014: 65%). Table 9 shows the ratio of net debt to EBITDA weighted by portfolio value.

Table 9: Ratio of debt to EBITDA – Private Equity portfolio weighted by March 2015 carrying values[1]

Ratio of net debt to EBITDA	3i carrying value at 31 March 2015 (£m)
<1x	610
1 - 2x	483
2 - 3x	86
3 - 4x	428
4 - 5x	1,450
5 - 6x	62
>6x	6

1 This represents 99% of the Private Equity portfolio by value.

MULTIPLE MOVEMENTS

Equity markets performed strongly throughout the year and the average EBITDA multiple in the FTSE 250 increased by 10% to 14.6x in the year (source: Capital IQ, excluding investment companies and banks). As a matter of policy, we select an appropriate multiple for each investment based on a comparable set of quoted companies and adjust these comparable multiple sets with discounts and occasionally premiums to take account of relevant size, sector, growth and cycle considerations as appropriate. Against a strong market backdrop, we have continued to apply a high level of adjustments to reflect our caution about realistic valuation uplifts.

The average EBITDA multiple used to value the Private Equity portfolio increased by 6% to 11.2x before liquidity discount (2014: 10.6x) and 10.5x after liquidity discount (2014: 9.9x). This translated into a positive movement in the year of £64 million (2014: £216 million), including £45 million relating to the Action multiple change. Excluding Action, the average EBITDA multiple increased by 3% to 10.1x pre discount (2014: 9.8x) and 9.3x (2014: 9.0x) post discount.

IMMINENT SALE

Four exit processes were sufficiently progressed to value on an imminent sales basis at 31 March 2015 and the uplift to imminent sale was £22 million (2014: £9 million). All four have been announced since 31 March 2015 and are: Azelis, Inspecta, Touchtunes and Soyaconcept.

DISCOUNTED CASH FLOW

The largest investment valued using DCF in the Private Equity portfolio is the Danish/German ferry group, Scandlines, which recorded value growth of £94 million. Scandlines' largest ferry route, Rødby-Puttgarden, is expected to have direct competition from a new tunnel (the Fehmarn Belt project) at some point in the future. In light of recent public commentary around expected potential delays to the opening of this new tunnel, we have moved back our assumption for the likely tunnel opening date in the latest 31 March 2015 DCF valuation of Scandlines. This change, combined with the profitable sale of a JV route in the year, were the primary drivers of the increase in the value of our investment in Scandlines in the period.

QUOTED PORTFOLIO

The Private Equity quoted portfolio, including IPOs in the year, generated unrealised value growth of £46 million (2014: £70 million). The investments in Gain and Phibro were fully divested in the year and are noted in the realisations table . Table 10 details the movement in the year and closing quoted portfolio.

Table 10: Quoted portfolio movement for the year to 31 March 2015

Investment	IPO date	Opening value at 1 April 2014 £m[1]	Disposals at opening book value £m	Unrealised value growth £m	Other movements £m[2]	Closing value at 31 March 2015 £m	Total gross investment return during the year £m
Quintiles	Pre 31 March 2014	122	(26)	30	18	144	52
Eltel	February 2015	99	(62)	9	1	47	63
Phibro	April 2014	93	(95)	-	2	-	30
Refresco	March 2015	57	(15)	4	1	47	31
Dphone	July 2014	34	-	3	(2)	35	11
Gain Capital	Pre 31 March 2014	12	(13)	-	1	-	(1)
		417	(211)	46	21	273	186

1 For portfolio companies with an IPO during the year, this is the value pre-IPO.
2 Other movements include dividends and foreign exchange.

INFRASTRUCTURE UNREALISED VALUE MOVEMENT

The Infrastructure portfolio primarily consists of our 34% holding in 3iN. 3iN grew strongly in value during the year, as a result of the divestment of Eversholt Rail and a re-rating of a number of the remaining Core infrastructure investments following a year of returns compression in the market. 3iN generated value growth of £77 million for 3i Group in the year, driven by a 19% increase in the share price to 160 pence (2014: 135 pence). This was slightly offset by further modest falls in value of the Indian Infrastructure portfolio as the investments continued to face a number of challenges.

DEBT MANAGEMENT UNREALISED VALUE MOVEMENT

The unrealised value movement in Debt Management comprises mark-to-market valuations on both the CLO equity and the direct investments held through warehouses, the US Senior Loan Fund and Palace Street I. Of the unrealised loss of £25 million in the year (2014: £10 million gain), £22 million has been recognised on CLO equity. Three factors have driven the CLO prices. Firstly, as funds make distributions, they effectively convert value to portfolio income; £16 million of distributions were received by 3i in the year. Secondly, new investments into European CLOs have typically been made by 3i, as sponsor, at par value but other investors often invest at a discount. This can result in a fall in value in the short term as the independent market prices we source typically trend towards the non-sponsor trades. This resulted in a fair value reduction of £5 million in the year. Long-term cash returns remain unaffected (ie the valuation volatility at the time of issue is not considered to be an indicator of long-term cash returns of the CLO). Finally, a number of the older CLOs had exposure to two poorer performing pre-crisis assets, which were restructured in the year and further reduced value.

The remaining £3 million value loss related principally to the wind down of Palace Street I, which had exposure to the same two restructured assets.

PORTFOLIO INCOME

Income from the portfolio increased by 15% and was £113 million in the year to 31 March 2015 (2014: £98 million) of which £80 million was received in cash (2014: £57 million). Dividends of £45 million were received (2014: £44 million), including £20 million from 3iN (2014: £21 million) and £16 million from Debt Management CLO investments (2014: £10 million). Interest income totalled £62 million (2014: £50 million), with £56 million (2014: £46 million) generated from Private Equity investments and £6 million (2014: £4 million) generated from Debt Management investments. Approximately 75% of Private Equity interest income is capitalised and received on exit, although activity in the portfolio during the year resulted in a higher element of interest being received as cash.

NET FOREIGN EXCHANGE MOVEMENTS

The total net foreign exchange loss of £114 million (2014: £116 million) was driven by the strengthening of sterling against the euro (12.5%), Brazilian real (20.9%) and Swedish krona (15.7%) resulting in losses of £175 million, £6 million and £13 million respectively. Sterling weakened against the US dollar (12.4%) and Indian rupee (7.8%) during the year, resulting in gains of £76 million and £5 million respectively. The net foreign exchange loss reflects losses on non-sterling denominated portfolio assets, as well as the translation of non-portfolio net assets, including non-sterling cash held at the balance sheet date and gross debt.

As at 31 March 2015, a 1% movement in the euro, US dollar and the Swedish Krona would give rise to a £16 million, £8 million and £1 million movement in total return respectively.

The net assets of the Group by currency are shown in Table 11 below.

Table 11: **Net asset of the Group by currency** at 31 March 2015

	£m	%
Sterling	1,271	33
Euro	1,367	36
US dollar	990	26
Swedish krona	20	1
Other	158	4

PROPRIETARY CAPITAL COSTS

Proprietary Capital costs include 100% of costs in relation to the CEO, Group Finance Director and General Counsel and elements of finance, IT, property, legal and regulatory, strategy and human resources. Operating expenses increased by 14% to £32 million (2014: £28 million) as the Group recognised the costs of regulatory changes. Synthetic fees, as defined in the glossary, of £45 million (2014: £51 million) reflect the lower level of Proprietary Capital being managed as a result of net divestment activity, predominantly in Private Equity.

NET INTEREST PAYABLE

The gross interest paid was £49 million (2014: £54 million) and 18% below the target set in 2012 to reduce interest paid to £60 million per annum. Included within this year's expense is £1.5 million of arrangement fees in relation to the Group's Revolving Credit Facility ("RCF") which were written off when it was replaced with a new £350 million facility. The new facility will reduce ongoing financing costs by £1.5 million per year.

The current gross debt position is detailed further in the Balance Sheet section of this Financial Review and in Note 16 of the Accounts (Note 7 in this document).

Cash interest received remained stable at £3 million (2014: £3 million).

FUND MANAGEMENT RETURNS

The Group's Fund Management income is driven by total AUM, which was £13.5 billion at 31 March 2015 (31 March 2014: £12.9 billion). The launch of six CLOs, the European Middle Market Loan Fund and further commitments to the US Senior Loan Fund in the Debt Management business offset a fall in AUM arising from net divestment activity in Private Equity. The proportion of third-party assets under management grew marginally to 75% (2014: 74%).
An increase in third-party fee income and a fall in operating expenses were offset by a fall in synthetic fees applied from the Proprietary Capital business as a result of net divestment in Private Equity.
As a result of the completion of our transformation plan, Fund Management improved both its absolute profit and profit margin to £26 million and 21% respectively (2014: £19 million, 15%). Excluding restructuring and amortisation costs, underlying operating profit and margin remained stable at £33 million (2014: £33 million) and 26% (2014: 26%).

Table 12: **Fund Management underlying profit** for the year to 31 March

	2015 £m	2014 £m
Fees receivable from external funds[1]		
Private Equity	16	20
Infrastructure	30	24
Debt Management	34	32
Synthetic fees		
Private Equity	42	47
Infrastructure	3	3
Debt Management	-	1
Total fee income	**125**	127
Fund Management operating expenses	**(99)**	(108)
Operating profit before carry	**26**	19
Restructuring costs	1	8
Amortisation costs	6	6
Underlying Fund Management profit	**33**	**33**

1 Includes nil portfolio related income in 2015 (2014: £3 million).

TOTAL RETURN

Table 13: **Summarised total return** for the year to 31 March

	2015 £m	2014 £m
Proprietary Capital operating profit before carry	721	539
Fund Management operating profit before carry	26	19
Operating profit before carry	**747**	**558**
Carried interest and performance fees receivable from external funds	80	3
Carried interest and performance fees payable	(142)	(85)
Acquisition related earn-out charges	(8)	(6)
Operating profit	**677**	**470**
Tax	(4)	(3)
Re-measurement of defined benefit plans	(14)	11
Total comprehensive income ("Total return")	**659**	**478**
Total return on opening shareholders' funds	**19.9%**	**16.3%**

NET CARRIED INTEREST AND PERFORMANCE FEES PAYABLE

Net carried interest and performance fees payable decreased in the year, with a net payable of £62 million (31 March 2014: £82 million payable). On a gross basis, carried interest and performance fees payable increased to £142 million (2014: £85 million) and the receivable increased to £80 million (2014: £3 million).

Our largest Private Equity fund, Eurofund V, which includes assets purchased in 2007–12, has not yet met the performance hurdle due to the performance of the 2007–09 vintages. Although we have seen a strong recovery in that fund's multiple to 1.4x (March 2014: 1.1x)invested capital, with 2010-12 investments valued at 2.6x (March 2014: 2.1x), the drag from these earlier investments means that we have not yet recognised carry receivable from this fund.

Assets in the Growth Capital Fund include Quintiles, Refresco-Gerber, Touchtunes and BVG and, as a result of their strong performance, its multiple on invested capital is now 1.7x (March 2014: 1.3x). We are now recognising carry receivable on an accruals basis and £25 million was recognised in the year (31 March 2014: nil).

We pay carry to our Private Equity investment teams on proprietary capital invested and share a proportion of carry receivable from third-party funds. This total carry payable is provided through schemes which have been structured historically over two or three year vintages to maximise flexibility in resource planning. The improved performance of the Private Equity portfolio over the last two years means that the majority of assets by value are now held in carry payable schemes that have met their performance hurdles, assuming the portfolio was realised at its 31 March 2015 valuation. Carry payable typically will increase or decrease in line with the gross investment return at rates between 10% and 15%. The gross investment return in Private Equity of £719 million (2014: £647 million) resulted in an accrual of £103 million carry payable in the year, or 14% of gross investment return (31 March 2014: £82 million, 13%). Carry is usually only paid once the hurdles are passed in cash terms and, during the year, £7 million was paid (2014: £19 million).

3iN pays a performance fee on an annual basis, subject to a hurdle rate of return and a high-water mark based on net asset value. The strong performance of the European assets held by 3iN, including the exit of Eversholt Rail, resulted in an accrual of £45 million of performance fees receivable in the year (31 March 2014: nil). Our Infrastructure investment team shares in the performance fee receivable from 3iN, with the majority of individual payments deferred over a number of years. Carry payable to the Infrastructure team of £35 million has been accrued (2014: nil) including £34 million in relation to the 3iN performance fee.

