



12 May 2022

3i Group plc announces results for the year to 31 March 2022

3i delivered an excellent result in FY2022

- **Total return of £4,014 million or 44%** on opening shareholders' funds (March 2021: £1,726 million, 22%) and **NAV per share of 1,321 pence** (31 March 2021: 947 pence).
- **Our Private Equity business delivered a gross investment return of £4,172 million or 47%** (March 2021: £1,936 million, 30%). This excellent result was driven by strong earnings growth and realisation profits with valuation multiple increases contributing just 6% of Private Equity GIR in the year.
- **Action** delivered annual revenue growth of 23% and EBITDA growth of 36% in 2021 and has started 2022 well. Action's LTM EBITDA to P3 2022, which ended on 3 April 2022, was €932 million (31 March 2021: €602 million) showing the strength in recovery of the group's trading since the severe Covid-19 restrictions in the first three months of 2021. This strong performance underpinned value growth of £2,655 million in the year, in addition to £284 million of dividends received.
- In competitive markets the **Private Equity** team deployed **£529 million** including six new investments and two transformational bolt-on acquisitions. In addition our portfolio companies completed a further 13 self-funded bolt-on acquisitions.
- Across the Group, we received over **£1.2 billion** of cash primarily via portfolio company realisations, refinancings and dividends in the year.
- **Our Infrastructure business generated a gross investment return of £241 million, or 21%** (March 2021: £178 million, 16%). This return was driven by the increase in share price of 3i Infrastructure plc ("3iIN") and dividend income.
- **Scandlines generated a gross investment return of £112 million, or 26%** (March 2021: £25 million, 6%). Freight volumes have been consistently strong, finishing ahead of 2019 levels, whilst leisure volumes showed some signs of recovery but remained below 2019 levels due to varying degrees of travel restrictions throughout 2021.
- **Total dividend of 46.5 pence per share** for FY2022, with a second FY2022 dividend of 27.25 pence per share to be paid in July 2022 subject to shareholder approval.

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

"We have entered our new financial year acutely aware of the political and macro-economic challenges the world is facing, but we do this from a position of strength. Our teams are experienced and well-embedded in their local markets across northern Europe and North America. Our processes are carefully designed and disciplined which allows us to react fast to sudden or sharp changes in markets or the broader environment and our portfolio is well constructed from a thematic, geographic and sector perspective and has demonstrated clear resilience over the last few years. We asset manage in the knowledge that we have assembled today's portfolio with real price discipline and we have not over-bought recent highly-priced vintages. In Action we have a formidable retail company that will continue to grow and thrive in today's challenging environment. We also have a number of healthcare and consumer assets which have the potential to deliver significant longer-term compounding returns for the Group."

Financial highlights

	Year to/as at 31 March 2022	Year to/as at 31 March 2021
Group		
Total return	£4,014m	£1,726m
Operating expenses	£(128)m	£(112)m
Operating cash profit	£340m	£23m
Realised proceeds	£788m	£218m
Gross investment return	£4,525m	£2,139m
- As a percentage of opening 3i portfolio value	43%	26%
Cash investment	£543m	£510m
3i portfolio value	£14,305m	£10,408m
Gross debt	£975m	£975m
Net debt	£(746)m	£(750)m
Gearing ¹	6%	8%
Liquidity	£729m	£725m
Net asset value	£12,754m	£9,164m
Diluted net asset value per ordinary share	1,321p	947p
Total dividend per share	46.5p	38.5p

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

ENDS

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For further information regarding the announcement of 3i's annual results to 31 March 2022, including a live webcast 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 and Infrastructure. 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 2022 and have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2021 have been delivered to the Registrar of Companies. The auditor's 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 2022 will be posted to shareholders on or soon after 25 May 2022.

Note 3

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 second dividend is expected to be paid on 22 July 2022 to holders of ordinary shares on the register on 17 June 2022. The ex-dividend date will be 16 June 2022.

Chairman's statement

“The Group has a clear, consistent strategy that continues to be well executed, generating attractive and sustainable returns for shareholders.”

3i delivered an excellent result in FY2022, driven by organic growth and the effective implementation of buy-and-build strategies in our portfolio.

Overview

I am pleased to report that 3i delivered an excellent result in the financial year to 31 March 2022 (“FY2022”), my first year end as Chairman of the Group. The Group has a clear, consistent strategy that continues to be well executed, generating attractive and sustainable returns for shareholders.

Performance

The Group's total return for the year was £4,014 million (2021: £1,726 million). Net asset value (“NAV”) increased to 1,321 pence per share (31 March 2021: 947 pence) and our total return on opening shareholders' funds was 44% (2021: 22%). This year's result highlights the resilience that the Group and our portfolios have demonstrated throughout the pandemic and our ability to generate growth organically and through value accretive acquisitions for our portfolio companies.

Market environment

The strength of the Group's FY2022 result has been achieved against a challenging macro-economic and uncertain geopolitical backdrop. The start of our financial year coincided with the initial phase of the global deployment of Covid-19 vaccines. Despite the emergence of new variants towards the end of 2021, the effectiveness of the vaccination programme and wider public health response resulted in reduced restrictions across many of the regions in which our portfolio companies operate. The resulting pick-up in economic activity gave rise to supply chain disruption and inflationary pressures. These pressures have been exacerbated since Russia's invasion of Ukraine with further increases in commodity prices, including energy and fuel. The Group has no direct exposure to Russia or Ukraine and across our portfolios the exposure is limited.

Dividend

Our dividend policy is to maintain or grow the dividend year on year, subject to balance sheet strength and the outlook for investment and realisation levels. In the year, we had a good level of investment activity across new, bolt-on and further investments, and also generated a significant cash inflow of over £1.2 billion from our portfolio companies. We also provided liquidity to two of our portfolio companies to support their recovery from the pandemic and have capacity to support other portfolio companies if required.

In line with the Group's policy and in recognition of the Group's financial performance, the Board recommends a second FY2022 dividend of 27.25 pence (2021: 21.0 pence), subject to shareholder approval, which will take the total dividend to 46.5 pence (2021: 38.5 pence).

Board and people

I would like to take this opportunity to thank Simon Thompson, my predecessor, for his stewardship of the Group over the last six years, particularly through the early stages of Covid-19 and for facilitating a smooth transition process.

As announced on 11 November 2021, Julia Wilson, Group Finance Director, will retire from her role and the Board after the AGM in June 2022 and will be succeeded by James Hatchley, who will also retain his current Group Strategy responsibilities. We have also promoted Jasi Halai, currently Group Financial Controller, to Chief Operating Officer. I would like to thank Julia for her outstanding contribution to the Group and the Board over her 16-year tenure and welcome James and Jasi to the Board. I am also delighted to welcome to the Board Peter McKellar, who succeeds me as Chairman of the Valuation Committee and Lesley Knox, who has been appointed as our Senior Independent Director.

Environmental, Social, and Governance (“ESG”)

In 2021, ESG and in particular the impact of climate change, was of significant prominence for governments and businesses. We have recognised for some time its importance for our shareholders and investors and wider society and I am encouraged by the Group's progress during the year in implementing its sustainability agenda under the oversight of our newly formed ESG Committee.

Outlook

We have started FY2023 with strong momentum across the Group and our portfolio. The mitigation measures and growth strategies we have implemented since the start of the pandemic mean that we are well placed to adapt to the next phase of its evolution. The current geopolitical instability and the wider implications for the macro-economic environment remain a key focus for the Group and our portfolio companies, and while we are not immune, our portfolio is demonstrating its resilience and ability to generate growth.

The strength of our performance in FY2022 results from our strategy of investing in assets backed by long-term structural growth trends, supporting returns for our shareholders through the cycle.

David Hutchison

Chairman

11 May 2022

Chief Executive's statement

“Since our restructuring in June 2012, we have focused on investing our proprietary capital to deliver sustainable growth and long-term compounding of value from our portfolio companies. This strategy has been executed well by our international investment teams and through the tight central control of the Group's Investment Committee. Price discipline, active asset management and careful cost control have been the hallmarks of the 3i approach since 2012”.

3i delivered an excellent result in FY2022, driven by a resilient portfolio, carefully constructed and positioned in sectors benefiting from long-term structural growth. Our Private Equity and Infrastructure investment teams deployed capital selectively and innovatively across several new, further and bolt-on investments and we capitalised on favourable market conditions to return significant cash to the Group. Against a backdrop of geopolitical tensions and macro-economic uncertainty, we enter the next financial year with a diversified portfolio that has good momentum and is well positioned to generate attractive, sustainable returns for our shareholders.

We continued to deliver against our long-term strategy and objectives in FY2022, generating a total return on shareholders' funds of £4,014 million, or 44% (2021: £1,726 million, or 22%), ending the year with a NAV per share of 1,321 pence (31 March 2021: 947 pence). The Group and its portfolio have navigated the various challenges of the last few years very effectively and the strength of the 3i team and processes, together with the quality of the current investment portfolio, have ensured sustained growth and dividends for shareholders. Throughout the pandemic, rigorous monitoring and active management of our portfolio enabled us to respond quickly to developments in the wider environment and to implement mitigating actions. This is important also in the context of Russia's invasion of Ukraine. The Group has no direct exposure to Russia or Ukraine, and the exposure across the portfolio is limited but, where it exists, we are actively working on options to deal with the situation in the short term.

A combination of pent-up demand and record levels of uninvested capital continue to drive competition and aggressive pricing for private market assets. We have maintained price discipline and remained flexible, selective and innovative in deploying our capital. During the year, we completed six new investments in Private Equity and three in Infrastructure. Bolt-on acquisitions enable our portfolio companies to increase their scale, customers, capabilities and access new markets and have been fundamental to our value creation strategy across both of our portfolios.

In FY2022 we completed a total of 15 bolt-on acquisitions, including two transformational acquisitions for our Private Equity portfolio companies and a number of further investments within our Infrastructure portfolio. Our permanent capital is a distinct advantage in allowing us flexibility in our investment holding periods. We are under no pressure to accelerate exits before assets have reached their full potential. We will, of course, capitalise on favourable exit and refinancing market conditions when they arise. Across the Group, we received over £1.2 billion of cash primarily via portfolio company realisations, refinancings and dividends in the year.

Private Equity performance

Our Private Equity portfolio consists of companies across northern Europe and North America with international operations across four sectors: Business & Technology Services; Consumer; Healthcare; and Industrial Technology. In the year to 31 March 2022, it generated a Gross Investment Return (“GIR”) of 47% (2021: 30%), predominately driven by performance, with 93% of our portfolio companies by value growing their adjusted earnings in the 12 months to December 2021. We remained consistent on our long-term view on multiples, with multiple increases contributing just 6% to Private Equity GIR.

Action

Our largest Private Equity portfolio company, Action, is a leading non-food discount retailer operating in ten countries across Europe. Action delivered a very strong result for its financial year ending 2 January 2022, generating sales growth of 23% and operating EBITDA of €828 million, 36% ahead of the previous year. This performance was achieved notwithstanding Covid-19 restrictions and store closures that affected Action in six out of 12 months in 2021, as well as widespread global supply chain disruptions and inflationary pressures.

2021 was a record year in terms of store openings for Action, as the business added 267 stores. Action's simple and repeatable format, selling good quality but inexpensive products across 14 different categories, remains highly successful in both its established and newer markets. Action is seeing strong trading from seven pilot stores in Italy, opened in 2021, and four pilot stores in Spain, opened in early 2022. The group now has over 2,000 stores across 10 countries and plenty of expansion potential in existing and adjacent countries.

An effective end-to-end supply chain is critical to Action's growth strategy and, in 2021, Action strengthened its distribution infrastructure with the addition of two new distribution centres ("DCs"), in Bratislava, Slovakia and in Bierań, Poland, and opened a new hub in Wrocław, Poland. Action's DC network has the capacity to serve c.2,400 stores, providing important spare capacity to support further growth, whilst the addition of hubs, used to coordinate the inbound freight, ensures efficient supply to the DCs. Enhancements in Action's IT infrastructure and the ability to directly source products have enabled better quality sourcing, more supply chain control and improved the availability of products in stores. The flexibility of Action's product range and its significant buying power have allowed the business to effectively manage price inflation, whilst carefully maintaining price distance to competitors and ensuring value for money for its customers.

Action has made significant progress in the implementation of its ambitious sustainability agenda. The company has set a number of important targets relating to the responsible sourcing of some materials, the transparency of labour conditions in its supply chain, and importantly aims to have circularity plans in place for all its categories by the end of 2022. It has also pledged to reduce the emissions from its own operations by 50% by 2030, from a baseline year of 2020.

The Board of Action appointed Hajir Hajji to the role of CEO effective from 1 January 2022 and she has presided over a good start to the year. In the three months to the end of Action's period 3 ("P3") which ended on 3 April 2022, all stores were open for most of the period and the business generated like-for-like ("LFL") sales growth of 28% and opened 30 new stores. Action's last 12 months ("LTM") EBITDA to P3 2022 was €932 million (31 March 2021: €602 million) showing the strength in recovery of the group's trading since the severe Covid-19 restrictions in the first three months of 2021. Action has not been directly impacted by Russia's invasion of Ukraine and has no stores in that region.

Throughout the pandemic, Action has remained highly cash generative due to its strong performance, asset-light model and structurally negative working capital. As a result, Action paid an interim dividend to shareholders of €325 million in December 2021, and a second dividend of €344 million in March 2022. After paying the dividends, Action had a cash balance of €394 million as at 31 March 2022 and a net debt to run-rate earnings ratio of 2.5x.

Healthcare portfolio companies

Over the last five years, we have increased our exposure to healthcare assets, recognising the significant trends in health and wellbeing spend, ageing populations and the increased importance of the sector following the pandemic. The healthcare assets that we have acquired often operate in highly fragmented markets and the significant bolt-on activity in each of our businesses is providing a foundation for considerable growth. Since our initial platform investment in 2019 and subsequent buy-and-build activity, **SaniSure** is now amongst the largest independent pure-play bioprocessing consumables businesses in the market and delivered very strong organic growth in 2021.

Q Holding's medical business ("QMD") has seen significant recent commercial momentum with strong sales in its core products with existing customers, as well as significant new customer wins in 2021. We continued to enhance **Cirtec Medical** with the self-funded acquisition of Cardea Catheter Innovations, further strengthening Cirtec Medical's interventional segment following the previous acquisitions of Vasotube and NovelCath. Over our five-year hold in **Havea**, we have developed one of the leading European players in consumer healthcare through the simplification of its brand portfolio, omnichannel development and by executing a value accretive buy-and-build strategy. In 2021, the business delivered a good result despite Covid-19 restrictions impacting retail footfall and completed the self-funded acquisition of ixX Pharma.

Consumer portfolio companies (excluding Action)

Our consumer businesses performed well. **BoConcept** delivered record order intake in 2021, with strong performance across most markets, particularly in Japan, as the business continues to outperform growth in the market and benefit from increased spending on the home. Operational improvements implemented since our initial investment and effective pricing strategies have largely offset the increased supply chain and transportation costs. The business expanded its international footprint with a further 35 new stores in 2021, taking the total number of brand stores to 326 across 67 countries.

Hans Anders mitigated Covid-19 restrictions in the first and last quarter of 2021 through its omnichannel strategy and increased operational efficiencies. Following the easing of restrictions in the second and third quarters of 2021, sales rebounded quickly. Trading in the first quarter of 2022 was robust with all stores open. High customer demand, driven by a structural shift to online channels, generated strong performance in the first half of 2021 for **Luqom**, whilst market headwinds, specifically supply chain delays and rising inbound container prices, resulted in pressure on performance in the second half of 2021. The business completed an important transaction with the bolt-on acquisition of **Lampemesteren**, one of the online market leaders in Scandinavia with a particularly strong position in the premium segment of the market.

Over the last two years, Covid-19 has presented an unprecedented challenge to the travel industry, and in 2021 both **Audley Travel** and **arrivia** faced difficult trading conditions. To support their recovery, we provided additional liquidity to both businesses. Encouragingly, in the first quarter of 2022, both saw an improvement in bookings.

Industrial Technology portfolio companies

Our long-term minority investments in **AES** and **Tato** continue to perform well and yield cash dividends for the Group. **Tato** continued to see sustained demand for its core biocides products and maintained its supply levels throughout the pandemic. The Covid-19 driven boost to disinfectant sales normalised through the second half of 2021 with end markets now driven by conventional consumer and industrial drivers. **AES** outperformed our expectations in the year, driven by increased sales volume and efficient cost control.

WP successfully navigated resin and other material price increases with effective pricing strategies in 2021. The business, which has an operating subsidiary in Russia that contributed c.17% of its adjusted 2021 earnings, is actively working with our team on options to deal with the situation in the short term. **Formel D**'s performance in 2021 was severely impacted by plant shutdowns due to the semi-conductor shortage affecting automotive production.

Private Equity investment

We invested £335 million in six new portfolio companies. Three of these were in the consumer sector, including the £87 million investment in **Mepal**, the £46 million investment in **Dutch Bakery** and the £43 million investment in **Yanga**. These are distinctive consumer companies with strong customer propositions and international growth potential. As part of our thematic Business & Technology Services investment strategy, we invested £53 million in **MAIT**, a leading IT services provider that benefits from the digitalisation of SME customers in the manufacturing industries in the DACH region, with a proven M&A platform to drive consolidation in a highly fragmented market.

Our experience and network in the healthcare sector enables us to identify investment opportunities away from the typical processes that are currently commanding very high valuation multiples. In May 2021, we adopted an innovative approach in forming a new platform, **ten23 health**, to create a contract development and manufacturing organisation ("CDMO"), which provides an integrated offering for sterile drug product development and manufacturing of biologics, challenging molecules and dosage forms. Throughout the remainder of the financial year, we continued to support the growth initiatives of this platform and completed the transformational bolt-on acquisition of **Swissfillon**, a drug product fill and finish CDMO. To date, we have invested £69 million in the **ten23 health** platform. In November 2021, we also completed a £37 million co-investment in **insightsoftware**, the company that acquired **Magnitude Software**.

Building value through international roll-outs or bolt-on acquisitions is fundamental to our investment and value creation strategy. In the year, we completed several self-funded bolt-on acquisitions across various stages of the investment lifecycle, including three for **MAIT** and one for **Dutch Bakery**, within 12 months of the completion of our original investment. We also completed acquisitions for more established businesses such as **Luqom**, **Cirtec Medical**, **Havea**, **Evernex**, **Hans Anders**, **AES** and **Royal Sanders**. We also funded a transformational bolt-on acquisition for **GartenHaus** with the acquisition of **Outdoor Toys**, a UK-based online retailer of outdoor garden toys, investing £45 million of 3i proprietary capital.

Further details on our Private Equity investment activity can be found in the Private Equity section.

Private Equity realisations

Private assets continued to command favourable exit valuations, with a particularly strong demand for technology assets. We generated realisation proceeds of £684 million in the year. Following our investment in **Magnitude Software** in May 2019, we supported several new product launches, the transition from on-premises to cloud software solutions and investments in sales and marketing which increased Magnitude Software's organic growth rate. With the business well positioned and a favourable market backdrop, we completed its sale in November 2021, returning £346 million of proceeds to 3i, representing a 109% uplift on 31 March 2021 value. The sale achieved a sterling money multiple of 2.5x and IRR of 44%, a very strong return after a holding period of only two and a half years.

When market conditions and trading performance allow, we may refinance our assets. Following refinancings in the year, **Royal Sanders** and **BoConcept** returned proceeds to 3i of £84 million and £73 million respectively.

We also capitalised on a recovery in public markets in November 2021 with the partial sale of our stake in **Basic-Fit** at €44.25 per share, generating proceeds of £146 million, meaning our money multiple, including the value of our remaining stake at 31 March 2022, is 5.4x.

At the start of April 2022, we agreed the sale of **Q Holding**'s QSR division, a leading developer and manufacturer of electrical connector seals, to Datwyler for an enterprise value of US\$625 million. We expect to receive proceeds of c.US\$255 million in the first half of FY2023. The valuation of Q Holding at 31 March 2022 of £398 million (31 March 2021: £187 million) includes the expected sale proceeds from QSR and our remaining value of Q Holding's QMD business, and means our money multiple for the overall business is 2.5x, with plenty of runway for further value generation in QMD.

Further details on our Private Equity realisation activity can be found in the Private Equity section.

Infrastructure performance

Our Infrastructure portfolio generated a GIR of £241 million, or 21% on the opening value (2021: £178 million, 16%). This strong return was driven principally by the increase in share price of the Group's 30% holding in **3iN**, whose shares closed at 347 pence at 31 March 2022 (31 March 2021: 296 pence). The Infrastructure business generated strong cash income of £91 million (2021: £67 million) as a result of good underlying investment activity and performance.

3iN's investment portfolio outperformed expectations in the year to 31 March 2022. As a result, 3iN generated a total return on opening NAV of 17.2% and delivered its dividend target of 10.45 pence, a 6.6% increase on last year.

As 3iN's Investment Manager, we have overseen a period of significant investment activity, whilst maintaining our price discipline in a highly competitive asset class. During the year, the 3iN team completed the acquisitions of **DNS:NET**, an independent telecommunications provider in Germany, for £190 million and of **SRL Traffic Systems**, the market leading traffic management equipment rental company in the UK, for £191 million. The team also increased 3iN's stake from 50% to 100% in 3iN's existing portfolio company **ESVAGT** and agreed to acquire **Global Cloud Xchange ("GCX")**, a leading global data communications service provider which owns one of the world's largest private subsea fibre optic networks. Whilst the investment hold horizon is typically longer in the infrastructure asset class, we will sell an investment where this generates attractive returns for shareholders. This year saw the divestment by 3iN of **Oystercatcher**'s four European terminals, increasing Oystercatcher's unrealised money multiple to 3.1x.

The underlying 3iN portfolio has no operations in or direct revenues from Russia or Ukraine and to date the indirect impacts on portfolio companies has been limited.

In North America, we have now secured commitments from two third-party blue-chip investors, who have co-invested in **Regional Rail** and **EC Waste** and will make further investments alongside 3i in its **North America Infrastructure platform**. As part of these arrangements, 3i committed US\$300 million into the platform and we received £161 million of realised and syndication proceeds from the co-investment transfers of EC Waste and Regional Rail. We believe this platform provides the Group with an opportunity to build on its experience in a market that has significant growth potential.

Scandlines performance

Scandlines performed well in the year generating a GIR of 26% (2021: 6%). Freight volumes were consistently strong, finishing ahead of 2019 levels. Leisure volumes showed some signs of recovery but remained below 2019 levels as travel restrictions remained in place between Sweden, Denmark and Germany in the first part of the peak trading season of 2021 and, following the emergence of another Covid-19 variant, at the end of 2021. As a result of good cash management throughout the pandemic, Scandlines was able to resume its cash distributions in December 2021, and 3i recognised £13 million of dividends in the year.

Progress on our sustainability agenda

FY2022 was an important year in progressing our sustainability agenda. In recognition of the importance of the management of sustainability issues for the Group and our portfolio, we set up a formal ESG Committee, with membership drawn from across the business, to advise me, directly and through the Group Risk and Investment Committees, on all ESG-related matters. Since its creation this committee has focused in particular on developing strategy, policy and governance for assessing and managing climate-related risks and opportunities across the Group and its portfolio, a topic of increasing urgency and prominence in society and a focus area of governments and regulators and our stakeholders.

As part of this, the ESG Committee has been working on preparing the Group for reporting in alignment with the TCFD framework by the 2024 deadline set by the FCA for asset managers such as 3i, which will require us to expand our current TCFD reporting to include portfolio emissions metrics. To this end, in January 2022 we started an engagement with EY's sustainability practice to establish a roadmap to achieve alignment, refine our process for ESG data collection and perform a first climate scenario analysis to advance our understanding of climate-related risks and opportunities in our portfolio companies.

We are now working on a number of initiatives that we have already set in train. These include:

- **Investment assessment:** we are refining our investment screening process to include an earlier assessment of climate risks and opportunities, with third-party input where required.
- **Data:** we are now completing the process of collecting greenhouse gas ("GHG") emissions data from our portfolio companies and improving our processes and tools to ensure that this data can be easily analysed. Our objective is to measure the carbon footprint of our entire portfolio by the end of FY2023, to facilitate TCFD reporting by 2024. This data will also allow us to improve our engagement with portfolio companies on this topic and set appropriate targets.
- **Scenario analysis:** we are carrying out our first climate scenario analysis for the entirety of our portfolio, to help us assess the impacts on portfolio companies of different climate warming scenarios. We will iterate these analyses periodically to help us better understand and manage the impact of climate change on our portfolio companies.
- **Skills and training:** we are organising bespoke training programmes on climate change physical and transition risks and opportunities, with the objective of equipping everyone in 3i with the knowledge required to assess and manage these appropriately.