PENSION

The IAS19 liabilities of the Group's defined benefit pension schemes have been impacted by decreases in their discount rates, driven by the AA corporate bond yields. This resulted in a re-measurement loss of £14 million (2014: £11 million gain) for the year. On an IAS19 basis the pension scheme remains in a significant surplus.

The 2013 triennial valuation of the UK defined benefit pension scheme was completed in March 2014. It resulted in a very small surplus and consequently no further contributions were made, or are planned, as a result of this valuation.

OPERATING CASH PROFIT

Table 14: Operating cash profit for the year to 31 March

	2015 £m	2014 £m
Third-party capital fees	**78**	75
Cash portfolio fees	**10**	4
Cash portfolio dividends and interest	**70**	53
Cash income	**158**	**132**
Total operating expenses[1]	**131**	136
Less: Restructuring costs	**(1)**	(9)
Operating expenses excluding restructuring costs	**130**	**127**
Operating cash profit	**28**	**5**

1 Operating expenses are calculated on an accrual basis.

Third-party fees increased during the year following the launch of six Debt Management CLOs and the European Middle Market Loan Fund. Alongside growth in third-party fees we have focused on generating cash income from the portfolio. Increased investment into cash yielding Debt Management funds has generated good income and the Private Equity portfolio has benefited from increased deal fees on higher levels of activity. Consequently, the Group has been able to materially improve its operating cash income to £158 million (2014: £132 million) despite the net divestment activity in Private Equity.

Total operating expenses declined by 4% to £131 million (2014: £136 million) as restructuring costs, which comprise redundancy, office closures and organisational changes, reduced to £1 million (2014: £9 million) as we reached the end of our transformation plan. Excluding restructuring costs, operating expenses increased by 2% to £130 million (2014: £127 million) principally due to an increase in variable compensation resulting from share based payments. Operating expenses as a percentage of weighted average AUM remained stable at 1.0% (2014: 1.0%), as a result of the continuing cost focus combined with the new CLO fund launches in the year. We expect costs to rise marginally as we look to grow the business, increase activity and deal with increased regulation but we expect costs to remain at c1.0% of AUM.

In total, the operating cash profit position increased strongly to £28 million (2014: £5 million).

CASH FLOW

INVESTMENT AND REALISATIONS

Cash proceeds from realisations of £841 million (2014: £677 million) were partly offset by cash investment of £474 million (2014: £337 million) and resulted in net cash inflow of £367 million (2014: £340 million). A further £140 million of investment was in non-cash form (2014: £167 million) and total investment was £614 million (2014: £504 million). Further detail on investment and realisations is included in the relevant business line sections.

Table 15: Investment activity – Proprietary Capital and third-party capital for the year to 31 March

	Proprietary Capital		Proprietary and Third-party Capital	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Realisations	**841**	677	**1,363**	1,129
Cash investment	**(474)**	(337)	**(562)**	(517)
Net cash divestment	**367**	340	**801**	612
Non-cash investment	**(140)**	(167)	**(191)**	(279)
Net divestment	**227**	173	**610**	333

BALANCE SHEET

Table16: Simplified balance sheet as at 31 March

	2015 £m	2014 £m
Investment portfolio value	**3,877**	**3,565**
Gross debt	(815)	(857)
Cash	864	697
Net cash / (debt)	**49**	**(160)**
Other net liabilities	(120)	(97)
Net assets	**3,806**	**3,308**

The Proprietary Capital portfolio increased to £3,877 million at 31 March 2015 (31 March 2014: £3,565 million) as cash investment of £474 million and unrealised value growth of £684 million offset the good realisations and the negative impact of foreign exchange movements.

The mix of the portfolio remained broadly stable. The marginal decline in Private Equity to 81% (31 March 2014: 82%) was offset by a 1% increase in Debt Management to 5% (31 March 2014: 4%). The weighting of the Infrastructure portfolio remained stable at 14% (31 March 2014: 14%).

Net divestment activity and an operating cash profit led to cash on the balance sheet increasing to £864 million (31 March 2014: £697 million). Combined with a reduction in the sterling equivalent of the 2017 euro denominated bond, the Group was in a net cash position of £49 million at 31 March 2015 (31 March 2014: £160 million net debt) ahead of paying the final dividend for FY2015.

GEARING AND BORROWINGS

Table 17: Gearing and borrowings as at 31 March

	2015	2014
Gross debt	**£815m**	£857m
Net cash/(debt)	**£49m**	£(160)m
Gearing	**nil**	5%

Gearing reduced to nil at 31 March 2015 (31 March 2014: 5%) as the Group ended the year in a net cash position. Overall shareholders' funds increased to £3,806 million (31 March 2014: £3,308 million) following the total return of £659 million in the year to 31 March 2015.

LIQUIDITY

Total liquidity was substantially unchanged at 31 March 2015 compared to 31 March 2014 at £1,214 million (31 March 2014: £1,197 million). Cash and deposits increased to £864 million (31 March 2014: £697 million) as a result of net divestment and undrawn facilities reduced to £350 million (31 March 2014: £500 million) following the RCF refinancing.

FOREIGN EXCHANGE HEDGING

As a result of the reduction in non-sterling gross debt, and the increased concentration of the portfolio into a smaller number of individually significant assets, the use of derivatives for portfolio value hedging purposes is less effective. As a result, derivatives are no longer used to hedge currency movements on a portfolio basis and foreign exchange risk is considered as an integral part of the investment process. Specific short-term hedging on entry or exit of an investment may be used as appropriate.

DILUTED NAV

The diluted NAV per share at 31 March 2015 was 396 pence (31 March 2014: 348 pence). This was driven by the total return in the year of £659 million (2014: £478 million), and partially offset by dividend payments in the year of £183 million (2014: £114 million).

DIVIDEND

The Board has declared a total dividend of 20.0p (2014: 20.0p) for 2015. This is made up of a 8.1p base dividend and an 11.9p additional dividend. Due to our current net divestment activity and robust balance sheet, we have proposed an additional dividend above the top end of our 15%-20% distribution range, equivalent to 23% of gross realised proceeds. Subject to shareholder approval, we will pay the final dividend of 14.0p (2014: 13.3p) on 24 July 2015 to shareholders on the register at 19 June 2015.

KEY ACCOUNTING JUDGEMENTS

In preparing these accounts, the key accounting judgement relates to the **carrying value of our investment assets which are stated at fair value.**

Given the importance of this area, the Board has a separate Valuations Committee to review the valuations policies, process and application to individual investments. However, asset valuations for non-quoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. At 31 March 2015 80% of the investment assets were non-quoted (31 March 2014: 84%).

Accounting for investment entities: an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial treatment is accurate. IFRS 10 has resulted in a number of intermediate holding companies being presented at fair value which has led to reduced transparency of the underlying investment performance. As a result the Group continues to present an alternative non-GAAP investment basis set of financial statements to ensure that the commentary in the Strategic report remains fair, balanced and understandable.

INVESTMENT BASIS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Total 2015 £m	Total 2014 £m
Realised profits over value on the disposal of investments	**162**	202
Unrealised profits on the revaluation of investments	**684**	475
Portfolio income		
Dividends	**45**	44
Income from loans and receivables	**62**	50
Fees receivable	**6**	7
Foreign exchange (loss) on investments	**(154)**	(113)
Gross investment return	**805**	**665**
Fees receivable from external funds	**80**	73
Operating expenses	**(131)**	(136)
Interest receivable	**3**	3
Interest payable	**(49)**	(54)
Movement in the fair value of derivatives	**(1)**	10
Foreign exchange gain/(loss)	**40**	(3)
Operating profit before carry	**747**	**558**
Carried interest		
Carried interest and performance fees receivable	**80**	3
Carried interest and performance fees payable	**(142)**	(85)
Acquisition related earn-out charges	**(8)**	(6)
Operating profit	**677**	**470**
Income taxes	**(4)**	(3)
Profit for the year	**673**	**467**
Other comprehensive income		
Re-measurements of defined benefit plans	**(14)**	11
Total comprehensive income for the year (“Total return”)	**659**	**478**

INVESTMENT BASIS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Total 2015 £m	Total 2014 £m
Assets		
Non-current assets		
Investments		
Quoted investments	**763**	554
Unquoted investments	**3,114**	3,011
Investment portfolio	**3,877**	**3,565**
Carried interest and performance fees receivable	**43**	17
Intangible assets	**19**	26
Retirement benefit surplus	**136**	137
Property, plant and equipment	**4**	5
Deferred income taxes	**3**	3
Total non-current assets	**4,082**	**3,753**
Current assets		
Carried interest and performance fees receivable	**45**	-
Other current assets	**85**	92
Derivative financial instruments	**-**	2
Cash and cash equivalents	**864**	697
Total current assets	**994**	**791**
Total assets	**5,076**	**4,544**
Liabilities		
Non-current liabilities		
Carried interest and performance fees payable	**(214)**	(106)
Acquisition related earn-out charges payable	**(10)**	(18)
Loans and borrowings	**(815)**	(849)
B shares	**-**	(6)
Retirement benefit deficit	**(19)**	(14)
Deferred income taxes	**(3)**	(2)
Provisions	**(5)**	(5)
Total non-current liabilities	**(1,066)**	**(1,000)**
Current liabilities		
Trade and other payables	**(169)**	(198)
Carried interest and performance fees payable	**(13)**	(11)
Acquisition related earn-out charges payable	**(17)**	(10)
Derivative financial instruments	**-**	(4)
Current income taxes	**(2)**	(4)
Deferred income taxes	**-**	(1)
Provisions	**(3)**	(8)
Total current liabilities	**(204)**	**(236)**
Total liabilities	**(1,270)**	**(1,236)**
Net assets	**3,806**	**3,308**
Equity		
Issued capital	**719**	718
Share premium	**784**	782
Other reserves	**2,382**	1,897
Own shares	**(79)**	(89)
Total equity	**3,806**	**3,308**

INVESTMENT BASIS
CONSOLIDATED CASH FLOW STATEMENT

	2015 £m	2014 £m
Cash flow from operating activities		
Purchase of investments	**(474)**	(337)
Proceeds from investments	**841**	677
Cash divestment from traded portfolio	**21**	14
Portfolio interest received	**26**	9
Portfolio dividends received	**44**	44
Portfolio fees received	**10**	4
Fees received from external funds	**78**	75
Carried interest received	**6**	5
Carried interest and performance fees paid	**(13)**	(25)
Acquisition related earn-out charges paid	**(10)**	–
Operating expenses	**(117)**	(128)
Interest received	**3**	3
Interest paid	**(54)**	(57)
Income taxes paid	**(5)**	(7)
Net cash flow from operating activities	**356**	**277**
Cash flow from financing activities		
Issue of shares	**3**	–
Repurchase of B shares	**(6)**	–
Dividend paid	**(183)**	(114)
Repayment of short-term borrowings	**-**	(164)
Net cash flow from derivatives	**9**	(32)
Net cash flow from financing activities	**(177)**	**(310)**
Cash flow from investing activities		
Acquisition of management contracts	**–**	2
Net cash flow from deposits	**–**	90
Net cash flow from investing activities	**–**	**92**
Change in cash and cash equivalents	**179**	**59**
Cash and cash equivalents at the start of year	**697**	656
Effect of exchange rate fluctuations	**(12)**	(18)
Cash and cash equivalents at the end of year	**864**	**697**

Reconciliation of Investment basis to IFRS

BACKGROUND TO INVESTMENT BASIS FINANCIAL STATEMENTS

The Group makes investments in portfolio companies directly, held by 3i Group plc, and indirectly, held through intermediate holding company and partnership structures ("Investment entity subsidiaries"). It also has other operational subsidiaries which provide services and other activities such as employment, regulatory activities, management and advice ("Trading subsidiaries"). The application of IFRS 10 requires us to fair value a number of intermediate holding companies that were previously consolidated line by line. This fair value approach, applied at the intermediate holding company level, effectively obscures the performance of our proprietary capital investments and associated transactions occurring in the intermediate holding companies. The financial effect of the underlying portfolio companies and fee income, operating expenses and carried interest transactions occurring in Investment entity subsidiaries are aggregated into a single value. Other items which were previously eliminated on consolidation are now included separately.