We will continue to manage climate change with the necessary urgency. For further information on what we have done to date and what we have planned in the immediate future, please refer to our TCFD disclosures.

During the Covid-19 pandemic, we have continued to work closely with our portfolio companies to ensure the safety and wellbeing of their employees and to manage the range of operational issues they have faced as a result of public health measures, and we have provided financial support where required. The £5 million Covid-19 charitable fund we set up in May 2020 to alleviate the hardships suffered by many as a result of the pandemic has now been fully deployed across the countries where we and our investment teams operate.

3i portfolio companies' support for the humanitarian crisis in Ukraine

Action: donated €1 million to UNICEF. In addition, Action offered the use of its Polish warehouses and logistics to provide supplies and supported Polska Akcja Humanitarna. In the Czech Republic, Action's staff worked closely with People in Need to provide support.

BoConcept: supported people affected by the conflict by matching their employees' donations up to €100,000, with the aim of raising €200,000 to donate to the UN Refugee Agency (UNHCR).

Christ: donated €50,000, split between Aktion Deutschland Hilft e.V.'s Ukraine Emergency Aid project and the regional organisation Gesellschaft BochumDonetsk e.V. The latter organisation was chosen because Bochum is where Christ's logistics department is located and the city is partnered with Donetsk in Ukraine.

GartenHaus: matched employees' donations to the Csilla von Boeselager Stiftung Otseuropahilfe e.V., which has been providing emergency aid in Ukraine for 20 years and operates in Lviv, Beregovo and Zaporizhia.

Havea: donated 100,000 Biolane baby hygiene products, including wipes and washing gel, for distribution to Ukrainian refugees. A second convoy of 40 pallets was donated to organisations hosting refugee families in France.

Scandlines: is offering free transport on its ferries to Ukrainian passport holders.

ten23 health: supported the Swiss charity HEKS/ EPER (Swiss Church Aid), which provides humanitarian aid to civilians in Ukraine and those fleeing the country. The charity also supports Ukrainian refugees in Switzerland.

3i Group's support for the humanitarian crisis in Ukraine

In March 2022, we donated £1 million split equally between UNICEF and the Médecins Sans Frontières/ Doctors Without Borders ("MSF") Emergency Fund.

UNICEF is working with partners on the ground in Ukraine to reach vulnerable children and families with essential services – including health, education, protection, water and sanitation – as well as lifesaving supplies.

MSF provides medical assistance to people affected by conflict, epidemics, disasters, or exclusion from healthcare. MSF's Emergency Fund is an annual financial reserve that allows the organisation to react quickly in emergencies, with an aim of being on the ground within 48 hours.

Our people

It has been a challenging few years for our team and throughout the pandemic we have focused on protecting the wellbeing of our employees and contractors. In September 2021 we implemented a hybrid working model which supports a strong collaborative culture while providing employees with a degree of flexibility to manage non-work commitments and improve their quality of life. I would like to record a big thank you to the 3i team and the teams in our portfolio companies for working through the last few years so well.

We have seen some changes in key personnel this year. James Hatchley will succeed Julia Wilson as Group Finance Director at the end of June 2022 and Jasi Halai, currently Group Financial Controller, will become Chief Operating Officer. They will join the Board in May 2022.

We promoted Julien Marie, currently HR Director, to Chief Human Resources Officer. He joined the Executive Committee in April 2022. Phil White will step down as Managing Partner and Head of Infrastructure and member of the Executive Committee at the end of June 2022, remaining with the business on a part-time basis as Vice Chair of Infrastructure and member of the Group's Investment Committee. Scott Moseley and Bernardo Sottomayor will succeed him as Managing Partners and Co-Heads of European Infrastructure, and will join 3i Group's Executive and Investment Committees, effective 1 July 2022.

We have also seen a marked pick-up in hiring approaches from competing investment firms targeting our investment and professional services teams. This activity has resulted from asset gathering firms in the private equity and infrastructure investment sectors seeking to grow at a very rapid pace, often with a view to becoming a listed company. We have had to respond to these approaches by ensuring that careers and compensation at 3i remain attractive and competitive for the talented individuals we have working in the Group.

Operations and balance sheet

Cost discipline across the Group remains central to our long-term strategy and, in FY2022, we continued to cover our costs with income, generating an operating cash profit of £340 million in the year, or £56 million excluding the £284 million of cash dividends received from Action, which were recognised as income.

We ended FY2022 with net debt of £746 million and 6% gearing, after returning £389 million of cash dividends to shareholders in the year. We close our financial year with liquidity, including our undrawn RCF, of £729 million, meaning we can move fast when suitable investment opportunities arise.

Our ten-year track record

Since our restructuring in June 2012, we have focused on investing our proprietary capital to deliver sustainable growth and long-term compounding of value from our portfolio companies. This approach is underpinned by a robust investment strategy focused on the identification of long-term growth trends across our sectors and geographies. This strategy has been executed well by our international investment teams and through the tight central control of the Group's Investment Committee. Price discipline, active asset management and careful cost control have been the hallmarks of the 3i approach since 2012.

Both Julia Wilson and Phil White have been key members of the 3i team and I am indebted to both for their significant contributions since the restructuring in 2012. Both have reached the pinnacle of their respective disciplines and I wish them well in the next phase of their lives. While they will both be much missed, we have some very capable internal promotees to step into their shoes.

	2012		2022
NAV per share	279p	22% average total return on equity	1,321p
Dividend growth	8.1p	19% CAGR	46.5p
Proprietary capital value	£3.2bn	4.5x increase	£14.3bn
Operating costs as a % of AUM	1.7%	65% reduction	0.6%

Outlook

We have entered our new financial year acutely aware of the political and macro-economic challenges the world is facing, but we do this from a position of strength.

- Our teams are experienced and well-embedded in their local markets across northern Europe and North America.
- Our processes are carefully designed and disciplined which allows us to react fast to sudden or sharp changes in markets or the broader environment.
- Our portfolio is well constructed from a thematic, geographic and sector perspective and has demonstrated clear resilience over the last few years. We asset manage in the knowledge that we have assembled today's portfolio with real price discipline and we have not over-bought recent highly-priced vintages.

In Action we have a formidable retail company that will continue to grow and thrive in today's challenging environment. We also have a number of healthcare and consumer assets which have the potential to become significant longer-term compounders for the Group.

Simon Borrows

Chief Executive
11 May 2022

Private Equity

At a glance

Gross investment return

£4,172m

or 47%

(2021: £1,936m or 30%)

Cash investment

£457m

(2021: £508m)

Realised proceeds

£684m

(2021: £114m)

Portfolio growing earnings

93%¹

(2021: 87%)

Portfolio value

£12,420m

(2021: £8,814m)

Portfolio dividend income

£331m

(2021: £53m)

We invest in mid-market businesses headquartered in northern Europe and North America with potential for international growth. Once invested, we work closely with our portfolio companies to achieve their full potential, realising our investments to deliver strong cash-to-cash returns for 3i shareholders and other investors.

In the year to 31 March 2022, our Private Equity portfolio delivered a GIR of £4,172 million or 47% on the opening portfolio value (2021: £1,936 million or 30%) and the portfolio value increased to £12,420 million (31 March 2021: £8,814 million). This excellent result demonstrates the portfolio's resilience to the pandemic and its ability so far to mitigate disruption to global supply chains and inflationary pressures. 93% of our portfolio by value grew adjusted earnings to the end of 2021, with particularly robust performance from Action and our other assets operating in the consumer and healthcare sectors. Our portfolio companies grew organically and also completed 15 bolt-on acquisitions, including two transformational acquisitions. We made six new investments in FY2022 and ended the year as net divestors. As we enter FY2023, whilst the direct impact of Russia's invasion of Ukraine on our portfolio is limited, we continue to monitor its impact on the broader political and economic environment.

The contribution of Action to the Private Equity performance is detailed in Note 1 of the financial statements.

¹ LTM adjusted earnings to 31 December 2021. Includes 28 portfolio companies.

Table 1: Gross investment return for the year to 31 March

Investment basis	2022 £m	2021 £m
Realised profits over value on the disposal of investments	228	29
Unrealised profits on the revaluation of investments	3,545	2,161
Dividends	331	53
Interest income from investment portfolio	73	55
Fees receivable	6	9
Foreign exchange on investments	(11)	(371)
Gross investment return	4,172	1,936
Gross investment return as a % of opening portfolio value	47%	30%

Investment activity

Acquisition multiples in 2021 across the US and Europe remained high, reflecting fierce competition in private markets, with the increase in pricing of healthcare and technology assets even more pronounced. We remained selective and disciplined, deploying £335 million of our capital in six new portfolio companies with an average initial investment size of £56 million. This is lower than our typical average investment size but is part of a deliberate strategy to avoid the more competitive processes we see for larger investments. These new assets are all capable of building scale through bolt-on acquisitions and further internationalisation.

Between May and October 2021 we invested initial capital in **ten23 health** to fund its start-up spend, before completing the transformational acquisition of Swissfillon in October 2021, bringing our total invested capital to £69 million in the year. We invested £53 million in **MAIT**, an IT services provider catering to larger SME clients across the DACH region, operating in a market segment with structural growth potential and momentum from digitalisation. In October 2021, we invested £46 million in **Dutch Bakery** to drive the company's international growth strategy in the fragmented European private label market for bake-off products, whilst supporting the business in its continued investment in its home markets. In December 2021, we completed the £87 million investment in **Mepal** to continue the international expansion of this successful consumer brand known for its high-quality products for storing, take-away and serving food and drink whilst building on its current core markets, most notably the Netherlands, Belgium and Germany, and strong online performance.

In January 2022, we invested £43 million in **Yanga**, a sports drink provider operating in the attractive value-for-money fitness space, to support its international growth and expansion into North America. In November 2021, we also completed a £37 million co-investment in **insightsoftware**, the company that acquired Magnitude Software.

We continued to execute our buy-and-build strategy more generally with 15 acquisitions completed by our portfolio companies. These create material value by adding scale, as well as broadening the product range and geographical reach while generating synergy opportunities for our portfolio companies. Two of these transactions were transformational in size: **ten23 health's** acquisition of Swissfillon, and the acquisition of Outdoor Toys by **GartenHaus**. The remaining 13 bolt-on acquisitions listed below were self-funded.

We invested £81 million in **Luqom** to buy out minority holdings and provide further investment for the next stage of its growth as well as for M&A. We provided additional funding of £25 million and £30 million to **Audley Travel** and **arrivia** respectively to support their recoveries from the pandemic. We also completed a £12 million further investment in **Christ** as part of the successful extension of its debt package.

As a result of a refinancing, and within 12 months of our investment in Sani-Tech West, **SaniSure** returned £59 million of 3i's proprietary capital. Similarly, **WilsonHCG** returned £13 million of investment.

In total, in the year to 31 March 2022, our Private Equity team invested £529 million across new, bolt-on and further investments, or a net £457 million after the return of funding of £72 million.