As a result we introduced separate non-GAAP "Investment basis" Statements of comprehensive income, financial position and cash flow in our 2014 Annual Report and Accounts to aid understanding of our results. The Strategic report is also 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. The two diagrams below illustrate these changes, together with an illustrative example to show how information can be aggregated.

RECENT IFRS 10 DEVELOPMENTS

The IASB issued a narrow scope amendment to IFRS 10 in December 2014, and subsequently the Group has revisited its initial assessment of all of its subsidiaries, resulting in a small number of entities now being consolidated rather than fair valued in the IFRS financial statements. The Group has chosen to adopt the changes provided in the narrow scope amendment, and has accounted for the change in treatment retrospectively. The change has no effect on total return or net asset value as reported in the Group's IFRS financial statements. The Investment basis statements are unchanged, as the entities now being consolidated in the IFRS statements have always been consolidated in the Investment basis. Given the judgement involved in interpreting the standard, and ongoing discussion amongst the IASB and practitioners, similar changes in future years remain possible.

RECONCILIATION BETWEEN INVESTMENT BASIS AND IFRS

A detailed reconciliation from the Investment basis to IFRS basis of the Statement of comprehensive income, Statement of financial position and Cash flow statement is shown below.

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Investment basis 2015 £m**	**IFRS adjustments 2015 £m**	**IFRS basis 2015 £m**	Investment basis 2014 £m	IFRS adjustments (restated) 2014 £m	IFRS basis (restated) 2014 £m
Realised profits over value on the disposal of investments	1,2	**162**	**(108)**	**54**	202	(56)	146
Unrealised profits on the revaluation of investments	1,2	**684**	**(448)**	**236**	475	(394)	81
Fair value movements on investment entity subsidiaries	1	**–**	**530**	**530**	–	433	433
Portfolio income							
Dividends	1,2	**45**	**(9)**	**36**	44	(19)	25
Income from loans and receivables	1,2	**62**	**(24)**	**38**	50	(21)	29
Fees receivable		**6**	**–**	**6**	7	–	7
Foreign exchange on investments	1,3	**(154)**	**105**	**(49)**	(113)	68	(45)
Gross investment return		**805**	**46**	**851**	**665**	**11**	**676**
Fees receivable from external funds	1	**80**	**–**	**80**	73	2	75
Operating expenses	1	**(131)**	**9**	**(122)**	(136)	–	(136)
Interest receivable		**3**	**–**	**3**	3	–	3
Interest payable		**(49)**	**–**	**(49)**	(54)	–	(54)
Movement in the fair value of derivatives		**(1)**	**–**	**(1)**	10	–	10
Exchange movements	1,3	**40**	**(101)**	**(61)**	(3)	(39)	(42)
Income from fair value subsidiaries	1	**–**	**1**	**1**	–	8	8
Operating profit before carry		**747**	**(45)**	**702**	**558**	**(18)**	**540**
Carried interest							
Carried interest and performance fees receivable		**80**	**–**	**80**	3	–	3
Carried interest and performance fees payable	1	**(142)**	**70**	**(72)**	(85)	68	(17)
Acquisition related earn-out charges		**(8)**	**–**	**(8)**	(6)	–	(6)
Operating profit		**677**	**25**	**702**	**470**	**50**	**520**
Income taxes	1	**(4)**	**2**	**(2)**	(3)	–	(3)
Profit for the year		**673**	**27**	**700**	**467**	**50**	**517**
Other comprehensive income							
Exchange differences on translation of foreign operations	1,3	**–**	**(27)**	**(27)**	–	(50)	(50)
Re-measurements of defined benefit plans		**(14)**	**–**	**(14)**	11	–	11
Total comprehensive income for the year ("Total return")		**659**	**–**	**659**	**478**	**–**	**478**

Notes:

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

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

3 Foreign exchange movements have been reclassified under the Investment basis as foreign currency asset and liability movements within the investment entity subsidiaries are included within fair value movements on investment entities.

4 Other items also aggregated into the "Fair value movements on investment entity subsidiaries" line include fees receivable from external funds, audit fees, custodian fees, bank charges, other general and administration expenses, carried interest and tax.

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Investment basis 2015 £m	IFRS adjustments 2015 £m	IFRS basis 2015 £m	Investment basis 2014 £m	IFRS adjustments (restated) 2014 £m	IFRS basis (restated) 2014 £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	763	(364)	399	554	(296)	258
Unquoted investments	1	3,114	(1,842)	1,272	3,011	(1,687)	1,324
Investments in investment entities	1,3	–	2,079	2,079	–	1,909	1,909
Investment portfolio		**3,877**	**(127)**	**3,750**	**3,565**	**(74)**	**3,491**
Carried interest and performance fees receivable	1	43	–	43	17	–	17
Intangible assets	1	19	–	19	26	(1)	25
Retirement benefit surplus		136	–	136	137	–	137
Property, plant and equipment		4	–	4	5	–	5
Deferred income taxes	1	3	–	3	3	–	3
Total non-current assets		**4,082**	**(127)**	**3,955**	**3,753**	**(75)**	**3,678**
Current assets							
Carried interest and performance fees receivable		45	-	45	-	-	-
Other current assets	1	85	(31)	54	92	(16)	76
Derivative financial instruments		–	–	–	2	–	2
Cash and cash equivalents	1,2	864	(3)	861	697	(23)	674
Total current assets		**994**	**(34)**	**960**	**791**	**(39)**	**752**
Total assets		**5,076**	**(161)**	**4,915**	**4,544**	**(114)**	**4,430**
Liabilities							
Non-current liabilities							
Carried interest and performance fees payable	1	(214)	142	(72)	(106)	76	(30)
Acquisition related earn-out charges payable		(10)	–	(10)	(18)	–	(18)
Loans and borrowings		(815)	–	(815)	(849)	–	(849)
B shares		–	–	–	(6)	–	(6)
Retirement benefit deficit		(19)	–	(19)	(14)	–	(14)
Deferred income taxes		(3)	2	(1)	(2)	–	(2)
Provisions	1	(5)	–	(5)	(5)	–	(5)
Total non-current liabilities		**(1,066)**	**144**	**(922)**	**(1,000)**	**76**	**(924)**
Current liabilities							
Trade and other payables	1	(169)	17	(152)	(198)	32	(166)
Carried interest and performance fees payable	1	(13)	–	(13)	(11)	5	(6)
Acquisition related earn-out charges payable		(17)	–	(17)	(10)	–	(10)
Derivative financial instruments		–	–	–	(4)	–	(4)
Current income taxes	1	(2)	–	(2)	(4)	–	(4)
Deferred income taxes	1	–	–	–	(1)	1	–
Provisions	1	(3)	–	(3)	(8)	–	(8)
Total current liabilities		**(204)**	**17**	**(187)**	**(236)**	**38**	**(198)**
Total liabilities		**(1,270)**	**161**	**(1,109)**	**(1,236)**	**114**	**(1,122)**
Net assets		**3,806**	**–**	**3,806**	**3,308**	**–**	**3,308**
Equity							
Issued capital		719	–	719	718	–	718
Share premium		784	–	784	782	–	782
Other reserves	4	2,382	–	2,382	1,897	–	1,897
Own shares		(79)	–	(79)	(89)	–	(89)
Total equity		**3,806**	**–**	**3,806**	**3,308**	**–**	**3,308**

The Notes relating to the table above are below.

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONTINUED

Notes:

1 Applying IFRS 10 to the Statement of financial position aggregates the line items into the single line item “Investment in investment entities”. 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 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 entities” line. We have disaggregated this fair value and disclosed the underlying portfolio holding in the relevant line item, ie, quoted equity investments, unquoted equity investments or loans and receivables.

Other items which may be aggregated are carried interest and other payables, and the Investment basis presentation again disaggregates these items.

2 Cash balances held in investment entity subsidiaries are also aggregated into the “Investment in investment entities” line. At 31 March 2015 £3 million (2014 restated: £23 million) of cash was held in subsidiaries that are now classified as investment entity subsidiaries and is therefore included in the “Investment in investment entities” line.

3 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 Statement of financial position for the Group. Prior to the adoption of IFRS 10, these balances would have been eliminated on consolidation.

4 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

	Note	**Investment basis 2015 £m**	IFRS adjustments 2015 £m	IFRS basis 2015 £m	**Investment basis 2014 £m**	IFRS adjustments (restated) 2014 £m	IFRS basis (restated) 2014 £m
Cash flow from operating activities							
Purchase of investments	1	(474)	358	(116)	(337)	189	(148)
Proceeds from investments	1	841	(571)	270	677	(223)	454
Cash divestment from traded portfolio	1	21	(21)	–	14	(14)	–
Cash inflow from fair value subsidiaries	1	–	272	272	–	62	62
Portfolio interest received	1	26	(12)	14	9	(3)	6
Portfolio dividends received	1	44	(9)	35	44	(19)	25
Portfolio fees received		10	–	10	4	2	6
Fees received from external funds	1	78	(1)	77	75	–	75
Carried interest and performance fees received	1	6	–	6	5	–	5
Carried interest and performance fees paid	1	(13)	(1)	(14)	(25)	10	(15)
Acquisition related earn-out charges paid		(10)	–	(10)	–	–	–
Operating expenses		(117)	1	(116)	(128)	(3)	(131)
Interest received		3	–	3	3	–	3
Interest paid		(54)	–	(54)	(57)	–	(57)
Income taxes paid	1	(5)	–	(5)	(7)	–	(7)
Net cash flow from operating activities		**356**	**16**	**372**	**277**	**1**	**278**
Cash flow from financing activities							
Dividend paid		(183)	–	(183)	(114)	–	(114)
Repayment of short–term borrowings		–	–	–	(164)	–	(164)
Issue of shares		3	–	3	–	–	–
Repurchase of B shares		(6)	–	(6)	–	–	–
Net cash flow from derivatives		9	–	9	(32)	–	(32)
Net cash flow from financing activities		**(177)**	**–**	**(177)**	**(310)**	**–**	**(310)**
Cash flow from investing activities							
Acquisition of management contracts	1	–	–	–	2	(2)	–
Net cash flow from deposits		–	–	–	90	–	90
Net cash flow from investing activities		**–**	**–**	**–**	**92**	**(2)**	**90**
Change in cash and cash equivalents	2	**179**	**16**	**195**	**59**	**(1)**	**58**
Cash and cash equivalents at the start of year	2	697	(23)	674	656	(23)	633
Effect of exchange rate fluctuations	1	(12)	4	(8)	(18)	1	(17)
Cash and cash equivalents at the end of year	2	**864**	**(3)**	**861**	**697**	**(23)**	**674**

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 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 subsidiary vehicles. Cash held within investment entity subsidiaries will not be shown in the IFRS statements but will be seen in the Investment basis statements.

Key risks and mitigations

Effective risk assessment underpins the successful delivery of our strategy. Integrity and responsibility are central to our values at 3i and are embedded in our approach to risk management.

This section explains how we control and manage the risks in our business. It outlines the key risks, our assessment of their potential impact on our business in the context of the current environment and how we mitigate them.

APPROACH TO RISK GOVERNANCE

The Board seeks to achieve an appropriate balance between taking risk and generating returns for shareholders and is responsible for risk assessment, the risk management process and for the protection of the Group's reputation and brand integrity. It considers the most significant risks facing the Group and uses quantitative analyses, such as the vintage control and weekly liquidity reporting, where appropriate. Non-executive oversight of the risk management process is exercised through the **Audit and Compliance Committee** with respect to standards of integrity, financial reporting, risk management, going concern and internal control.

The Board has delegated the responsibility for risk oversight to the **Chief Executive**. He is assisted by the **Group Risk Committee** ("GRC") in managing this responsibility, guided by the Board's appetite for risk and any specific limits set. The GRC maintains the Group risk review, which summarises the Group's principal risks, associated mitigating actions and key risk indicators, and identifies any changes to the Group's risk profile. The risk review is updated quarterly and the Chief Executive provides an update at each Audit and Compliance Committee meeting where the Committee members contribute views and raise questions. The last risk appraisal was completed in early May 2015.

Following the implementation of AIFMD in July 2014, we further augmented risk governance with a separate Risk Management Function. This group meets ahead of the GRC meetings to consider separate risk reports for each AIF managed by the Group, including areas such as portfolio composition, operational updates and team changes, which are then also considered by the GRC.

Assurance on the robustness and effectiveness of the Group's overarching risk management processes and compliance with relevant policies is provided to the Audit and Compliance Committee through the independent assessment by Internal Audit and the work of Group Compliance on regulatory risks.

3i Group's Pillar 3 document can be found at www.3i.com

RISK MANAGEMENT FRAMEWORK

The Group's risk management framework is designed to support the delivery of the Group's strategic objectives.

The key principles that underpin risk management in the Group are:

- The Board and Group Executive Committee promote a culture in which risks are identified, assessed and reported in an open, transparent and objective manner; and
- The over-riding priority is to protect the Group's long-term viability and reputation and produce sustainable, medium to long-term cash-to-cash returns.

Managing the Group's Environmental, Social and Governance risks is central to how we do business and is integral to our risk management framework.

Risk management is embedded within all areas of the business. Members of the Executive Committee have responsibility for their own business areas and the Group expects individual behaviours to mirror the culture and core values of the Group. All employees share the responsibility of upholding 3i's control culture and supporting effective risk management to enable us to deliver our strategy. Senior managers are required to confirm their individual and business area compliance. In addition, all staff are assessed on their awareness of the Group's values and compliance with them as part of their annual appraisal.

In practice, the Group operates a "three lines of defence" framework for managing and identifying risk. The first line of defence against undesirable outcomes is the business function and the respective Managing Partners across Private Equity, Infrastructure and Debt Management. Line management is supported by oversight and control functions such as Compliance, Finance and Legal which constitute the second line of defence. The Compliance monitoring programme reviews the effective operation of our processes in meeting regulatory requirements.

Internal Audit provides retrospective, independent assurance over the operation of controls and is the third line of defence. The internal audit programme includes the review of risk management processes and recommendations to improve the control environment.

RISK REVIEW PROCESS

The Group risk review process includes the monitoring of key strategic and financial metrics considered to be indicators of potential changes in its risk profile. The review includes, but is not limited to, the following reference data:

- Financial performance and strategic dashboards;
- Vintage control and asset allocation analysis;
- Macroeconomic and M&A market overview;
- Liquidity management;
- Capital adequacy, including stress testing;
- Operating expenses;
- Portfolio performance reports for Private Equity, Infrastructure and Debt Management;
- Risk reports for managed Alternative Investment Funds; and
- Quarterly Group risk log.

In addition to the above, the GRC considers the impact of any changes and developments on its risk profile, strategic delivery and reputation quarterly.

The GRC uses the above to identify a number of key risks. It then evaluates the impact and likelihood of each key risk, with reference to associated measures and key performance indicators. The adequacy of the mitigation plans is then assessed and, if necessary, additional actions are agreed and then reviewed at the subsequent meeting.

A number of focus topics are also agreed in advance of each meeting. In FY2015 the GRC covered topics such as business continuity; cyber and physical security; Responsible Investing ("RI")/Environmental, Social and Governance ("ESG") reporting; investment concentration risk; and the Group's progress on implementing regulatory changes.

There were no significant changes to the Group's approach to risk governance or its operation in FY2015 but we have continued to refine our framework for risk management and reporting further to the implementation of AIFMD and the Group's approach to RI/ESG.

Further details on 3i's approach as a responsible investor are available at www.3i.com

REVIEW OF PRINCIPAL RISKS

The disclosures on the following pages are not an exhaustive list of risks and uncertainties faced by the Group, but rather a summary of those principal risks which are under active review by the GRC and Board, and have the potential to affect materially the achievement of the Group's strategic objectives and impact its financial performance, reputation and brand integrity.

The Group's risk profile and appetite remains broadly stable. While there have been a number of emerging external risks separately identified this year, for example cyber crime, the Group believes that its consistent strategy, institutional approach to investment and strong culture have helped it to maintain its stable risk profile.

EXTERNAL

The external environment remains challenging. The key economies in which the Group operates are showing signs of recovery against a background of low interest rates and the effects of quantitative easing in the Eurozone. The potential for increased volatility or shocks, however, remains; for example, from increased geopolitical instability. In addition the regulatory environment continues to evolve and conduct of business risk remains in sharp focus.

The Group is subject to a range of additional regulatory and tax reporting requirements. These include the European Alternative Investment Fund Management Directive ("AIFMD"), regulations under the European Market Infrastructure Regulation ("EMIR"), Capital Requirements Directive IV ("CRDIV"), revisions to the Client Asset rules ("CASS") and the introduction of the Foreign Account Tax Compliance Act ("FATCA"). These changes have resulted in a significant increase in reporting requirements, operational complexity and cost to the business. However, they have had limited practical effect on 3i's ability to deliver its strategy. Managing these changes has been a key priority and the subject of regular updates to Executive Committee and the Board. Future developments include possible changes to the international tax system arising from the OECD G20 Base Erosion and Profit Shifting ("BEPS") project.

INVESTMENT

The most significant risks are our ability to source attractive investment opportunities, maximise the value available from our portfolio and manage the timings of exits and cash returns. These risks are closely linked to the economic environment noted above. We continue to focus on sectors and geographies where our expertise and network can drive significant outperformance. The ability to invest and realise successfully and to minimise the risk of issues in the portfolio is also key to maintaining the Group's reputation and networks in its markets.

The Executive Committee actively monitors investments from origination to realisation with robust monthly management information supported by Valuation Committee and Board oversight.

In addition there are a number of risks specific to each business line as follows:

PRIVATE EQUITY

As the investment portfolio becomes more concentrated, additional steps have been taken to increase the frequency and scope of monitoring of the more material assets. Individual portfolio company failures could have adverse reputational consequences for the Group, even if the value impact is not material.

INFRASTRUCTURE

Strong investor demand for yield is challenging the business' ability to maintain investment rates in quality assets. The business is adapting its strategy but remains focused on pursuing new investments while considering fund raising options and inorganic opportunities. Many of the investments in the infrastructure portfolio provide essential services to their community and the rigorous management of their performance is therefore critical.

DEBT MANAGEMENT

The principal risk is the ability to grow AUM profitably, in line with its business plan. The business is also exposed to potential volatility in the fixed income markets and the effects of regulatory changes, including the Risk Retention and Volcker rules (effective from 2016 and 2017 respectively) which will impact the structure of the US CLO funds. Specifically, during the warehouse phase of establishing CLOs, we are exposed to market volatilities and potential for further capital calls.

OPERATIONAL

The key areas of potential operational risk include the loss of key people and whether the investor skill sets and business development capabilities can support the Group's strategic delivery. Detailed resource plans are in place at the business line level and the Board conducts an annual review of the Group's organisational capability and succession assessment. The last review was conducted in September 2014.

The GRC also received regular updates on regulation, currency risk and cyber security. In response to the growing threat posed by cyber crime, we conducted a detailed review of the threat posed by the external environment, the adequacy of the group's internal control framework and our ability to respond to such an event. The Group also conducted a review of its business continuity capabilities. The findings and proposed enhancements were discussed and are being implemented across the Group.

List of Directors and their functions

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

Sir Adrian Montague, Chairman and Chairman of the Nominations Committee
Simon Thompson, non-executive Director and Chairman Designate
Simon Borrows, Chief Executive and executive Director
Julia Wilson, Group Finance Director and executive Director
Jonathan Asquith, non-executive Director, Deputy Chairman and Chairman of the Remuneration Committee
Caroline Banszky, non-executive Director and Chairman of the Audit and Compliance Committee
Alistair Cox, non-executive Director
David Hutchison, non-executive Director and Chairman of the Valuations Committee
Martine Verluyten, non-executive Director

By order of the Board
K J Dunn
Company Secretary
13 May 2015
Registered Office: 16 Palace Street, London SW1E 5JD

Audited financial statements

Consolidated statement of comprehensive income

for the year to 31 March

	Notes	2015 £m	2014 (restated)[1] £m
Realised profits over value on the disposal of investments	2	**54**	146
Unrealised profits on the revaluation of investments	3	**236**	81
Fair value movements on investment entity subsidiaries		**530**	433
		820	660
Portfolio income			
Dividends		**36**	25
Income from loans and receivables		**38**	29
Fees receivable		**6**	7
Foreign exchange on investments		**(49)**	(45)
Gross investment return		**851**	**676**
Fees receivable from external funds		**80**	75
Operating expenses		**(122)**	(136)
Interest received		**3**	3
Interest paid		**(49)**	(54)
Movement in the fair value of derivatives		**(1)**	10
Exchange movements		**(61)**	(42)
Income from fair value subsidiaries		**1**	8
Carried interest			
Carried interest and performance fees receivable		**80**	3
Carried interest and performance fees payable		**(72)**	(17)
Acquisition related earn-out charges		**(8)**	(6)
Operating profit before tax		**702**	**520**
Income taxes	4	**(2)**	(3)
Profit for the year		**700**	**517**
Other comprehensive expense that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**(27)**	(50)
Other comprehensive income that will not be reclassified to the income statement			
Re-measurements of defined benefit plans		**(14)**	11
Other comprehensive income for the year		**(41)**	**(39)**
Total comprehensive income for the year ("Total return")		**659**	**478**
Earnings per share			
Basic (pence)	5	**73.9**	54.8
Diluted (pence)	5	**72.9**	54.5
Dividend per share			
Interim dividend per share paid (pence)	6	**6.0**	6.7
Final dividend per share (pence)	6	**14.0**	13.3

1 Restated. See Note 9.

Consolidated statement of financial position

as at 31 March

	Notes	2015 £m	2014 (restated)[1] £m
Assets			
Non-current assets			
Investments			
Quoted investments		**399**	258
Unquoted investments		**1,272**	1,324
Investments in investment entities		**2,079**	1,909
Investment portfolio		**3,750**	**3,491**
Carried interest and performance fees receivable		**43**	17
Intangible assets		**19**	25
Retirement benefit surplus		**136**	137
Property, plant and equipment		**4**	5
Deferred income taxes	4	**3**	3
Total non-current assets		**3,955**	**3,678**
Current assets			
Carried interest and performance fees receivable		**45**	-
Other current assets		**54**	76
Derivative financial instruments		**-**	2
Cash and cash equivalents		**861**	674
Total current assets		**960**	**752**
Total assets		**4,915**	**4,430**
Liabilities			
Non-current liabilities			
Carried interest and performance fees payable		**(72)**	(30)
Acquisition related earn-out charges payable		**(10)**	(18)
Loans and borrowings	7	**(815)**	(849)
B shares		**-**	(6)
Retirement benefit deficit		**(19)**	(14)
Deferred income taxes	4	**(1)**	(2)
Provisions		**(5)**	(5)
Total non-current liabilities		**(922)**	**(924)**
Current liabilities			
Trade and other payables		**(152)**	(166)
Carried interest and performance fees payable		**(13)**	(6)
Acquisition related earn-out charges payable		**(17)**	(10)
Derivative financial instruments		**-**	(4)
Current income taxes	4	**(2)**	(4)
Provisions		**(3)**	(8)
Total current liabilities		**(187)**	**(198)**
Total liabilities		**(1,109)**	**(1,122)**
Net assets		**3,806**	**3,308**
Equity			
Issued capital		**719**	718
Share premium		**784**	782
Capital redemption reserve		**43**	43
Share-based payment reserve		**31**	19
Translation reserve		**216**	243
Capital reserve		**1,519**	1,050
Revenue reserve		**573**	542
Own shares		**(79)**	(89)
Total equity		**3,806**	**3,308**