	Portfolio company	Name of acquisition	Business description of bolt-on investments	Date
Private Equity portfolio bolt-ons – funded by the portfolio company balance sheets	Luqom	+ Lampemesteren	Online retailer of premium lighting products in the Nordic region	April 2021
	Cirtec Medical	+ Cardea Catheter Innovations	Contract manufacturer specialising in the design and development of catheter systems	July 2021
	Havea	+ ixX Pharma	Independent player in the Belgian premium food supplement segment	September 2021
	Dutch Bakery	+ Goodlife Foods Deurne	Leading production facility specialised in the production of sausage rolls	October 2021
	Evernex	+ Emcon-IT	US player in the third-party hardware maintenance industry	October 2021
	AES	+ JAtech Services	Canada-based asset condition monitoring specialist	November 2021
	Hans Anders	+ Eyes! NV and Eyes Society BV	Belgian franchisee for Eyes+More	December 2021
	SaniSure	+ GL Engineering	Manufacturer of single-use filling needles for use in the fill & finish stage of production	December 2021
	MAIT	+ Infolutions	Swiss-managed services provider with a focus on infrastructure monitoring	January 2022
	MAIT	+ Scirotec	German provider of PTC PLM solutions	January 2022
	Royal Sanders	+ Otto Cosmetic	German manufacturer of private label and contract manufacturing products for the personal care industry	February 2022
	WilsonHCG	+ Claro Analytics	Talent analytics provider that analyses candidate data to help enterprises with workforce planning	February 2022
	MAIT	+ Citrus	Swiss-based product lifecycle management provider	March 2022

	Portfolio company	Business description	Date	Proprietary Capital investment £m
New investment	Mepal	Dutch lifestyle consumer brand known for designing and manufacturing food and drink storage and serving solutions	December 2021	87
	ten23 health¹	Pharmaceutical product CDMO	Various	69
	MAIT	IT services provider of PLM & ERP software applications and IT infrastructure solutions for larger SME clients in the DACH region	September 2021	53
	Dutch Bakery	Industrial bakery group specialised in home bake-off bread and snack products	October 2021	46
	Yanga	Sports drink provider for gym operators	January 2022	43
	insightsoftware	Provider of financial reporting and enterprise performance management software for the office of the CFO	November 2021	37
	Total new investment			

1 Includes the transformational bolt-on acquisition of Swissfillon.

	Portfolio company	Name of acquisition	Business description of bolt-on investments	Date	Proprietary Capital investment £m
Further investment to finance portfolio bolt-on acquisitions	GartenHaus	+ Outdoor Toys	UK-based online retailer of outdoor garden toys	October 2021	45
	Total further investment to finance portfolio bolt-on acquisitions				

	Portfolio company	Business description	Date	Proprietary Capital investment £m
Further investment to support portfolio companies	Audley Travel	Provider of experiential tailor-made travel	October 2021	25
	arrivia	Global travel and loyalty company that connects leading brands, travel suppliers and end consumers	March 2022	30
	Total further investment to support portfolio companies			55

	Portfolio company	Type	Business description	Date	Proprietary Capital investment £m
Other investment	Luqom	Further	Online lighting specialist retailer	Various	81
	Christ	Further	German retailer of jewellery and watches	November 2021	12
	Other	Further	Various	Various	1
Total other investment					94

Total FY2022 Private Equity gross investment **529**

	Portfolio company	Type	Business description	Date	Proprietary Capital investment £m
Return of funding	WilsonHCG	Return of funding	Global provider of recruitment process outsourcing and other talent solutions	Various	(13)
	SaniSure	Return of funding	Manufacturer, distributor and integrator of single-use bioprocessing systems and components	July 2021	(59)
Total return of funding					(72)

Total FY2022 Private Equity net investment **457**

Realisation activity

In the year we completed the sale of **Magnitude Software**, returning £346 million of realised proceeds to 3i, achieving a sterling money multiple of 2.5x and an IRR of 44% after only a two and a half year hold. We also capitalised on a recovery in equity markets in November 2021, with the partial sale of our shares in **Basic-Fit** for €44.25 per share, generating proceeds of £146 million. We retain a 5.7% holding in the business.

We continue to refinance our most cash generative assets where appropriate for the business and when the market allows. We completed refinancing for **Royal Sanders** and **BoConcept**, returning £80 million (as well as £4 million recorded as income) and £73 million of realised proceeds respectively. BoConcept also returned a further £17 million earlier in the year following the partial repayment of a shareholder loan. Finally, we received £22 million of proceeds from our legacy portfolio.

In aggregate, we generated total Private Equity proceeds of £684 million (2021: £114 million) and realised profits of £228 million (2021: £29 million).

At the start of April 2022, we agreed the sale of **Q Holding's** QSR division, a developer and manufacturer of electrical connector seals, to Datwyler for an enterprise value of US\$625 million. We expect to receive proceeds of c.US\$255 million in H1 FY2023.

Table 2: Private Equity realisations in the year to 31 March 2022

Investment	Country	Calendar year invested	31 March 2021 value ¹ £m	3i realised proceeds £m	Profit in the year £m	Uplift on opening value ² %	Residual value £m	Money multiple ³	IRR
Full realisations									
Magnitude Software	US	2019	165	346	180	>100%	–	2.5x	44%
Other	n/a	n/a	1	2	1	100%	–	n/a	n/a
Total realisations			166	348	181		–	2.5x	44%
Refinancings^{1,3}									
BoConcept	Denmark	2016	73	73	–	–	184	2.4x	16%
Royal Sanders	Netherlands	2018	80	80	–	–	297	3.1x	36%
Total refinancings			153	153	–	–	481	n/a	n/a
Partial realisations^{1,3}									
Basic-Fit	Netherlands	2013	110	146	37	33%	129	5.4x	40%
BoConcept	Denmark	2016	17	17	–	–	184	2.4x	16%
Other	n/a	n/a	10	10	–	–	n/a	n/a	n/a
Deferred consideration									
Eltel	Nordic	2007	–	10	10	n/a	–	n/a	n/a
Total Private Equity realisations			456	684	228	-	n/a	n/a	n/a

1 For partial realisations, 31 March 2021 value represents value of stake sold.

2 Profit in the year over opening value.

3 Cash proceeds over cash invested. For partial realisations and refinancings, valuations of any remaining investment are included in the multiple. Money multiples are quoted on a GBP basis.

Portfolio valuation approach

To varying degrees, our portfolio companies had to respond to supply chain disruption, commodity price increases, other inflationary pressures and Covid-19 travel restrictions in FY2022. Against this backdrop the majority of our portfolio companies demonstrated great resilience and adaptability and continued to meet their investment plans. Therefore, our longer-term investment view on those portfolio companies has not changed and our valuation approach has remained consistent. For a small number of assets that remained challenged due to Covid-19, we sought to gather a broader range of inputs, considered different methodologies and applied further judgement. We valued earnings directly attributable to Russian operations at nil as at 31 March 2022.

Our Private Equity portfolio generated an unrealised profit of £3,545 million (2021: £2,161 million).

Action valuation and performance

In the 12 months to the end of Action's P3 2022 (which ended on 3 April 2022), Action delivered very strong earnings growth and cash generation and continued its international store roll-out. This was reflected in the £2,655 million (March 2021: £1,202 million) unrealised profits shown in Table 3. As the largest Private Equity investment by value, it represented 58% of the Private Equity portfolio (31 March 2021: 52%). Further information on Action's performance in the period is provided in the Chief Executive's statement.

At 31 March 2022, Action was valued using its LTM run-rate earnings to the end of P3 2022 of €1,012 million. The LTM run-rate earnings included our normal adjustment to reflect stores opened in the year. At 31 March 2022, Action was valued on a multiple of 18.5x net of the liquidity discount (31 March 2021: 18.5x). This resulted in a valuation of our 52.7% stake in Action of £7,165 million (31 March 2021: £4,566 million).

Performance (excluding Action)

Excluding Action, the performance of investments valued on an earnings basis resulted in unrealised profits of £483 million (March 2021: £536 million), driven by strong earnings growth and cash generation across the portfolio, with particularly robust performance from our companies operating in the healthcare and consumer sectors.

Following our initial platform investment in 2019, **SaniSure** delivered strong earnings growth in 2021 as the business capitalised on the double-digit growth of the bioprocessing single-use market, with a robust order book supporting innovative therapeutic modalities. The business is well positioned for sustained growth into 2022 and beyond as it strives for operational excellence and supply chain enhancement. The QMD business of **Q Holding** benefited from an increase in elective surgical procedures in 2021 and secured significant new product wins that will drive strong organic growth in 2022. Further information on the valuation of its QSR business is detailed under sum of the parts heading later in this section. **Cirtec Medical** delivered new wins across its end markets and capabilities, positioning the business for sustained growth as procedure volumes recover and customers re-stock their inventories. The bolt-on

acquisition of Cardea Catheter Innovations in the year further expanded its end market exposure. Despite Covid-19 impacting retail footfall, the strength of **Havea's** brands drove good organic growth in 2021, whilst the business continued its omnichannel development and international expansion with the bolt-on acquisition of ixX Pharma.

BoConcept generated strong earnings growth and cash flow in 2021, driven by existing store sales growth across almost all markets and 35 new store openings. Through effective pricing strategies, utilising its strong relationship with existing suppliers and by diversifying its supplier base, the business has largely mitigated the increased raw material and transportation costs and supply chain constraints seen in its industry. **Hans Anders** largely mitigated reduced footfall in the first and last quarter of 2021 through its online appointment booking tool and higher conversion rates. When Covid-19 restrictions eased in the second and third quarter of 2021, sales quickly rebounded. As a value-for-money optical retailer, Hans Anders' price positioning is below that of its major competitors and its tight cost control has enabled it to manage inflationary pressures. Following a very strong performance in 2020, **Luqom's** strong trading momentum continued into the first half of 2021 as consumer demand for lighting products online remained robust against a backdrop of ongoing Covid-19 related restrictions. The second half of 2021 saw headwinds on performance predominately driven by supply chain disruptions and rising inbound container prices. Luqom completed its second bolt-on acquisition since our initial investment, with the purchase of Lampemesteren, an important acquisition from a market share and international expansion perspective, particularly in the premium segment.

Tato delivered strong performance in 2021 with continued demand for its core biocide products. Given Tato's biocides speciality focus, scale and strong global diversification of both production and customers, the business is managing input price inflation with effective pricing strategies. **AES** generated strong earnings growth from increased sales volumes combined with efficient cost control. The business also strengthened its geographical footprint in North America following the acquisition of JAtech Services in November 2021. Both Tato and AES were cash generative in the year and distributed dividends to 3i of £18 million in total. **Dynatect** generated earnings that materially outperformed pre-pandemic levels driven by market recovery and strong performance on pricing, which offset inflationary pressures from materials. **MPM** performed well in both its core markets and in its international expansion, with particularly strong performance in the US. **WilsonHCG** continues to benefit from strong labour markets globally as we emerge from the pandemic.

Over the last 24 months, the pandemic has presented an unprecedented challenge to the travel industry. **arrivia**, our travel-based loyalty services specialist, has been fairly resilient throughout the pandemic and in 2021 the business saw a noticeable recovery in bookings for hotels, resorts, air travel and car rentals, interrupted periodically by various new Covid-19 variants and restrictions. Leisure cruising, arrivia's primary market, remained challenged with 2021 bookings returning to just over a third of 2019 levels. **Audley Travel's** performance throughout 2021 closely mirrored Covid-19 incidence rates and Government policy across its US and UK markets. As restrictions have eased, we have seen an encouraging recovery in bookings. To support both businesses through this recovery, we invested a further £25 million in Audley Travel and £30 million in arrivia in the year.

WP recorded a solid performance in 2021, despite inflationary pressures on various input materials and energy costs and subdued demand in certain personal care products as a result of Covid-19. It mitigated resin price increases through effective pricing strategies. The business, which has an operating subsidiary in Russia that contributed c.17% of its adjusted 2021 earnings, is actively working with our team on options to deal with the situation in the short term. Those earnings attributable to Russia have been excluded from the valuation of WP at 31 March 2022. Our valuation of **Formel D** at 31 March 2022 reflects the challenges the business continues to face as a result of semiconductor shortages and automotive market impacts from the Ukraine crisis. Formel D has a small exposure to Russia mostly via testing facilities which are currently being discontinued.

Table 3: Unrealised profits on the revaluation of Private Equity investments¹ in the year to 31 March

	2022 £m	2021 £m
Earnings based valuations		
Action performance	2,655	1,067
Action multiple	–	135
Performance (excluding Action)	483	536
Multiple movements (excluding Action)	241	408
Other bases		
Sum of the parts	132	–
Discounted cash flow	7	(101)
Other movements on unquoted investments	2	3
Quoted portfolio	25	113
Total	3,545	2,161

¹ Further information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation section in our Annual report and accounts 2022.

Overall, 93% of the portfolio by value grew LTM adjusted earnings in the year (2021: 87%). Table 4 shows the earnings growth of our top 20 assets.

Table 4: Portfolio earnings growth of the top 20 private equity¹ investment

	Number of companies	3i value at 31 March 2022 £m
<0%	4	777
0-9%	4	1,453
10-19%	3	1,254
20-29%	1	269
≥30%	8	8,224

1 Includes top 20 Private Equity companies by value. This represents 96% of the Private Equity portfolio by value (31 March 2021: 98%). Last 12 months' adjusted earnings to 31 December 2021 and Action based on LTM run-rate earnings to the end of P3 2022.

Leverage

Leverage across the portfolio decreased to 3.3x earnings (31 March 2021: 3.9x) or increased to 4.6x excluding Action (31 March 2021: 4.3x).

Table 5 shows the ratio of net debt to adjusted earnings by portfolio value.

Table 5: Ratio of net debt to adjusted earnings¹

	Number of companies	3i value at 31 March 2022 £m
<1x	–	–
1-2x	1	448
2-3x	4	7,595
3-4x	6	1,094
4-5x	7	1,121
5-6x	3	994
>6x	3	236

1 This represents 92% of the Private Equity portfolio by value (31 March 2021: 88%). Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation. Net debt and adjusted earnings at 31 December 2021 and Action based on LTM run-rate earnings to the end of P3 2022.