1 Restated. See Note 9.

Sir Adrian Montague
Chairman

13 May 2015

Consolidated statement of changes in equity

for the year to 31 March

2015	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Total equity at the start of the year[1]	718	782	43	19	243	1,050	542	(89)	3,308
Income for the year						599	101		700
Exchange differences on translation of foreign operations					(27)				(27)
Re-measurements of defined benefit plans						(14)			(14)
Total comprehensive income for the year	-	-	-	-	(27)	585	101	-	659
Share-based payments				19					19
Release on forfeiture of share options				(7)			7		-
Exercise of share awards						(10)		10	-
Ordinary dividends							(77)		(77)
Additional dividends						(106)			(106)
Issue of ordinary shares	1	2							3
Total equity at the end of the year	719	784	43	31	216	1,519	573	(79)	3,806

2014 (restated)[1]	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Total equity at the start of the year	718	780	43	17	293	700	487	(104)	2,934
Income for the year						392	125		517
Exchange differences on translation of foreign operations					(50)				(50)
Re-measurements of defined benefit plans						11			11
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(50)**	**403**	**125**	**-**	**478**
Share-based payments				8					8
Release on forfeiture of share options				(6)			6		-
Exercise of share awards						(15)		15	-
Ordinary dividends							(76)		(76)
Additional dividends						(38)			(38)
Issue of ordinary shares		2							2
Total equity at the end of the year	**718**	**782**	**43**	**19**	**243**	**1,050**	**542**	**(89)**	**3,308**

1 Restated. See Note 9.

Consolidated cash flow statement
for the year to 31 March

	2015 **£m**	2014 (restated)[1] £m
Cash flow from operating activities		
Purchase of investments	**(116)**	(148)
Proceeds from investments	**270**	454
Cash inflow from fair value subsidiaries	**272**	62
Portfolio interest received	**14**	6
Portfolio dividends received	**35**	25
Portfolio fees received	**10**	6
Fees received from external funds	**77**	75
Carried interest and performance fees received	**6**	5
Carried interest and performance fees paid	**(14)**	(15)
Acquisition related earn-out fees paid	**(10)**	-
Operating expenses	**(116)**	(131)
Interest received	**3**	3
Interest paid	**(54)**	(57)
Income taxes paid	**(5)**	(7)
Net cash flow from operating activities	**372**	**278**
Cash flow from financing activities		
Issue of shares	**3**	-
Repurchase of B shares	**(6)**	-
Dividend paid	**(183)**	(114)
Repayment of short-term borrowings	**-**	(164)
Net cash flow from derivatives	**9**	(32)
Net cash flow from financing activities	**(177)**	**(310)**
Cash flow from investing activities		
Net cash flow from deposits	**-**	90
Net cash flow from investing activities	**-**	**90**
Change in cash and cash equivalents	**195**	**58**
Cash and cash equivalents at the start of year	**674**	633
Effect of exchange rate fluctuations	**(8)**	(17)
Cash and cash equivalents at the end of year	**861**	**674**

1 Restated. See Note 9.

Company statement of financial position

as at 31 March

	Notes	2015 £m	2014 £m
Assets			
Non-current assets			
Investments			
Quoted investments		**399**	258
Unquoted investments		**1,163**	1,283
Investment portfolio		**1,562**	**1,541**
Carried interest and performance fees receivable		**33**	8
Interests in Group and fair value entities		**1,561**	1,735
Total non-current assets		**3,156**	**3,284**
Current assets			
Other current assets		**341**	303
Derivative financial instruments		**-**	2
Cash and cash equivalents		**735**	605
Total current assets		**1,076**	**910**
Total assets		**4,232**	**4,194**
Liabilities			
Non-current liabilities			
Carried interest and performance fees payable		**(2)**	(2)
Acquisition related earn-out charges payable		**(10)**	(16)
Loans and borrowings	7	**(815)**	(849)
B shares		**-**	(6)
Total non-current liabilities		**(827)**	**(873)**
Current liabilities			
Trade and other payables		**(327)**	(292)
Acquisition related earn-out charges payable		**(11)**	(10)
Derivative financial instruments		**-**	(4)
Total current liabilities		**(338)**	**(306)**
Total liabilities		**(1,165)**	**(1,179)**
Net assets		**3,067**	**3,015**
Equity			
Issued capital		**719**	718
Share premium		**784**	782
Capital redemption reserve		**43**	43
Share-based payment reserve		**31**	19
Capital reserve		**1,400**	1,368
Revenue reserve		**90**	85
Total equity		**3,067**	**3,015**

Sir Adrian Montague
Chairman
13 May 2015

Company statement of changes in equity

2015	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Total equity £m
Total equity at the start of the year	**718**	**782**	**43**	**19**	**1,368**	**85**	**3,015**
Profit for the year					**138**	**75**	**213**
Total comprehensive income for the year					**138**	**75**	**213**
Share-based payments				**19**			**19**
Release on forfeiture of share options				**(7)**		**7**	**-**
Ordinary dividends						**(77)**	**(77)**
Additional dividends					**(106)**		**(106)**
Issue of ordinary shares	**1**	**2**					**3**
Total equity at the end of the year	**719**	**784**	**43**	**31**	**1,400**	**90**	**3,067**

2014	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Total equity £m
Total equity at the start of the year	718	780	43	17	1,336	144	3,038
Profit for the year					70	11	81
Total comprehensive income for the year					**70**	**11**	**81**
Share-based payments				8			8
Release on forfeiture of share options				(6)		6	-
Ordinary dividends						(76)	(76)
Additional dividends					(38)		(38)
Issue of ordinary shares		2					2
Total equity at the end of the year	**718**	**782**	**43**	**19**	**1,368**	**85**	**3,015**

Company cash flow statement
for the year to 31 March

	Company 2015 £m	Company 2014 £m
Cash flow from operating activities		
Purchase of investments	**(28)**	(108)
Proceeds from investments	**270**	454
Net distributions/(drawdowns) from subsidiaries	**143**	(217)
Portfolio interest received	**11**	6
Portfolio dividends received	**29**	25
Portfolio fees received	**(1)**	(2)
Carried interest and performance fees received	**1**	-
Carried interest and performance fees paid	**(11)**	-
Operating expenses	**(44)**	-
Interest received	**3**	3
Interest paid	**(54)**	(57)
Income taxes paid	**-**	-
Net cash flow from operating activities	**319**	**104**
Cash flow from financing activities		
Dividend paid	**(183)**	(114)
Issue of shares	**3**	-
Repurchase of B shares	**(6)**	-
Net cash flow from derivatives	**9**	(32)
Net cash flow from financing activities	**(177)**	**(146)**
Cash flow from investing activities		
Net cash flow from deposits	**-**	90
Net cash flow from investing activities	**-**	**90**
Change in cash and cash equivalents	**142**	**48**
Cash and cash equivalents at the start of year	**605**	573
Effect of exchange rate fluctuations	**(12)**	(16)
Cash and cash equivalents at the end of year	**735**	**605**

Significant accounting policies

REPORTING ENTITY

3i Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The Consolidated financial statements ("the Group accounts") for the year to 31 March 2015 comprise the financial statements of the Company and its consolidated subsidiaries (collectively, "the Group").

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

A number of key accounting policies are disclosed below, but where possible, accounting policies have been shown as part of the Note that they specifically relate to in order to assist the reader's understanding.

A COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Group accounts have been prepared and approved by the Directors in accordance with all relevant IFRSs as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee, endorsed by the European Union ("EU").

In the year the Group adopted the following amendment:

IFRS 10 (Revised) – Consolidated Financial Statements
The IASB issued a narrow scope amendment to IFRS 10 in December 2014, and subsequently the Group has revisited and is now consolidating two Debt Management entities and a small number of subsidiaries rather than fair valuing them in the IFRS financial statements. This is due to additional guidance in the narrow scope amendment clarifying the treatment of entities which invest for capital appreciation but also provide investment related services. The Group has chosen to adopt the changes provided in the narrow scope amendment early, and has applied the change retrospectively. The change has no effect on total return or net asset value as reported in the Group's prior year IFRS financial statements. Comparative information has been restated and the effect is shown in Note 9.

The following standards, amendments and interpretations have been issued with implementation dates, subject to EU endorsement in some cases, which do not impact on these financial statements:

		Effective for annual periods beginning on or after
IFRS	Annual improvements 2010 to 2012 and 2011 to 2013	1 July 2014
IFRS	Annual improvements 2012 to 2014	1 July 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018

The impact of future standards and amendments on the financial statements is being assessed by the Group and the Company.

B BASIS OF PREPARATION

The financial statements are prepared on a going concern basis as disclosed in the Directors' Report.

C BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are de-consolidated from the date that control ceases.

3i Group plc is an investment entity and, as such, does not consolidate the investment entities it controls. Most of the Group's interests in subsidiaries are recognised at fair value through profit or loss. Those subsidiaries which provide investment related services, such as advisory, management or employment services are not classified at fair value through profit and loss and continue to be consolidated unless they are deemed investment entities, in which case they are fair valued.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Under the acquisition method of accounting, with some limited exceptions, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any non-controlling interest is measured either at fair value or at the non-controlling interest's proportion of the net assets acquired. Acquisition related costs are accounted for as expenses when incurred, unless directly related to the issue of debt or equity securities. Any excess of the cost of acquisition over net assets is capitalised as goodwill. All intra-group balances, transactions, income and expenses are eliminated.

(ii) Associates

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

(iii) Joint ventures

Interests in joint ventures that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value.

(iv) Composition of the Group

The Group is made up of several different types of subsidiaries. The Group re-assesses the function performed by each type of subsidiary to determine its treatment under the IFRS 10 exception from consolidation. The types of subsidiaries and their treatment under IFRS 10 are as follows:

General Partners (GPs) – Consolidated

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

Investment managers/advisers – Consolidated

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

Investment managers/advisers which also hold investments – Consolidated

- These entities provide investment related services through the provision of investment management or advice and also hold investments in managed assets, typically due to regulatory reasons or investor expectations. The primary purpose of these entities is to provide investment related services and therefore they are not classified as investment entities.

Holding companies of investment managers/advisers – Consolidated

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

Limited Partnerships and other intermediate investment holding structures – Fair valued

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

Portfolio investments – Fair valued

Following the introduction of IFRS 10, the test for accounting subsidiaries has been altered to take wider factors of control as well as actual equity ownership into account. This has resulted in 30 investments being classified as accounting subsidiaries. In accordance with the investment entity exception, these entities have been held at fair value with movements in fair value going through the Statement of comprehensive income. With one exception (Palace Street I) none of these subsidiaries is a UK Companies Act subsidiary.

Structured entities – Fair valued

- The Group has interests in a number of unconsolidated structured entities, their current carrying value and a description of their activities is included in Note 8.

D CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The judgements and assumptions involved in the Group's accounting policies that are considered by the Board to be the most important to the portrayal of its financial condition are the fair valuation of the investment portfolio and the fair valuation of each investment entity subsidiary. The investment portfolio is held at fair value. Given the importance of this area, the Board has a separate Valuations Committee to review the valuations policies, process and application to individual investments. A report on the activities of the Valuations Committee is included in the Governance section of the Annual report.

Further detail on the assessment as an investment entity is as follows:

a) Assessment as an investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to account for most investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit and loss.

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

The Group is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial treatment is accurate. Following the IASB's narrow scope amendment to IFRS 10, issued in December 2014, the Company revisited its assessment of all of its subsidiaries and has consolidated two Debt Management entities and reclassified a small number of subsidiaries. Comparative information has been restated to reflect the adoption of the amendment to IFRS 10 and the impact is shown in Note 9. Further detail on our detailed review of our application of IFRS 10, including the amendment, can be found at the end of the Financial Review section.

b) Valuation of the defined benefit scheme

The Group also considers the valuation of the IAS 19 defined benefit scheme to be a significant estimate. The Group reviews its assumptions annually with its independent actuaries.

E OTHER ACCOUNTING POLICIES

A) Revenue Recognition

Gross investment return is equivalent to "revenue" for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio net of deal-related costs and includes foreign exchange movements in respect of the investment portfolio. Investment income is analysed into the following components:

i. Realised profits or losses over value on the disposal of investments are 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 in force at the date of disposal.

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

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

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

- Dividends from equity investments are recognised in the Statement of comprehensive income when the shareholders' rights to receive payment have been established. Income received on the investment in the most junior ranked level of CLO capital is recognised as a dividend. £16 million was received in the year (2014: £10 million).

- Income from loans and receivables is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value. 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. Income received on the instruments in the most junior level of CLO capital is recognised as a dividend. £16 million was received in the year (2014: £10 million).

- Fee income is earned directly from investee companies when an investment is first made and through the life of the investment. Fees that are earned on a financing arrangement are considered to relate to a financial asset measured at fair value through profit or loss and are recognised when that investment is made. Fees that are earned on the basis of providing an ongoing service to the investee company are recognised as that service is provided.

v. 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.

B) Foreign currency translation

For the Company and those subsidiaries whose balance sheets are denominated in sterling which is the Company's functional and presentation currency, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates of exchange at the balance sheet date. Foreign currency transactions are translated into sterling at the average rates of exchange over the year and exchange differences arising are taken to the income statement.

The balance sheets of subsidiaries and associates denominated in foreign currencies are translated into sterling at the closing rates. The Statements of comprehensive income for these subsidiaries and associates are translated at the average rates and exchange differences arising are taken to other comprehensive income. Such exchange differences are reclassified to the Income statement in the period in which the subsidiary or associate is disposed of.

C) Treasury assets and liabilities

Short-term treasury assets and short and long-term treasury liabilities are used in order to manage cash flows and minimise the overall costs of borrowing.

Cash and cash equivalents comprise cash at bank and short-term deposits. Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument. De-recognition occurs when rights to cash flows from a financial asset expire, or when a liability is extinguished.

Notes to the accounts

1 Segmental analysis

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

The Chief Executive, who is considered to be the chief operating decision maker, manages the Group on two bases. Firstly, as business divisions determined with reference to market focus, geographic focus, investment funding model and the Group's management hierarchy. Secondly, in line with the strategy of the Group, he considers separate Proprietary Capital and Fund Management businesses focused on investment returns and Fund Management profits respectively. A description of the activities, including products and services offered by these divisions and the allocation of resources, is given in the Strategic report.

The segmental information that follows is presented on the Investment basis which is the basis used by the Chief Executive to monitor the performance of the Group. The remaining Notes are prepared on the IFRS basis.

1 Segmental analysis continued

Year to 31 March 2015	Private Equity £m	Infrastructure £m	Debt Management £m	Total £m	Proprietary Capital £m	Fund Management £m	Total £m
Realised profits over value on the disposal of investments	**161**	**1**	**-**	**162**	**162**	**-**	**162**
Unrealised profits/(losses) on the revaluation of investments	**641**	**68**	**(25)**	**684**	**684**	**-**	**684**
Portfolio income							
Dividends	**9**	**20**	**16**	**45**	**45**	**-**	**45**
Income from loans and receivables	**56**	**-**	**6**	**62**	**62**	**-**	**62**
Fees receivable/(payable)	**8**	**(1)**	**(1)**	**6**	**6**	**-**	**6**
Foreign exchange on investments	**(156)**	**8**	**(6)**	**(154)**	**(154)**	**-**	**(154)**
Gross investment return	**719**	**96**	**(10)**	**805**	**805**	**-**	**805**
Fees receivable from external funds	**16**	**30**	**34**	**80**	**-**	**80**	**80**
Synthetic fees	**-**	**-**	**-**	**-**	**(45)**	**45**	**-**
Operating expenses[1]	**(66)**	**(31)**	**(34)**	**(131)**	**(32)**	**(99)**	**(131)**
Interest receivable				**3**	**3**	**-**	**3**
Interest payable				**(49)**	**(49)**	**-**	**(49)**
Movement in the fair value of derivatives				**(1)**	**(1)**	**-**	**(1)**
Exchange movements				**40**	**40**	**-**	**40**
Operating profit before carry				**747**	**721**	**26**	**747**
Carried interest							
Carried interest and performance fees receivable	**28**	**45**	**7**	**80**			**80**
Carried interest and performance fees payable	**(103)**	**(35)**	**(4)**	**(142)**			**(142)**
Acquisition related earn-out charges	**-**	**-**	**(8)**	**(8)**			**(8)**
Operating profit				**677**			**677**
Income taxes				**(4)**			**(4)**
Other comprehensive income							
Re-measurements of defined benefit plans				**(14)**			**(14)**
Total return				**659**			**659**
Net divestment/ (investment)							
Realisations	**831**	**10**	**-**	**841**	**841**		**841**
Cash investment	**(369)**	**-**	**(105)**	**(474)**	**(474)**		**(474)**
	462	**10**	**(105)**	**367**	**367**		**367**
Balance sheet							
Opening portfolio value at 1 April 2014	**2,935**	**487**	**143**	**3,565**	**3,565**		**3,565**
Investment[2]	**509**	**-**	**105**	**614**	**614**		**614**
Value disposed	**(670)**	**(9)**	**-**	**(679)**	**(679)**		**(679)**
Unrealised value movement	**641**	**68**	**(25)**	**684**	**684**		**684**
Other movement[3]	**(267)**	**7**	**(47)**	**(307)**	**(307)**		**(307)**
Closing portfolio value at 31 March 2015	**3,148**	**553**	**176**	**3,877**	**3,877**		**3,877**

1. Includes restructuring costs of nil, nil and £1 million for Private Equity, Infrastructure and Debt Management, respectively, and nil and £1 million for Proprietary Capital and Fund Management, respectively.
2. Includes capitalised interest and other non-cash investment.
3. Other relates to foreign exchange and the provisioning of capitalised interest. In Debt Management, £41 million relates to capital withdrawn from the Palace Street I portfolio.

1 Segmental analysis continued

Year to 31 March 2014	Private Equity £m	Infrastructure £m	Debt Management £m	Total £m	Proprietary Capital £m	Fund Management £m	Total £m
Realised profits over value on the disposal of investments	201	1	-	202	202	-	202
Unrealised profits/(losses) on the revaluation of investments	478	(13)	10	475	475	-	475
Portfolio income							
Dividends	13	21	10	44	44	-	44
Income from loans and receivables	46	-	4	50	50	-	50
Fees receivable/(payable)	9	-	(2)	7	4	3	7
Foreign exchange on investments	(100)	(7)	(6)	(113)	(113)	-	(113)
Gross investment return	**647**	**2**	**16**	**665**	**662**	**3**	**665**
Fees receivable from external funds	17	24	32	73	-	73	73
Synthetic fees	-	-	-	-	(51)	51	-
Operating expenses[1]	(79)	(23)	(34)	(136)	(28)	(108)	(136)
Interest receivable				3	3	-	3
Interest payable				(54)	(54)	-	(54)
Movement in the fair value of derivatives				10	10	-	10
Exchange movements				(3)	(3)	-	(3)
Operating profit before carry				**558**	**539**	**19**	**558**
Carried interest							
Carried interest and performance fees receivable	(1)	-	4	3			3
Carried interest and performance fees payable	(82)	-	(3)	(85)			(85)
Acquisition related earn-out charges	-	-	(6)	(6)			(6)
Operating profit				**470**			**470**
Income taxes				(3)			(3)
Other comprehensive income							
Re-measurements of defined benefit plans				11			11
Total return				**478**			**478**
Net divestment/ (investment)							
Realisations	669	2	6	677	677		677
Cash investment	(276)	-	(61)	(337)	(337)		(337)
	393	**2**	**(55)**	**340**	**340**		**340**
Balance sheet							
Opening portfolio value at 1 April 2013	2,707	507	81	3,295	3,295		3,295
Investment[2]	443	-	61	504	504		504
Value disposed	(468)	(1)	(6)	(475)	(475)		(475)
Unrealised value movement	478	(13)	10	475	475		475
Other movement[3]	(225)	(6)	(3)	(234)	(234)		(234)
Closing portfolio value at 31 March 2014	**2,935**	**487**	**143**	**3,565**	**3,565**		**3,565**

1. Includes restructuring costs of £7 million, £1 million and £1 million for Private Equity, Infrastructure and Debt Management, respectively, and £1 million and £8 million for Proprietary Capital and Fund Management, respectively.

2. Includes capitalised interest and other non-cash investment.

3. Other relates to foreign exchange and the provisioning of capitalised interest.

1 Segmental analysis continued

Year to 31 March 2015	UK £m	Continental Europe £m	The Americas £m	Asia £m	Rest of World £m	Total £m
Gross investment return						
Realised profits over value on the disposal of investments	**2**	**121**	**29**	**10**	**-**	**162**
Unrealised profits/(losses) on the revaluation of investments	**106**	**531**	**36**	**12**	**(1)**	**684**
Portfolio income	**56**	**42**	**13**	**2**	**-**	**113**
Foreign exchange on investments	**(2)**	**(218)**	**40**	**25**	**1**	**(154)**
	162	**476**	**118**	**49**	**-**	**805**
Net divestment/(investment)						
Realisations	**70**	**532**	**161**	**77**	**1**	**841**
Cash Investment	**(109)**	**(186)**	**(179)**	**-**	**-**	**(474)**
	(39)	**346**	**(18)**	**77**	**1**	**367**
Balance sheet						
Value of investment portfolio at the end of the year	**1,148**	**1,947**	**483**	**297**	**2**	**3,877**

Year to 31 March 2014	UK £m	Continental Europe £m	The Americas £m	Asia £m	Rest of World £m	Total £m
Gross investment return						
Realised profits over value on the disposal of investments	77	89	28	7	1	202
Unrealised profits/(losses) on the revaluation of investments	33	357	124	(39)	-	475
Portfolio income	47	36	16	2	-	101
Foreign exchange on investments	(1)	(38)	(36)	(38)	-	(113)
	156	**444**	**132**	**(68)**	**1**	**665**
Net divestment/(investment)						
Realisations	218	343	70	43	3	677
Cash Investment	(41)	(238)	(58)	-	-	(337)
	177	**105**	**12**	**43**	**3**	**340**
Balance sheet						
Value of investment portfolio at the end of the year	**1,058**	**1,817**	**361**	**325**	**4**	**3,565**

2 Realised profits over value on the disposal of investments

	2015 Unquoted investments £m	2015 Quoted investments £m	2015 Total £m
Realisations	**155**	**115**	**270**
Valuation of disposed investments	**(136)**	**(80)**	**(216)**
	19	**35**	**54**
Of which:			
- profit recognised on realisations	**21**	**35**	**56**
- losses recognised on realisations	**(2)**	**-**	**(2)**
	19	**35**	**54**

	2014 Unquoted investments (restated) £m	2014 Quoted investments (restated) £m	2014 Total (restated) £m
Realisations	442	12	454
Valuation of disposed investments	(298)	(10)	(308)
	144	**2**	**146**
Of which:			
- profit recognised on realisations	148	2	150
- losses recognised on realisations	(4)	-	(4)
	144	**2**	**146**

3 Unrealised profits/(losses) on the revaluation of investments

	2015 Unquoted investments £m	**2015 Quoted investments £m**	**2015 Total £m**
Movement in the fair value of investments	**117**	**119**	**236**
Of which:			
- unrealised gains	**193**	**119**	**312**
- unrealised losses	**(76)**	**-**	**(76)**
	117	**119**	**236**

	2014 Unquoted Investments (restated) £m	2014 Quoted Investments (restated) £m	2014 Total (restated) £m
Movement in the fair value of investments	67	14	81
Of which:			
- unrealised gains	126	14	140
- unrealised losses	(59)	-	(59)
	67	**14**	**81**

4 Income taxes

Accounting policy:
Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the Statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

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

To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set off. All deferred tax liabilities are offset against deferred tax assets in accordance with the provisions of IAS 12 “Income taxes”.

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

	2015 £m	2014 (restated) £m
Current taxes		
Current year	**(3)**	(6)
Deferred taxes		
Deferred income taxes	**1**	3
Total income taxes in the Statement of comprehensive income	**(2)**	**(3)**

Reconciliation of income taxes in the Statement of comprehensive income

The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 21% (2014: 23%), and the differences are explained below:

	2015 £m	2014 (restated) £m
Profit before tax	**702**	520
Profit before tax multiplied by rate of corporation tax in the UK of 21% (2014: 23%)	**(147)**	(120)
Effects of:		
Utilisation of previously unrecognised deferred tax	**3**	7
Non-taxable dividend income	**6**	6
Permanent differences	**(6)**	-
Foreign tax	**(2)**	(4)
Capital profits	**145**	137
Excess tax losses arising in the period	**(1)**	(29)
Total income taxes in the Statement of comprehensive income	**(2)**	**(3)**

4 Income taxes continued

The Group's realised profits, fair value adjustments and impairment losses are primarily included in the Company, the affairs of which are directed so as to allow it to be approved as an investment trust. An investment trust is exempt from tax on capital gains, therefore the Group's capital return is substantially non-taxable.