Multiple movements

The increase in value due to multiple movements was £241 million (2021: £543 million). When selecting multiples to value our portfolio companies, we consider a number of factors including recent performance and outlook, comparable recent transactions and exit plans, and monitor external equity markets.

Global equity markets saw a strong recovery through 2021 driven by favourable monetary policy, fiscal stimulus and the global deployment of Covid-19 vaccines. The emergence of Covid-19 variants at the end of 2021 and Russia's invasion of Ukraine resulted in increased volatility in global equities in the first three months of 2022. Such unpredictable movements reinforce our strategy of taking a long-term view on the multiples used to value our portfolio companies.

We increased the valuation multiples for some of our portfolio companies that have grown organically or through recent acquisitions and operate in sectors that have benefited from positive market trends.

There was no change to the multiple used to value Action at 31 March 2022. Based on the valuation at 31 March 2022, a 1.0x movement in Action's post-discount multiple would increase or decrease the valuation of 3i's investment by £451 million.

DCF

Audley Travel is our largest Private Equity asset valued on a DCF basis and its valuation reflects our expectation on recovery in the UK and US travel markets. At 31 March 2022, Audley Travel was valued at £117 million (31 March 2021: £85 million).

Quoted portfolio

Basic-Fit is the only quoted investment in our Private Equity portfolio. Covid-19 restrictions continued to affect Basic-Fit's performance in 2021 due to temporary club closures and government restrictions. However, the business saw its membership level recover to its pre-pandemic levels and expanded its club base by 110 clubs.

At 31 March 2022 our residual 5.7% shareholding was valued at £129 million (31 March 2021: 12.8% shareholding valued at £214 million).

Sum of the parts

At 31 March 2022, Q Holding was valued on a sum of the parts basis. The sum of the parts included the valuation of the QSR division, valued on an imminent sale basis after the agreed sale and the value of its QMD business, valued on an earnings basis.

Assets under management

The value of the Private Equity portfolio, including third-party capital, increased to £16.7 billion (31 March 2021: £11.6 billion), primarily due to unrealised value movements in the year.

Table 6: Private Equity assets by geography as at 31 March 2022

3i office location	Number of companies	3i carrying value 2022 £m
Netherlands	8	8,296
France	2	595
Germany	7	939
UK	8	960
US	9	1,608
Other	3	22
Total	37	12,420

Table 7: Private Equity assets by sector as at 31 March 2022

Sector	Number of companies	3i carrying value 2022 £m
Action (Consumer)	1	7,165
Consumer	12	2,022
Industrial Technology	7	1,012
Business & Technology Services	11	656
Healthcare	6	1,565
Total	37	12,420

Table 8: Private Equity 3i proprietary capital as at 31 March

Vintages	3i proprietary capital value ³ 2022 £m	Vintage money multiple ⁴ 2022	3i proprietary capital value ³ 2021 £m	Vintage money multiple ⁴ 2021
Buyouts 2010–2012 ¹	2,462	12.3x	1,569	10.2x
Growth 2010–2012 ¹	18	2.1x	16	2.1x
2013–2016 ¹	1,022	2.3x	829	2.1x
2016–2019 ¹	2,210	1.8x	2,062	1.4x
2019–2022 ¹	1,319	1.3x	745	1.1x
Others ²	5,389	n/a	3,593	n/a
Total	12,420		8,814	

1 Assets included in these vintages are disclosed in the Glossary.

2 Includes value of £4,703 million (31 March 2021: £2,997 million) held in Action through the 2020 Co-investment vehicles and 3i.

3 3i proprietary capital is the unrealised value for the remaining investments in each vintage.

4 Vintage money multiple (GBP) includes realised value and unrealised value as at the reporting date.

Infrastructure

At a glance

Gross investment return

£241m
or 21%

(2021: £178m or 16%)

AUM

£5,717m

(2021: £4,945m)

Cash income

£91m

(2021: £67m)

We manage a range of funds investing principally in mid-market economic infrastructure and operational projects in Europe and North America. Infrastructure is a defensive asset class that provides a good source of income and fund management fees for the Group, enhancing returns on our proprietary capital. The team has been active in its deployment of capital across the portfolio and in new investments, and brought third-party investors into the 3i North America Infrastructure platform in March 2022.

Our Infrastructure portfolio generated a GIR of £241 million or 21% on the opening portfolio value (2021: £178 million, 16%). This strong return was driven principally by the appreciation of our quoted stake in 3iN and dividend income. We grew our North America Infrastructure platform, with a 3i commitment of US\$300 million, seeding our new US infrastructure investment, EC Waste, alongside our existing investment in Regional Rail. Our 3i European Operational Projects Fund ("3i EOPF") agreed to acquire a further eight projects in the year and upon completion will be substantially deployed.

Table 9: Gross investment return for the year to 31 March

	2022	2021
Investment basis	£m	£m
Realised profits over value on the disposal of investments	10	6
Unrealised profits on the revaluation of investments	178	168
Dividends	31	29
Interest income from investment portfolio	12	10
Fees (payable)/receivable	(3)	–
Foreign exchange on investments	13	(39)
Movement in fair value of derivatives	–	4
Gross investment return	241	178
Gross investment return as a % of opening portfolio value	21%	16%

Fund management

3iN

3iN's portfolio performed strongly in the year, with the majority of portfolio companies trading ahead of expectations and generating a good level of portfolio income. We have seen particularly strong performance from assets operating in the transport and logistics sector, such as **Oystercatcher** and **TCR**, the Energy sector, such as **ESVAGT** and **Valorem** and Social Infrastructure such as **lonisos**.

In the year to 31 March 2022, 3iN generated a total return on opening NAV of 17.2%, materially ahead of its total return target of 8% to 10% per annum over the medium term and delivered a dividend of 10.45 pence per share, a 6.6% increase on last year.

Neither 3iN, nor any of its portfolio companies, has any direct exposure to Russia or Ukraine and whilst we remain cognisant of the indirect implications through supply chains and the wider macro-economic environment, the impact to date on portfolio companies has been limited.

As investment manager to 3iN we received a management and support services fee of £44 million (2021: £25 million) and a NAV-based performance fee of £26 million (2021: £8 million) comprising a third of the potential performance fee for each of FY2022, FY2021 and FY2020 after the performance hurdle was met in each year.

Infrastructure assets remain in significant demand resulting in a highly competitive investment market. Our rigorous process for identifying, screening and selecting investments means we remain very active in the market whilst retaining our price discipline.

During the year, 3iN completed investments in **DNS:NET** and **SRL Traffic Systems** and agreed to invest c.US\$512 million to acquire 100% of **GCX**, a global data communications service provider, with completion expected in the summer of 2022. 3iN also completed a £258 million further investment in **ESVAGT** doubling its equity stake to 100%, a £21 million further investment in **Valorem** to fund growth and small further investments in **Joulz** and **TCR**.

In October 2021, 3iN completed the sale of **Oystercatcher**'s stakes in four European liquid storage terminals for proceeds of €55 million after debt repayment and continues to hold a 45% stake in Oiltanking Singapore. In March 2022, 3iN agreed the sale of its European projects portfolio, for c.£103 million, to 3i EOPF.

North America Infrastructure platform

In November 2021, we invested £146 million in **EC Waste**, a vertically integrated provider of federally compliant solid waste services in Puerto Rico. Including bolt-on investments, this represents our seventh US infrastructure investment. We have now secured commitments from two third-party blue-chip investors, who have co-invested in EC Waste and **Regional Rail** and will make further investments alongside 3i in its North America Infrastructure platform. As part of these arrangements, 3i committed US\$300 million into the platform and we received £161 million of realised and syndication proceeds from the co-investment transfers of Regional Rail and EC Waste.

Other funds

3i EOPF and 3i Managed Infrastructure Acquisitions Fund ("**3i MIA**") performed well in the year.

During the year, 3i EOPF made a €30 million commitment to invest in NCoT Green Mobility to fund its pipeline of future projects of which €6.5 million has been drawn to date. In March 2022, 3i EOPF completed the acquisition of an 80% stake in La Seine Musicale, a multi-functional performance complex located in the Paris area. It also agreed to acquire 3iN's European projects portfolio for c.£103 million. On completion of this transaction the fund will be substantially deployed.

In the year we recognised £7 million of realised proceeds from KMC Roads and GVK Energy, two investments in the **3i India Infrastructure Fund**. This fund has one remaining investment which is valued at nil.

Assets under management

Infrastructure AUM increased to £5.7 billion (2021: £4.9 billion), principally due to the increase in 3iN's share price.

Table 10: Assets under management as at 31 March 2022

Fund/strategy	Close date	Fund size	3i commitment/share	Remaining 3i commitment	Invested ⁴ at 31 March 2022	%	AUM £m	Fee income earned in 2022 £m
3iN ¹	Mar-07	n/a	£934m	n/a	n/a	n/a	3,093	44
3i Managed Infrastructure Acquisitions LP	Jun-17	£698m	£35m	£5m	86%		1,038	6
3i European Operational Projects Fund ²	Apr-18	€456m	€40m	€12m	69%		267	2
BIIF	May-08	£680m	n/a	n/a	90%		457	4
3i India Infrastructure Fund	Mar-08	US\$1,195m	US\$250m	n/a	73%		–	–
3i managed accounts	various	n/a	n/a	n/a	n/a		357	2
3i North America Infrastructure platform	Mar-22 ³	US\$495m	US\$300m	US\$125m	58%		298	–
US Infrastructure	Nov-17	n/a	n/a	n/a	n/a		207	–
Total							5,717	58

1 AUM based on the share price at 31 March 2022.

2 3i European Operational Projects Fund acquisitions signed but not completed by 31 March 2022 will raise the invested percentage from 69% to c.84%.

3 First close completed in March 2022.

4 % invested is the capital deployed into investments against the total Fund commitment.

3i's proprietary capital Infrastructure portfolio

The Group's proprietary capital infrastructure portfolio consists of its 30% quoted stake in 3iN, its investment in **Smarte Carte** and direct stakes in other managed funds.

Quoted stake in 3iN

3iN's share price increased by 17% in the year and closed to 347 pence on 31 March 2022 (31 March 2021: 296 pence). We recognised £137 million of unrealised profits on our 3iN investment (2021: £132 million) and £27 million of dividend income (2021: £26 million).

North America Infrastructure proprietary capital

Smarte Carte performed well over the year due to strong demand for carts, as the US domestic travel market rebounded ahead of expectations. International travel continues to recover, albeit at a slower pace. At 31 March 2022, Smarte Carte was valued at £207 million on a DCF basis (31 March 2021: £160 million).

Table 11: Unrealised profits on the revaluation of Infrastructure investments in the year to 31 March

	2022 £m	2021 £m
Quoted	137	132
Discounted cash flow ("DCF")	36	26
Fund/other	5	10
Total	178	168

Further information on our valuation methodology, including definitions and rationale, is included in the portfolio valuation – an explanation section in our Annual report and accounts 2022.

Table 12: Infrastructure portfolio movement for the year to 31 March 2022

Investment	Valuation	Opening value at 1 April 2021 £m	Investment £m	Disposals at opening book value £m	Unrealised profit movement £m	Other movements ² £m	Closing value at 31 March 2022 £m
3iN	Quoted	797	–	–	137	–	934
Smarte Carte	DCF	160	–	–	30	17	207
Regional Rail	DCF	131	–	(91)	3	5	48
EC Waste ¹	DCF	–	81	–	3	2	86
3i MIA	Fund	48	1	–	4	–	53
3i EOPF	Fund	20	3	–	1	–	24
India Infrastructure Fund	Other	3	–	(3)	–	–	–
Total		1,159	85	(94)	178	24	1,352

1 Investment net of the syndication of £65 million.

2 Other movements include foreign exchange.

Scandlines

Gross investment return

£112m

or 26%

(2021: £25m or 6%)

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

Performance

Scandlines performed well in the year, generating a GIR of £112 million or 26% of opening portfolio value (2021: £25 million, 6%). Freight volumes, which have been consistently strong throughout the pandemic, were above 2019 levels in 2021, representing a record year for the business. In the first six months of 2021, including the first part of the peak summer season, Covid-19 variants had a significant impact on leisure volumes. Following the introduction of the EU Covid-19 passport in July 2021, leisure volumes gradually recovered, returning to 2019 levels in October 2021, before the emergence of another Covid-19 variant at the end of 2021 impacted leisure volumes further. Cost saving initiatives implemented in 2020 positioned Scandlines well for the impact of ongoing restrictions in 2021, contributing to earnings outperformance in the year. Following the good performance in the year and strong cash generation, the business resumed its distributions with 3i receiving £13 million of dividends in FY2022.

Sustainability, particularly carbon reduction, remains a key focus for Scandlines, with an ambitious target to ensure emission free operations on its Puttgarden-Rødby route by 2030 and for Scandlines by 2040. As part of this target, the business ordered its first emission-free freight ferry in November 2021. The new ferry will increase its current freight capacity on the Puttgarden-Rødby route by up to 23% and is expected to be delivered in 2024.

Trading since the start of 2022 has been strong, with freight volumes ahead of 2019 levels and leisure volumes also recovering. The business continues to navigate the inflationary environment, with fuel prices hedged in the short term. The business has no direct exposure to Russia or Ukraine.

We continue to value Scandlines on a DCF basis and at 31 March 2022 its value was £533 million (31 March 2021: £435 million).

Foreign exchange

We hedge the balance sheet value of our investment in Scandlines. We recognised a £2 million net loss on foreign exchange translation (March 2021: £3 million net gain) including a £2 million fair value gain (March 2021: £20 million) from our hedging programme.

Table 13: Gross investment return for the year to 31 March

Investment basis	2022 £m	2021 £m
Unrealised profit on the revaluation of investments	101	22
Dividends	13	–
Foreign exchange on investments	(4)	(17)
Movement in fair value of derivatives	2	20
Gross investment return	112	25
Gross investment return as a % of opening portfolio value	26%	6%

Financial review

An excellent financial performance

We generated a GIR of £4,525 million in FY2022 (2021: £2,139 million) and operating profit before carried interest of £4,417 million (2021: £2,031 million).

The total return was £4,014 million, representing a profit on opening shareholders' funds of 44% (2021: £1,726 million or 22%). The diluted NAV per share at 31 March 2022 increased by 39% to 1,321 pence (31 March 2021: 947 pence) after paying dividends totalling 40.25 pence per share during the year.

Table 14: Total return for the year to 31 March

	2022	2021
	£m	£m
Investment basis		
Realised profits over value on the disposal of investments	238	35
Unrealised profits on the revaluation of investments	3,824	2,351
Portfolio income		
Dividends	375	82
Interest income from investment portfolio	85	65
Fees receivable	3	9
Foreign exchange on investments	(2)	(427)
Movement in the fair value of derivatives	2	24
Gross investment return	4,525	2,139
Fees receivable from external funds	62	44
Operating expenses	(128)	(112)
Interest receivable	–	(1)
Interest payable	(53)	(47)
Exchange movements	9	7
Other income	2	1
Operating profit before carried interest	4,417	2,031
Carried interest		
Carried interest and performance fees receivable	54	5
Carried interest and performance fees payable	(454)	(184)
Operating profit before tax	4,017	1,852
Tax charge	(5)	–
Profit for the year	4,012	1,852
Re-measurements of defined benefit plans	2	(126)
Total comprehensive income for the year (“Total return”)	4,014	1,726
Total return on opening shareholders' funds	44%	22%

Investment basis and alternative performance measures (“APMs”)

In our Strategic report we report our financial performance using our Investment basis. We do not consolidate our portfolio companies; as private equity and infrastructure investments they are not operating subsidiaries. IFRS 10 sets out an exception to consolidation and requires us to fair value other companies in the Group (primarily intermediate holding companies and partnerships), which results in a loss of transparency. As explained in the Investment basis and Reconciliation of investment basis and IFRS sections below, the total comprehensive income and net assets are the same under our audited IFRS financial statements and our Investment basis. The Investment basis is simply a “look through” of IFRS 10 to present the underlying performance and we believe it is more transparent to readers of our Annual report and accounts.

In October 2015, the European Securities and Markets Authority (“ESMA”) published guidelines about the use of APMs. These are financial measures such as KPIs that are not defined under IFRS. Our Investment basis is itself an APM, and we use a number of other measures which, on account of being derived from the Investment basis, are also APMs.

Further information about our use of APMs, including the applicable reconciliations to the IFRS equivalent where appropriate, is provided at the end of the Financial review and should be read alongside the Investment basis to IFRS reconciliation. Our APMs are gross investment return as a percentage of the opening investment portfolio value, cash realisations, cash investment, operating cash profit, net cash/(debt) and gearing.

Realised profits

We generated total realised proceeds of £788 million (2021: £218 million) and realised profits of £238 million in the year (2021: £35 million), including realised proceeds of £684 million and profit of £228 million from Private Equity (2021: £114 million, £29 million) and realised proceeds of £104 million and profit of £10 million from Infrastructure (2021: £104 million, £6 million).

Unrealised value movements

We recognised an unrealised profit of £3,824 million (2021: £2,351 million). Action's continued strong performance contributed £2,655 million (2021: £1,202 million). We also saw strong performance from our Private Equity investments in Q Holding, SaniSure and BoConcept. The share prices of our quoted investments, 3iN and Basic-Fit, closed up 17% and 23% respectively.

Further information on the Private Equity, Infrastructure and Scandlines valuations is included in the business reviews.

Table 15: Unrealised value movements on the revaluation of investments for the year to 31 March

Investment basis	2022 £m	2021 £m
Private Equity	3,545	2,161
Infrastructure	178	168
Scandlines	101	22
Total	3,824	2,351

Portfolio income

Portfolio income increased to £463 million during the year (2021: £156 million), primarily due to strong dividend income of £375 million (2021: £82 million), particularly from Action. Interest income from portfolio companies, the majority of which is non-cash, increased to £85 million (2021: £65 million), whilst fee income decreased in the year to £3 million (2021: £9 million), reflecting the transaction fees payable relating to the North America Infrastructure platform.

Fees receivable from external funds

Fees received from external funds increased to £62 million (2021: £44 million). 3i receives a fund management fee from 3iN, which amounted to £44 million in FY2022 (2021: £25 million). The increase in the 3iN fee was due to new investments in DNS:NET and SRL, a further in ESVAGT and growth in the portfolio during the year.

3i also received fee income of £6 million (2021: £6 million) from MIA through management fees and continued to generate fee income from other 3i managed accounts and other funds. In Private Equity, we recognised a £4 million (2021: £4 million) administration fee for our management of the 3i 2020 Co-investment vehicles related to Action.

Operating expenses

Operating expenses were £128 million (2021: £112 million). This increase reflects both the return to more normal levels of spend on travel, marketing and office costs, which were significantly depressed in the prior year due to Covid-19 restrictions, and the effect of planned recruitment, principally in Private Equity and Infrastructure, to support our investment and asset management capability. Operating expenses are expected to increase again in FY2023, reflecting the full year effect of this recruitment, and the effect of a highly competitive market for talent across our business. However, the focus on cost discipline is unchanged and we expect costs to remain well below 1% of assets under management.

Operating cash profit

We generated an operating cash profit of £340 million in the year (2021: £23 million). Cash income increased to £450 million (2021: £131 million), principally due to the receipt of £284 million cash dividends from Action. We also received cash dividends from 3iN, Scandlines, Hans Anders and Tato, as well as a good level of cash fees from our external funds in Infrastructure. Excluding the dividends received from Action, operating cash profit was £56 million. Cash operating expenses were £110 million (2021: £108 million), which is lower than the £128 million (2021: £112 million) of operating expenses recognised in the Consolidated statement of comprehensive income as a result of share-based payments and other non-cash expenses such as depreciation and amortisation.

Table 16: Operating cash profit for the year to 31 March

	2022	2021
Investment basis	£m	£m
Cash fees from external funds	68	39
Cash portfolio fees	9	7
Cash portfolio dividends and interest	373	85
Cash income	450	131
Cash operating expenses ¹	(110)	(108)
Operating cash profit	340	23

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

Carried interest and performance fees

We receive carried interest and performance fees from third-party funds and 3iN. We also pay carried interest and performance fees to participants in plans relating to returns from investments. These are received and/or paid subject to meeting certain performance conditions. In Private Equity, we typically accrue net carried interest payable between 10% and 13% of GIR, based on the assumption that all investments are realised at their balance sheet value. Carried interest is paid to participants when cash proceeds have actually been received following a realisation, refinancing event or other cash distribution and performance hurdles are passed in cash terms. Due to the length of time between investment and realisation, the schemes are usually active for a number of years and their participants include both current and previous employees of 3i.

We generated a strong GIR of £273 million in the Private Equity 2019-22 plan (2021: £69 million). As a result, its performance hurdle has been met on an accruals basis and we are now accruing carried interest payable for this plan for the first time, including an element of “catch up”. The continued strength of Action’s performance in the Buyouts 2010-12 plan led to a £263 million increase in carried interest payable in FY2022.

3iN pays a performance fee based on its NAV on an annual basis, subject to a hurdle rate of return and partly deferred, subject to further hurdles. The continued strong performance of the assets held by 3iN resulted in the recognition of £26 million (2021: £8 million) of performance fees receivable. The Infrastructure team receives a share of the fees received from 3iN, with the majority of payments deferred and expensed over a number of years. £22 million (2021: £11 million) was recognised as an expense during the year, relating to performance fees from both the current and previous years. During the year, £10 million was paid to the Infrastructure team. The total potential payable relating to the FY2022 performance fee was £19 million, which together with the prior periods’ performance fee, results in a cumulative total potential payable but not accrued of £48 million.

3i MIA pays a performance fee based on its NAV, subject to a five year hurdle rate of return. The first-five year period ended in March 2022, and the strong performance of the 3i MIA assets resulted in the recognition of £25 million performance fees receivable. The Infrastructure team receives a share of these fees resulting in an expense of £16 million performance fees payable during the year.

Overall, the effect of the income statement charge, cash payments of £23 million (2021: £516 million), as well as currency translation meant that the balance sheet carried interest and performance fees payable was £963 million (31 March 2021: £560 million).

Table 17: Carried interest and performance fees for the year to 31 March

	2022	2021
Investment basis Statement of comprehensive income	£m	£m
Carried interest and performance fees receivable		
Private Equity	3	(3)
Infrastructure	51	8
Total	54	5
Carried interest and performance fees payable		
Private Equity	(416)	(173)
Infrastructure	(38)	(11)
Total	(454)	(184)
Net carried interest payable	(400)	(179)

Table 18: Carried interest and performance fees at 31 March

Investment basis Statement of financial position	2022 £m	2021 £m
Carried interest and performance fees receivable		
Private Equity	8	8
Infrastructure	51	8
Total	59	16
Carried interest and performance fees payable		
Private Equity	(926)	(533)
Infrastructure	(37)	(27)
Total	(963)	(560)

Net foreign exchange movements

At 31 March 2022, 86% of the Group's net assets were denominated in euros or US dollars (31 March 2021: 84%). As sterling marginally strengthened against the euro but weakened against the US dollar, the Group recorded a net £9 million foreign exchange translation gain in the year (2021: £396 million loss), including the £2 million translation gain (2021: £24 million gain) from the movement in the fair value of hedging derivatives. The net foreign exchange position also reflects the translation of non-portfolio net assets, including non-sterling cash held and net carry payable at the balance sheet date.

Table 19: Net assets and sensitivity by currency at 31 March

	FX rate	£m	%	1% sensitivity £m
Sterling	n/a	1,562	12	n/a
Euro ¹	1.1833	8,953	70	89
US dollar	1.3165	2,033	16	20
Danish krone	8.8031	184	2	2
Other	n/a	22	–	n/a

1 Sensitivity impact is net of derivatives.

The Group's general policy is not to hedge its foreign currency denominated portfolio. Where possible, flows from currency realisations are matched with currency investments. Short-term derivative contracts are used occasionally to manage transaction cash flows. We do hedge the foreign exchange translation risk associated with our investment in Scandlines, which is considered a longer-term hold with relatively predictable cash flows. As at 31 March 2022, the notional amount of the forward foreign exchange contracts held by the Group was €500 million, all relating to Scandlines.

Pension

In FY2021 the 3i Group Pension Plan's Trustees completed a buy-in transaction with Legal & General for its UK defined benefit scheme which, alongside previous buy-in policies entered into with Pension Insurance Corporation and Legal & General in March 2017 and February 2019 respectively, means that the plan benefits are now insured. These policies provide long-term security for the Plan members and 3i is no longer exposed to any material longevity, interest or inflation risk in the Plan or any ongoing requirement to fund the Plan.