Including £2 million of tax charges incurred in fair valued entities, the total tax charge for the Group was £4 million under the Investment basis presentation.

Deferred income taxes

	2015 £m	2014 (restated) £m
Opening deferred income tax asset		
Tax losses	**12**	9
Income in accounts taxable in the future	**(12)**	(11)
Other	**1**	1
	1	(1)
Recognised through Statement of comprehensive income		
Tax losses utilised	**(5)**	3
Income in accounts taxable in the future	**5**	-
Other	**1**	-
	1	3
Recognised on acquisition		
Income in accounts taxable in the future	**-**	(1)
	-	(1)
Closing deferred income tax asset		
Tax losses	**7**	12
Income in accounts taxable in the future	**(7)**	(12)
Other	**2**	1
	2	**1**

At 31 March 2015, the Group had carried forward tax losses of £1,409 million (2014: £1,360 million), capital losses of £98 million (2014: £78 million) and other temporary differences of £12 million (2014: £12 million). It is uncertain that the Group will generate sufficient taxable profits in the foreseeable future to utilise these amounts and therefore no deferred tax asset has been recognised in respect of these losses. Deferred income taxes are calculated using an expected rate of corporation tax in the UK of 20% (2014: 20%).

5 Per share information

The calculation of basic net assets per share is based on the profit attributable to shareholders and the number of basic average shares. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effect of all dilutive share options and awards.

As at 31 March	**2015**	2014
Earnings per share (pence)		
Basic	**73.9**	54.8
Diluted	**72.9**	54.5
Earnings (£m)		
Profit for the year attributable to equity holders of the Company	**700**	517

As at 31 March	**2015**	2014
Weighted average number of shares in issue		
Ordinary shares	**972,141,887**	971,574,471
Own shares	**(24,825,193)**	(28,285,335)
	947,316,694	943,289,136
Effect of dilutive potential ordinary shares		
Share options and awards	**12,293,543**	5,627,447
Diluted shares	**959,610,237**	**948,916,583**

As at 31 March	**2015**	2014
Net assets per share (£)		
Basic	**4.01**	3.50
Diluted	**3.96**	3.48
Net assets (£m)		
Net assets attributable to equity holders of the Company	**3,806**	3,308

Basic NAV per share is calculated on 948,610,924 shares in issue at 31 March 2015 (31 March 2014: 945,028,804). Diluted NAV per share is calculated on diluted shares of 961,432,940 at 31 March 2015 (31 March 2014: 951,531,950).

6 Dividends

	2015 pence per share	**2015 £m**	2014 pence per share	2014 £m
Declared and paid during the year				
Ordinary shares				
Final dividend	**13.3**	**126**	5.4	51
Interim dividend	**6.0**	**57**	6.7	63
	19.3	**183**	**12.1**	**114**
Proposed final dividend	**14.0**	**133**	**13.3**	**126**

7 Loans and borrowings

Accounting policy:

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

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Loans and borrowings are repayable as follows:				
Within one year	**–**	–	**–**	–
In the second year	**240**	–	**240**	–
In the third year	**–**	274	**–**	274
In the fourth year	**–**	–	**–**	–
In the fifth year	**–**	–	**–**	–
After five years	**575**	575	**575**	575
	815	**849**	**815**	**849**

Principal borrowings include:

	Rate	Maturity	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Issued under the £2,000 million note issuance programme						
Fixed rate						
£200 million notes (public issue)	6.875%	2023	**200**	200	**200**	200
£400 million notes (public issue)	5.750%	2032	**375**	375	**375**	375
€350 million notes (public issue)	5.625%	2017	**240**	274	**240**	274
			815	**849**	**815**	**849**
Committed multi-currency facilities						
£350 million	LIBOR+0.60%	2019	–	–	–	–
£50 million	LIBOR+1.50%	2016	–	–	–	–
£450 million	LIBOR+1.00%	2016	–	–	–	–
			–	**–**	**–**	**–**
Total loans and borrowings			**815**	**849**	**815**	**849**

During the period, the £450 million syndicated multi-currency facility was replaced with a £350 million syndicated multi-currency facility with a maturity date of September 2019. The Company has the option to request one year extensions at the first and second year anniversary of the facility, which may be granted at the discretion of each lender individually. The new £350 million facility has no financial covenants.

The £50 million multi-currency facility was cancelled during the period.

All of the Group's borrowings are repayable in one instalment on the respective maturity dates. None of the Group's interest-bearing loans and borrowings are secured on the assets of the Group.

The fair value of the loans and borrowings is £997 million (2014: £942 million), determined with reference to their published market prices. The loans and borrowings are included in Level 1 of the fair value hierarchy.

Under AIFMD, the Group is required to calculate leverage in accordance with a set formula and disclose this to investors. In line with AIFMD, leverage is 117% (2014: 127%) under the gross method and 120% (2014: 133%) under the commitment method.

8 Related parties and interests in other entities

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

Related parties

Limited partnerships

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

Statement of comprehensive income	**Group 2015 £m**	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
Carried interest receivable	**28**	(1)	**28**	(1)
Fees receivable from external funds	**34**	33	**-**	-

Statement of financial position	**Group 2015 £m**	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
Carried interest receivable	**33**	8	**33**	8

Investments

The Group makes minority investments in the equity of unquoted and quoted investments. This normally allows the Group to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. These investments are not equity accounted for (as permitted by IFRS 10) but are related parties. The total amounts included for these investments are as follows:

Statement of comprehensive income	**Group 2015 £m**	Group 2014 (restated) £m	**Company 2015 £m**	Company 2014 £m
Realised profit/(loss) over value on the disposal of investments	**13**	12	**13**	12
Unrealised profits on the revaluation of investments	**3**	62	**15**	59
Portfolio income	**26**	12	**17**	11

Statement of financial position	**Group 2015 £m**	Group 2014 (restated) £m	**Company 2015 £m**	Company 2014 £m
Unquoted investments	**560**	587	**450**	542

From time to time, transactions occur between related parties within the investment portfolio that the Group influences to facilitate the reorganisation or recapitalisation of an investee company. These transactions are made on an arm's length basis.

Advisory arrangements

The Group acts as an adviser to 3i Infrastructure plc, which is listed on the London Stock Exchange. The following amounts have been included in respect of this advisory relationship:

Statement of comprehensive income	**Group 2015 £m**	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
Unrealised profits on the revaluation of investments	**46**	3	**46**	3
Fees receivable from external funds	**12**	10	**-**	-
Performance fees receivable	**45**	-	**-**	-
Dividends	**12**	12	**12**	12

Statement of financial position	**Group 2015 £m**	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
Quoted equity investments	**288**	242	**288**	242
Performance fees receivable	**45**	-	**-**	-

8 Related parties and interests in other entities continued

Subsidiaries

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

Management, administrative and secretarial arrangements

The Company has appointed 3i Investments plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, as investment manager of the Group. 3i Investments plc received a fee of £13 million (2014: £23 million) for this service.

The Company has appointed 3i plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, to provide the Company with a range of administrative and secretarial services. 3i plc received a fee of £145 million (2014: £98 million) for this service.

Other subsidiaries

The Company borrows funds from, and lends funds to certain subsidiaries and pays and receives interest on the outstanding balances. The interest income that is included in the Company's Statement of comprehensive income is £1 million (2014: £2 million) and the interest expense included is nil (2014: £1 million).

Key management personnel

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

Statement of comprehensive income	**Group 2015 £m**	Group 2014 (restated) £m
Salaries, fees, supplements and benefits in kind	**5**	5
Cash bonuses[1]	**4**	5
Carried interest and performance fees payable	**17**	10
Share-based payments	**5**	3

1. 2014 charge restated to reflect cash bonus only. For further detail, see Directors' remuneration report.

No termination benefits were paid to Executive Directors during the year or the prior year.

Statement of financial position	**Group 2015 £m**	Group 2014 £m
Bonuses and share-based payments	**14**	7
Carried interest and performance fees payable within one year	**5**	1
Carried interest and performance fees payable after one year	**21**	6

Carried interest paid in the year to key management personnel was £3 million (2014: £3 million).

Unconsolidated structured entities

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

The Group has exposure to a number of unconsolidated structured entities as a result of its investment activities across its Private Equity, Infrastructure and Debt Management business lines. These structured entities fall into four categories, namely CLO's, debt management warehouses, closed end limited partnerships (Private Equity and Infrastructure funds) and investments in certain portfolio investments.

The nature, purpose and activities of these entities are detailed below along with the nature of risks associated with these entities and the maximum exposure to loss.

CLO structured entities

The Group manages CLO vehicles as part of its Debt Management business. These funds predominantly invest in senior secured loans and are financed by investors seeking credit rated, structured, investment returns.

The Group manages these funds, in return for a management fee. The Group also typically invests into the equity tranche of these funds. The Group's attributable stakes in these entities are held at fair value, fees receivable are recognised on an accruals basis and performance fees are accrued when relevant performance hurdles are met.

8 Related parties and interests in other entities continued

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

Balance sheet line item of asset or liability	Carrying amount Assets £m	Carrying amount Liabilities £m	Carrying amount Net £m	Maximum loss exposure £m
Unquoted investments	**119**	**-**	**119**	**119**
Fee income receivable	**7**	**-**	**7**	**7**
Total	**126**	**-**	**126**	**126**

At 31 March 2015, the total CLO assets under management were £6.5 billion (2014: £5.8 billion). The Group earned dividend income of £16 million (2014: £8 million) and fee income of £30 million (2014: £7 million) during the year from CLO structured entities.

Warehouse structured entities

Ahead of future CLO fund launches, warehouse facilities are usually established to support the creation of senior secured debt portfolios. These entities are financed by the Group along with the bank appointed to operate the warehouse facility. The Group makes a commitment to the warehouse, typically taking the first loss position and is at risk for margin calls if the portfolio underperforms. The Group's attributable stakes in these warehouses are held at fair value.

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

Balance sheet line item of asset or liability	Carrying amount Assets £m	Carrying amount Liabilities £m	Carrying amount Net £m	Maximum loss exposure £m
Unquoted investments	**43**	**-**	**43**	**43**
Total	**43**	**-**	**43**	**43**

At 31 March 2015, the total net asset value of the warehouse entities was £43 million (2014: £17 million). The Group earned interest income of £6 million (2014: £2 million) during the year from warehouse structured entities.

Closed end limited partnerships

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

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

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

Balance sheet line item of asset or liability	Carrying amount Assets £m	Carrying amount Liabilities £m	Carrying amount Net £m	Maximum loss exposure £m
Carried interest receivable	**33**	**-**	**33**	**33**
Total	**33**	**-**	**33**	**33**

At 31 March 2015, the total assets under management relating to these entities was £2.2 billion (2014: £2.5 billion). The Group earned fee income of £31 million (2014: £33 million) and carried interest of £28 million (2014: £(1) million) in the year.

8 Related parties and interests in other entities continued

Investments that are structured entities

The Group makes investments on behalf of itself and third party funds that it manages, for capital appreciation purposes. In a small number of cases, these investments fall under the classification of a structured entity as they are funds managed by the General Partner under a limited partnership agreement.

The Group's attributable stakes in these entities are held at fair value.

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

	Carrying amount			
	Assets	Liabilities	Net	Maximum loss exposure
Balance sheet line item of asset or liability	£m	£m	£m	£m
Unquoted investments	**2**	-	**2**	**2**
Total	**2**	**-**	**2**	**2**

At 31 March 2015, the total fair value of these investments, including stakes held by third parties was £33 million (2014: £53 million). The Group recognised an unrealised loss of £1 million from investments that are structured entities (2014: £1 million realised profit).