On an IAS 19 basis, there was a £1 million re-measurement loss on the Group's UK pension scheme during the year (March 2021: £122 million) and the pension remains in a surplus of £53 million (31 March 2021: £55 million). The last triennial funding valuation was based on the Plan's position at 30 June 2019.

Tax

The Group's parent company continues to operate in the UK as an approved investment trust company. An approved investment trust is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its tax status. This approval allows certain investment profits of the Company, broadly its capital profits, to be exempt from tax in the UK. The Group's tax charge for the year was £5 million (2021: nil). The Group's overall UK tax position for the financial year is dependent on the finalisation of tax returns of the various corporate and partnership entities in the UK group.

Balance sheet and liquidity

At 31 March 2022, the Group had net debt of £746 million (31 March 2021: £750 million) and gearing of 6%, after the receipt of strong cash income of £450 million and net cash proceeds of £162 million offsetting dividend payments of £389 million in the year.

The Group had liquidity of £729 million as at 31 March 2022 (31 March 2021: £725 million) comprising cash and deposits of £229 million (31 March 2021: £225 million) and an undrawn RCF of £500 million. During the year the RCF was successfully extended by one year to March 2027 to further support the Group's long-term liquidity.

The investment portfolio value increased to £14,305 million at 31 March 2022 (31 March 2021: £10,408 million) mainly driven by unrealised profits of £3,824 million in the year.

Further information on investments and realisations is included in the Private Equity, Infrastructure and Scandlines business reviews.

Table 20: Simplified consolidated balance sheet at 31 March

Investment basis Statement of financial position	2022 £m	2021 £m
Investment portfolio	14,305	10,408
Gross debt	(975)	(975)
Cash and deposits	229	225
Net debt	(746)	(750)
Carried interest and performance fees receivable	59	16
Carried interest and performance fees payable	(963)	(560)
Other net assets	99	50
Net assets	12,754	9,164
Gearing¹	6%	8%

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

Going concern

The Annual report and accounts 2022 are prepared on a going concern basis. The Directors made an assessment of going concern, taking into account the Group's current performance and the outlook, and performed additional analysis to support the going concern assessment. Further details on going concern can be found in the Resilience statement in our Annual report and accounts 2022.

Dividend

The Board has recommended a second FY2022 dividend of 27.25 pence per share (2021: 21.0 pence), taking the total dividend for the year to 46.5 pence (2021: 38.5 pence). Subject to shareholder approval, the dividend will be paid to shareholders in July 2022.

Key accounting judgments and estimates

A key judgment is the assessment required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial treatment of investment entities is accurate. The introduction of IFRS 10 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 a non-GAAP Investment basis set of financial statements to ensure that the commentary in the Strategic report remains fair, balanced and understandable. The reconciliation of the Investment basis to IFRS is shown further on in this document.

In preparing these accounts, the key accounting estimates are the carrying value of our investment assets, which is stated at fair value, and the calculation of carried interest payable.

Given the importance of the valuation of investments, the Board has a separate Valuations Committee to review the valuation policy, process and application to individual investments. However, asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. At 31 March 2022, 93% by value of the investment assets were unquoted (31 March 2021: 90%).

The valuation of the proprietary capital portfolio is a primary input into the carried interest payable and receivable balances, which are determined by reference to the valuation at 31 March 2022 and the underlying investment management agreements.

Investment basis

Consolidated statement of comprehensive income

for the year to 31 March

	2022 £m	2021 £m
Realised profits over value on the disposal of investments	238	35
Unrealised profits on the revaluation of investments	3,824	2,351
Portfolio income		
Dividends	375	82
Interest income from investment portfolio	85	65
Fees receivable	3	9
Foreign exchange on investments	(2)	(427)
Movement in the fair value of derivatives	2	24
Gross investment return	4,525	2,139
Fees receivable from external funds	62	44
Operating expenses	(128)	(112)
Interest receivable	–	(1)
Interest payable	(53)	(47)
Exchange movements	9	7
Other income	2	1
Operating profit before carried interest	4,417	2,031
Carried interest		
Carried interest and performance fees receivable	54	5
Carried interest and performance fees payable	(454)	(184)
Operating profit before tax	4,017	1,852
Tax charge	(5)	–
Profit for the year	4,012	1,852
Other comprehensive income/(expense)		
Re-measurements of defined benefit plans	2	(126)
Total comprehensive income for the year (“Total return”)	4,014	1,726

Consolidated statement of financial position

as at 31 March

	2022 £m	2021 £m
Assets		
Non-current assets		
Investments		
Quoted investments	1,063	1,011
Unquoted investments	13,242	9,397
Investment portfolio	14,305	10,408
Carried interest and performance fees receivable	8	8
Other non-current assets	50	54
Intangible assets	6	8
Retirement benefit surplus	53	55
Property, plant and equipment	3	5
Right of use asset	13	16
Derivative financial instruments	7	16
Deferred income taxes	1	1
Total non-current assets	14,446	10,571
Current assets		
Carried interest and performance fees receivable	51	8
Other current assets	105	21
Current income taxes	1	2
Derivative financial instruments	10	10
Cash and cash equivalents	229	225
Total current assets	396	266
Total assets	14,842	10,837
Liabilities		
Non-current liabilities		
Trade and other payables	(21)	(24)
Carried interest and performance fees payable	(915)	(543)
Loans and borrowings	(775)	(975)
Retirement benefit deficit	(26)	(29)
Lease liability	(9)	(13)
Deferred income taxes	(1)	(1)
Provisions	(3)	(2)
Total non-current liabilities	(1,750)	(1,587)
Current liabilities		
Trade and other payables	(81)	(64)
Carried interest and performance fees payable	(48)	(17)
Loans and borrowings	(200)	–
Lease liability	(5)	(4)
Current income taxes	(4)	(1)
Total current liabilities	(338)	(86)
Total liabilities	(2,088)	(1,673)
Net assets	12,754	9,164
Equity		
Issued capital	719	719
Share premium	789	788
Other reserves	11,346	7,721
Own shares	(100)	(64)
Total equity	12,754	9,164

Consolidated cash flow statement

for the year to 31 March

	2022 £m	2021 £m
Cash flow from operating activities		
Purchase of investments	(596)	(479)
Proceeds from investments	758	319
Net cash flow from derivatives	11	7
Portfolio interest received	4	5
Portfolio dividends received	369	80
Portfolio fees received	9	7
Fees received from external funds	68	39
Carried interest and performance fees received	10	6
Carried interest and performance fees paid	(23)	(516)
Operating expenses paid	(106)	(103)
Co-investment loans (paid)/received	(5)	15
Tax received/(paid)	1	(1)
Interest received	–	(1)
Net cash flow from operating activities	500	(622)
Cash flow from financing activities		
Issue of shares	1	1
Purchase of own shares	(54)	–
Dividends paid	(389)	(338)
Proceeds from long-term borrowing	–	395
Lease payments	(4)	(5)
Interest paid	(52)	(46)
Net cash flow from financing activities	(498)	7
Cash flow from investing activities		
Purchase of property, plant and equipment	–	(1)
Net cash flow from investing activities	–	(1)
Change in cash and cash equivalents	2	(616)
Cash and cash equivalents at the start of year	225	845
Effect of exchange rate fluctuations	2	(4)
Cash and cash equivalents at the end of year	229	225

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.

To maintain transparency in our report and aid understanding we introduced separate non-GAAP “Investment basis” Statements of comprehensive income, financial position and cash flow in our 2014 Annual report and accounts. The Investment basis is an APM and the Strategic report is 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.

Reconciliation of Investment basis and IFRS

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

Reconciliation of Investment basis and IFRS

Reconciliation of consolidated statement of comprehensive income

for the year to 31 March

	Notes	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m	Investment basis 2021 £m	IFRS adjustments 2021 £m	IFRS basis 2021 £m
Realised profits over value on the disposal of investments	1,2	238	(149)	89	35	(26)	9
Unrealised profits on the revaluation of investments	1,2	3,824	(2,043)	1,781	2,351	(1,134)	1,217
Fair value movements on investment entity subsidiaries	1	–	1,974	1,974	–	792	792
Portfolio income							
Dividends	1,2	375	(169)	206	82	(33)	49
Interest income from investment portfolio	1,2	85	(55)	30	65	(43)	22
Fees receivable	1,2	3	3	6	9	4	13
Foreign exchange on investments	1,3	(2)	(7)	(9)	(427)	232	(195)
Movement in the fair value of derivatives		2	–	2	24	–	24
Gross investment return		4,525	(446)	4,079	2,139	(208)	1,931
Fees receivable from external funds		62	–	62	44	–	44
Operating expenses	4	(128)	1	(127)	(112)	1	(111)
Interest receivable	1	–	–	–	(1)	–	(1)
Interest payable		(53)	–	(53)	(47)	–	(47)
Exchange movements	1,3	9	7	16	7	10	17
Income from investment entity subsidiaries	1	–	32	32	–	22	22
Other income		2	–	2	1	–	1
Operating profit before carried interest		4,417	(406)	4,011	2,031	(175)	1,856
Carried interest							
Carried interest and performance fees receivable	1,4	54	(1)	53	5	–	5
Carried interest and performance fees payable	1,4	(454)	408	(46)	(184)	178	(6)
Operating profit before tax		4,017	1	4,018	1,852	3	1,855
Tax charge	1,4	(5)	–	(5)	–	–	–
Profit for the year		4,012	1	4,013	1,852	3	1,855
Other comprehensive income/(expense)							
Exchange differences on translation of foreign operations	1,3	–	(1)	(1)	–	(3)	(3)
Re-measurements of defined benefit plans		2	–	2	(126)	–	(126)
Other comprehensive income for the year		2	(1)	1	(126)	(3)	(129)
Total comprehensive income for the year (“Total return”)		4,014	–	4,014	1,726	–	1,726

The IFRS basis is audited and the Investment basis is unaudited.

Notes:

- Applying IFRS 10 to the Consolidated statement of comprehensive income consolidates the line items of a number of previously consolidated subsidiaries into a single line item “Fair value movements on investment entity subsidiaries”. In the “Investment basis” accounts we have disaggregated these line items to analyse our total return as if these Investment entity subsidiaries were fully consolidated, consistent with prior years. The adjustments simply reclassify the Consolidated statement of comprehensive income of the Group, and the total return is equal under the Investment basis and the IFRS basis.
- 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.
- Foreign exchange movements have been reclassified under the Investment basis as foreign currency asset and liability movements. Movements within the Investment entity subsidiaries are included within “Fair value movements on investment entities”.
- Other items also aggregated into the “Fair value movements on investment entity subsidiaries” line include fees receivable from external funds, audit fees, administration expenses, carried interest and tax.

Reconciliation of consolidated statement of financial position

as at 31 March

	Notes	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m	Investment basis 2021 £m	IFRS adjustments 2021 £m	IFRS basis 2021 £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	1,063	(129)	934	1,011	(214)	797
Unquoted investments	1	13,242	(7,534)	5,708	9,397	(5,184)	4,213
Investments in investment entity subsidiaries	1,2	–	6,791	6,791	–	4,905	4,905
Investment portfolio		14,305	(872)	13,433	10,408	(493)	9,915
Carried interest and performance fees receivable	1	8	1	9	8	1	9
Other non-current assets	1	50	(5)	45	54	(2)	52
Intangible assets		6	–	6	8	–	8
Retirement benefit surplus		53	–	53	55	–	55
Property, plant and equipment		3	–	3	5	–	5
Right of use asset		13	–	13	16	–	16
Derivative financial instruments		7	–	7	16	–	16
Deferred income taxes		1	–	1	1	–	1
Total non-current assets		14,446	(876)	13,570	10,571	(494)	10,077
Current assets							
Carried interest and performance fees receivable	1	51	–	51	8	–	8
Other current assets	1	105	(1)	104	21	–	21
Current income taxes		1	–	1	2	–	2
Derivative financial instruments		10	–	10	10	–	10
Cash and cash equivalents	1	229	(17)	212	225	(9)	216
Total current assets		396	(18)	378	266	(9)	257
Total assets		14,842	(894)	13,948	10,837	(503)	10,334
Liabilities							
Non-current liabilities							
Trade and other payables	1	(21)	7	(14)	(24)	7	(17)
Carried interest and performance fees payable	1	(915)	873	(42)	(543)	494	(49)
Loans and borrowings		(775)	–	(775)	(975)	–	(975)
Retirement benefit deficit		(26)	–	(26)	(29)	–	(29)
Lease liability		(9)	–	(9)	(13)	–	(13)
Deferred income taxes		(1)	–	(1)	(1)	–	(1)
Provisions		(3)	–	(3)	(2)	–	(2)
Total non-current liabilities		(1,750)	880	(870)	(1,587)	501	(1,086)
Current liabilities							
Trade and other payables	1	(81)	1	(80)	(64)	2	(62)
Carried interest and performance fees payable	1	(48)	13	(35)	(17)	–	(17)
Loans and borrowings		(200)	–	(200)	–	–	–
Lease liability		(5)	–	(5)	(4)	–	(4)
Current income taxes		(4)	–	(4)	(1)	–	(1)
Total current liabilities		(338)	14	(324)	(86)	2	(84)
Total liabilities		(2,088)	894	(1,194)	(1,673)	503	(1,170)
Net assets		12,754	–	12,754	9,164	–	9,164
Equity							
Issued capital		719	–	719	719	–	719
Share premium		789	–	789	788	–	788
Other reserves	3	11,346	–	11,346	7,721	–	7,721
Own shares		(100)	–	(100)	(64)	–	(64)
Total equity		12,754	–	12,754	9,164	–	9,164

The IFRS basis is audited and the Investment basis is unaudited.