Regulatory information relating to fees:

Under AIFMD, 3i Investments plc acts as an Alternative Investment Fund Manager ("AIFM") to 3i Group plc. In performing the activities and functions of the AIFM, the AIFM or another 3i company may pay or receive fees, commissions or non-monetary benefits to or from third parties of the following nature:

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

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

- **Payments for services from 3i companies**: One 3i company may provide investment advisory services to another 3i company and receive payment for such service.

9 Restatement of prior period information

As explained in the Significant accounting policies, the Group has restated comparative information where relevant, following the early adoption of changes provided in the narrow scope amendment to IFRS 10.

The impact of this restatement on a line by line basis is presented below.

Impact on Consolidated statement of comprehensive income for the year ended 31 March 2014

	As originally reported £m	Effect of restatement £m	Restated presentation £m
Unrealised profit on the revaluation of investments	77	4	81
Fair value movements on investment entity subsidiaries	454	(21)	433
Fees receivable from external funds	50	25	75
Operating expenses	(118)	(18)	(136)
Interest receivable	2	1	3
(Expense)/income from fair value subsidiaries	(5)	13	8
Carried interest and performance fees receivable	(1)	4	3
Carried interest and performance fees payable	(16)	(1)	(17)
Acquisition related earn-out charges	-	(6)	(6)
Income taxes	(2)	(1)	(3)
Other income statement items	37	-	37
Total comprehensive income for the year	**478**	**-**	**478**

Impact on Consolidated statement of financial position as at 31 March 2014

	As originally reported £m	Effect of restatement £m	Restated presentation £m
Assets			
Unquoted investments	1,279	45	1,324
Investments in investment entities	1,973	(64)	1,909
Carried interest and performance fees receivable	8	9	17
Intangible assets	10	15	25
Deferred income taxes	1	2	3
Other current assets	72	4	76
Cash and cash equivalents	643	31	674
Other assets	402	-	402
Total assets	**4,388**	**42**	**4,430**
Liabilities			
Carried interest and performance fees payable	(26)	(4)	(30)
Acquisition related earn-out charges payable	(2)	(16)	(18)
Deferred income taxes – non current	-	(2)	(2)
Provisions	(4)	(1)	(5)
Trade and other payables	(158)	(8)	(166)
Acquisition related earn-out charges payable	-	(10)	(10)
Current income tax	(2)	(2)	(4)
Deferred income taxes – current	(1)	1	-
Other liabilities	(887)	-	(887)
Total liabilities	**(1,080)**	**(42)**	**(1,122)**
Equity			
Translation reserve	242	1	243
Capital, revenue and other reserve	1,051	(1)	1,050
Other reserves	2,015	-	2,015
Total equity	**3,308**	**-**	**3,308**

9 Restatement of prior period information continued

Impact on Consolidated cash flow statement for the year ended 31 March 2014

	As originally reported £m	Effect of restatement £m	Restated presentation £m
Cash flow from operating activities			
Purchase of investments	(114)	(34)	(148)
Proceeds from investments	452	2	454
Cash inflow from fair value subsidiaries	46	16	62
Portfolio fees received	4	2	6
Fees received from external funds	52	23	75
Carried interest and performance fees received	1	4	5
Carried interest and performance fees paid	(20)	5	(15)
Operating expenses	(125)	(6)	(131)
Income taxes paid	(3)	(4)	(7)
Other cash flows	(243)	-	(243)
Change in cash and cash equivalents	**50**	**8**	**58**
Opening cash and cash equivalents	610	23	633
Effect of exchange rate fluctuations	(17)	-	(17)
Closing cash and cash equivalents	**643**	**31**	**674**

Portfolio and other information

25 large investments

The 25 investments listed below account for 81% of the portfolio at 31 March 2015 (2014: 75%).
For each of our investments we have assessed whether they classify as accounting subsidiaries under IFRS and/or subsidiaries under the UK Companies Act. This assessment forms the basis of our disclosure of accounting subsidiaries in the financial statements.

The UK Companies Act defines a subsidiary based on voting rights, with a greater than 50% majority of voting rights resulting in an entity being classified as a subsidiary. IFRS 10 applies a wider test and, if a Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee then it has control, and hence the investee is deemed an accounting subsidiary. Accounting subsidiaries under IFRS 10 within the 25 large investments below are noted. None of these investments are UK Companies Act subsidiaries.

In accordance with Section 29 of the Alternative Investment Fund Manager Directive ("AIFMD"), 3i Investments plc, as AIFM, encourages all controlled portfolio companies to make available to employees and investors an Annual report which meets the disclosure requirements of the Directive. These are available either on the portfolio company's website or through filing with the relevant local authorities.

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost March 2014 £m	**Residual cost March 2015 £m**	Valuation March 2014 £m	**Valuation March 2015 £m**	Relevant transactions in the year
Action* Non-food discount retailer	Private Equity Benelux 2011 Earnings	57	**2**	501	**592**	Refinancing returned £113m of proceeds.
3i Infrastructure plc* Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	302	**302**	404	**481**	£20m dividends paid to 3i Group.
Scandlines* Ferry operator between Denmark and Germany	Private Equity Denmark/ Germany 2007 DCF	108	**114**	193	**262**	
Amor / Christ* Distributor and retailer of affordable jewellery	Private Equity Germany 2010 / 2014 Earnings	50	**129**	70	**165**	Follow on investment in Christ of £99m to acquire Christ, a leading retailer for jewellery and watches in Germany.
Element Materials Technology* Materials testing and inspection	Private Equity Benelux 2010 Earnings	78	**62**	124	**145**	
Quintiles Clinical research outsourcing solutions	Private Equity US 2008 Quoted	52	**41**	122	**144**	
Mayborn* Manufacturer and distributor of baby products	Private Equity UK 2006 Earnings	113	**129**	116	**133**	
ACR Pan-Asian non life reinsurance	Private Equity Singapore 2006 Industry metric	105	**105**	101	**120**	
Q Holding* Precision engineered elastomeric components manufacturer	Private Equity US 2014 Earnings	-	**100**	-	**109**	New investment.
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	30	**30**	96	**102**	

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost March 2014 £m	**Residual cost March 2015 £m**	Valuation March 2014 £m	**Valuation March 2015 £m**	Relevant transactions in the year
Basic Fit* Discount gyms operator	Private Equity Benelux 2013 Earnings	84	**91**	82	**102**	
Tato Manufacture and sale of speciality chemicals	Private Equity UK 1989 Earnings	2	**2**	85	**80**	
GIF* International transmission testing specialist	Private Equity Germany 2013 Earnings	64	**68**	65	**78**	
Dynatect* Manufacturer of engineered, mission critical protective equipment	Private Equity US 2014 Earnings	-	**65**	-	**71**	New investment.
Aspen Pumps* Manufacture of pumps and accessories for the air conditioning, heating and refrigeration industry	Private Equity UK 2015 Earnings	-	**65**	-	**64**	New investment.
Azelis* Pan-European speciality chemical distributor	Private Equity Luxembourg 2007 Imminent sale	72	**76**	26	**62**	Exit completed in May 2015.
Mémora* Funeral service provider	Private Equity Spain 2008 Earnings	141	**159**	67	**61**	
JMJ* Global management consultancy	Private Equity US 2013 Earnings	44	**42**	43	**53**	
Geka* Manufacturer of brushes, applicators and packaging systems for the cosmetics industry	Private Equity Germany 2012 Earnings	56	**69**	55	**53**	
Agent Provocateur* Women's lingerie and assorted products	Private Equity UK 2007 Earnings	49	**53**	35	**53**	
Refresco Gerber European bottler of soft drinks and fruit juices for retailers and branded customers	Private Equity Benelux 2010 Quoted	46	**30**	42	**47**	IPO in March 2015 generating £25m of proceeds.
OneMed Group* Distributor of consumable medical products, devices and technology	Private Equity Sweden 2011 Earnings	108	**117**	44	**47**	
Eltel Networks* Infrastructure services for electricity and telecoms networks	Private Equity Sweden 2007 Quoted	89	**13**	70	**47**	IPO in February 2015 generating £87m of proceeds.
MKM Building materials supplier	Private Equity UK 2006 Earnings	20	**22**	27	**43**	
Etanco* Designer, manufacturer and distributor of fasteners and fixings systems	Private Equity France 2011 Earnings	80	**87**	44	**40**	
		1,750	**1,973**	2,412	**3,154**	

*** IFRS accounting subsidiary**

Glossary

Alternative Investment Funds ("AIFs") At 31 March 2015, 3i Investments plc as AIFM, managed four AIFs. These were 3i Group plc, 3i Growth Capital Fund, 3i Eurofund V and the European Middle Market Loan Fund.

Alternative Investment Fund Managers Directive ("AIFMD") became effective from July 2013. As a result, at 31 March 2015, 3i Investments plc is registered as an Alternative Investment Fund Manager ("AIFM"), which in turn manages four AIFs.

Alternative Investment Fund Manager ("AIFM") is the regulated manager of AIFs. Within 3i, this is 3i Investments plc.

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.

Barclays Infrastructure Fund Management business ("BIFM") Acquired by 3i in November 2013 when it managed two active unlisted funds that invest in UK and European PPP and energy projects, with assets under management of over £700 million.

Board The Board of Directors of the Company.

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

Capital reserve The 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 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. Carry is only actually paid or received when the relevant performance hurdles are met, and the accrual is discounted to reflect expected payment periods.

Carry receivable is generated on third-party capital over the life of the relevant fund when relevant performance criteria are met.

We pay carry to our investment teams on proprietary capital invested and share a proportion of carry receivable from third-party funds. This total carry payable is provided through schemes which have been structured historically over two year vintages to maximise flexibility in resource planning.

Collateralised Loan Obligation ("CLO") A form of securitisation where payments from multiple loans are pooled together and passed on to different classes of owners in various tranches.

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.

Dividend income from equity investments and CLO capital is recognised in the Statement of comprehensive income when the shareholders' rights to receive payment have been established.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") 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.

Executive Committee The Executive Committee is responsible for the day-to-day running of the Group and comprises: the Chief Executive, Group Finance Director, the Managing Partners of the Private Equity, Infrastructure and Debt Management businesses and the Group's General Counsel.

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

Fair value through profit or loss (“FVTPL”) 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 income statement.

Fee income is earned directly from investee companies when an investment is first made and through the life of the investment. Fees that are earned on a financing arrangement are considered to relate to a financial asset measured at fair value through profit or loss and are recognised when that investment is made. Fees that are earned on the basis of providing an ongoing service to the investee company are recognised as that service is provided.

Fees receivable from external funds are fees received by the Group, from third parties, for the management of private equity, infrastructure and debt management funds.

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.

Fund Management A segment of the business focused on generating profits from the management of private equity, infrastructure and debt management funds.

Fund Management Operating profit comprises fee income from third parties as well as a synthetic fee received from the Proprietary Capital business, less operating expenses incurred by the Fund Management business.

Gross investment return (“GIR”) 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 and foreign exchange movements. GIR is measured as a percentage of the opening portfolio value and is the principal tool for assessing our Proprietary Capital business.

Income from loans and receivables 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”) 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.

The commentary in the Strategic Report refers to this basis as we believe it provides a more understandable view of our performance.

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

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

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

Operating cash profit Defined as the difference between our cash income (cash fees from managing third-party funds and cash income from our proprietary capital portfolio) and our operating expenses, excluding restructuring costs.

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

Portfolio income is that which is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured. It is comprised of dividend income, income from loans and receivables and fee income.

Proprietary Capital A segment of the business focused on generating profits from shareholders capital which is available to invest.

Proprietary Capital operating profit The profit comprises gross investment return, operating expenses, a fee paid to the Fund Management business and balance sheet funding expenses such as interest payable.

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

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

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

Segmental reporting Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive who is considered to be the Group's chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intra-segment 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.

Synthetic fee Internal fee payable to the Fund Management business for managing our proprietary capital.

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

Total shareholder return ("TSR") This 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.

Underlying fund management profit Calculated as fee income minus operating expenses related to Fund Management activities, excluding restructuring and amortisation costs.

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

Value weighted earnings growth The growth in last 12 month earnings, when comparing to the preceding 12 months. This measure is the key driver of our private equity portfolio performance.