Notes:

- Applying IFRS 10 to the Consolidated statement of financial position aggregates the line items into the single line item "Investments in investment entity subsidiaries". In the Investment basis we have disaggregated these items to analyse our net assets as if the Investment entity subsidiaries were consolidated. The adjustment reclassifies items in the Consolidated statement of financial position. There is no change to the net assets, although for reasons explained below, gross assets and gross liabilities are different. The disclosure relating to portfolio companies is significantly reduced by the aggregation, as the fair value of all investments held by Investment entity subsidiaries is aggregated into the "Investments in investment entity subsidiaries" line. We have disaggregated this fair value and disclosed the underlying portfolio holding in the relevant line item, ie, quoted investments or unquoted investments. Other items which may be aggregated include carried interest, other assets and other payables, and the Investment basis presentation again disaggregates these items.
- Intercompany balances between Investment entity subsidiaries and trading subsidiaries also impact the transparency of our results under the IFRS basis. If an Investment entity subsidiary has an intercompany balance with a consolidated trading subsidiary of the Group, then the asset or liability of the Investment entity subsidiary will be aggregated into its fair value, while the asset or liability of the consolidated trading subsidiary will be disclosed as an asset or liability in the Consolidated statement of financial position for the Group.
- 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

for the year to 31 March

	Notes	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m	Investment basis 2021 £m	IFRS adjustments 2021 £m	IFRS basis 2021 £m
Cash flow from operating activities							
Purchase of investments	1	(596)	272	(324)	(479)	353	(126)
Proceeds from investments	1	758	(464)	294	319	(135)	184
Amounts paid to investment entity subsidiaries	1	–	(349)	(349)	–	(879)	(879)
Amounts received from investment entity subsidiaries	1	–	685	685	–	281	281
Net cash flow from derivatives		11	–	11	7	–	7
Portfolio interest received	1	4	(1)	3	5	(5)	–
Portfolio dividends received	1	369	(165)	204	80	(32)	48
Portfolio fees received	1	9	–	9	7	–	7
Fees received from external funds		68	–	68	39	–	39
Carried interest and performance fees received	1	10	–	10	6	–	6
Carried interest and performance fees paid	1	(23)	9	(14)	(516)	483	(33)
Operating expenses paid	1	(106)	1	(105)	(103)	–	(103)
Co-investment loans (paid)/received	1	(5)	2	(3)	15	(3)	12
Tax received/(paid)	1	1	–	1	(1)	–	(1)
Interest received	1	–	–	–	(1)	–	(1)
Net cash flow from operating activities		500	(10)	490	(622)	63	(559)
Cash flow from financing activities							
Issue of shares		1	–	1	1	–	1
Purchase of own shares		(54)	–	(54)	–	–	–
Dividends paid		(389)	–	(389)	(338)	–	(338)
Proceeds from long-term borrowing		–	–	–	395	–	395
Lease payments		(4)	–	(4)	(5)	–	(5)
Interest paid		(52)	–	(52)	(46)	–	(46)
Net cash flow from financing activities		(498)	–	(498)	7	–	7
Cash flow from investing activities							
Purchase of property, plant and equipment		–	–	–	(1)	–	(1)
Net cash flow from investing activities		–	–	–	(1)	–	(1)
Change in cash and cash equivalents	2	2	(10)	(8)	(616)	63	(553)
Cash and cash equivalents at the start of year	2	225	(9)	216	845	(74)	771
Effect of exchange rate fluctuations	1	2	2	4	(4)	2	(2)
Cash and cash equivalents at the end of year	2	229	(17)	212	225	(9)	216

The IFRS basis is audited and the Investment basis is unaudited.

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

Alternative Performance Measures (“APMs”)

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies. Our Investment basis is itself an APM. The explanation of and rationale for the Investment basis and its reconciliation to IFRS is provided above. The table below defines our additional APMs.

Gross investment return as a percentage of opening portfolio value

Purpose	Calculation	Reconciliation to IFRS
A measure of the performance of our proprietary investment portfolio.	It is calculated as the gross investment return, as shown in the Investment basis Consolidated statement of comprehensive income, as a % of the opening portfolio value.	The equivalent balances under IFRS and the reconciliation to the Investment basis are shown in the Reconciliation of the consolidated statement of comprehensive income and the Reconciliation of the consolidated statement of financial position respectively. For further information see the Group KPIs in our Annual report and accounts 2022.

Cash realisations

Purpose	Calculation	Reconciliation to IFRS
Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities.	The cash received from the disposal of investments in the year as shown in the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement. For further information see the Group KPIs in our Annual report and accounts 2022.

Cash investment

Purpose	Calculation	Reconciliation to IFRS
Identifying new opportunities in which to invest proprietary capital is the primary driver of the Group’s ability to deliver attractive returns.	The cash paid to acquire investments in the year as shown on the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement. For further information see the Group KPIs in our Annual report and accounts 2022.

Operating cash profit

Purpose	Calculation	Reconciliation to IFRS
By covering the cash cost of running the business with cash income, we reduce the potential dilution of capital returns.	The cash income from the portfolio (interest, dividends and fees) together with fees received from external funds less cash operating expenses and leases payments as shown on the Investment basis Consolidated cash flow statement. The calculation is shown in Table 16 of the Financial review.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.

Net (debt)/cash

Purpose	Calculation	Reconciliation to IFRS
A measure of the available cash to invest in the business and an indicator of the financial risk in the Group’s balance sheet.	Cash and cash equivalents plus deposits less loans and borrowings as shown on the Investment basis Consolidated statement of financial position.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.

Gearing

Purpose	Calculation	Reconciliation to IFRS
A measure of the financial risk in the Group’s balance sheet.	Net debt (as defined above) as a % of the Group’s net assets under the Investment basis. It cannot be less than zero.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.

Audited financial statements

Consolidated statement of comprehensive income

for the year to 31 March

	Notes	2022 £m	2021 £m
Realised profits over value on the disposal of investments		89	9
Unrealised profits on the revaluation of investments		1,781	1,217
Fair value movements on investment entity subsidiaries		1,974	792
Portfolio income			
Dividends		206	49
Interest income from investment portfolio		30	22
Fees receivable		6	13
Foreign exchange on investments		(9)	(195)
Movement in the fair value of derivatives		2	24
Gross investment return		4,079	1,931
Fees receivable from external funds		62	44
Operating expenses		(127)	(111)
Interest receivable		–	(1)
Interest payable		(53)	(47)
Exchange movements		16	17
Income from investment entity subsidiaries		32	22
Other income		2	1
Operating profit before carried interest		4,011	1,856
Carried interest			
Carried interest and performance fees receivable		53	5
Carried interest and performance fees payable		(46)	(6)
Operating profit before tax		4,018	1,855
Tax charge		(5)	–
Profit for the year		4,013	1,855
Other comprehensive income that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		(1)	(3)
Other comprehensive income/(expense) that will not be reclassified to the income statement			
Re-measurements of defined benefit plans		2	(126)
Other comprehensive income/(expense) for the year		1	(129)
Total comprehensive income for the year (“Total return”)		4,014	1,726
Earnings per share			
Basic (pence)	2	415.4	192.4
Diluted (pence)	2	414.3	191.9

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

Consolidated statement of financial position

as at 31 March

	2022 £m	2021 £m
Assets		
Non-current assets		
Investments		
Quoted investments	934	797
Unquoted investments	5,708	4,213
Investments in investment entity subsidiaries	6,791	4,905
Investment portfolio	13,433	9,915
Carried interest and performance fees receivable	9	9
Other non-current assets	45	52
Intangible assets	6	8
Retirement benefit surplus	53	55
Property, plant and equipment	3	5
Right of use asset	13	16
Derivative financial instruments	7	16
Deferred income taxes	1	1
Total non-current assets	13,570	10,077
Current assets		
Carried interest and performance fees receivable	51	8
Other current assets	104	21
Current income taxes	1	2
Derivative financial instruments	10	10
Cash and cash equivalents	212	216
Total current assets	378	257
Total assets	13,948	10,334
Liabilities		
Non-current liabilities		
Trade and other payables	(14)	(17)
Carried interest and performance fees payable	(42)	(49)
Loans and borrowings	(775)	(975)
Retirement benefit deficit	(26)	(29)
Lease liability	(9)	(13)
Deferred income taxes	(1)	(1)
Provisions	(3)	(2)
Total non-current liabilities	(870)	(1,086)
Current liabilities		
Trade and other payables	(80)	(62)
Carried interest and performance fees payable	(35)	(17)
Loans and borrowings	(200)	–
Lease liability	(5)	(4)
Current income taxes	(4)	(1)
Total current liabilities	(324)	(84)
Total liabilities	(1,194)	(1,170)
Net assets	12,754	9,164
Equity		
Issued capital	719	719
Share premium	789	788
Capital redemption reserve	43	43
Share-based payment reserve	33	34
Translation reserve	(6)	(5)
Capital reserve	10,151	6,733
Revenue reserve	1,125	916
Own shares	(100)	(64)
Total equity	12,754	9,164

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

David Hutchison
Chairman 11 May 2022

Consolidated statement of changes in equity

for the year to 31 March

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

1 Refer to Note 20 in our Annual report and accounts 2022 for the nature of the capital and revenue reserves.

	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve ¹ £m	Revenue reserve ¹ £m	Own shares £m	Total equity £m
2021									
Total equity at the start of the year	719	788	43	33	(2)	5,432	822	(78)	7,757
Profit for the year	-	-	-	-	-	1,707	148	-	1,855
Exchange differences on translation of foreign operations	-	-	-	-	(3)	-	-	-	(3)
Re-measurements of defined benefit plans	-	-	-	-	-	(126)	-	-	(126)
Total comprehensive income for the year	-	-	-	-	(3)	1,581	148	-	1,726
Share-based payments	-	-	-	19	-	-	-	-	19
Release on exercise/forfeiture of share awards	-	-	-	(18)	-	-	18	-	-
Exercise of share awards	-	-	-	-	-	(14)	-	14	-
Ordinary dividends	-	-	-	-	-	(266)	(72)	-	(338)
Purchase of own shares	-	-	-	-	-	-	-	-	-
Issue of ordinary shares	-	-	-	-	-	-	-	-	-
Total equity at the end of the year	719	788	43	34	(5)	6,733	916	(64)	9,164

1 Refer to Note 20 in our Annual report and accounts 2022 for the nature of the capital and revenue reserves.

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

Consolidated cash flow statement

for the year to 31 March

	Notes	2022 £m	2021 £m
Cash flow from operating activities			
Purchase of investments		(324)	(126)
Proceeds from investments		294	184
Amounts paid to investment entity subsidiaries		(349)	(879)
Amounts received from investment entity subsidiaries		685	281
Net cash flow from derivatives		11	7
Portfolio interest received		3	–
Portfolio dividends received		204	48
Portfolio fees received		9	7
Fees received from external funds		68	39
Carried interest and performance fees received		10	6
Carried interest and performance fees paid		(14)	(33)
Operating expenses paid		(105)	(103)
Co-investment loans (paid)/received		(3)	12
Tax received/(paid)		1	(1)
Interest received		–	(1)
Net cash flow from operating activities		490	(559)
Cash flow from financing activities			
Issue of shares		1	1
Purchase of own shares		(54)	–
Dividend paid	3	(389)	(338)
Proceeds from long-term borrowing		–	395
Lease payments		(4)	(5)
Interest paid		(52)	(46)
Net cash flow from financing activities		(498)	7
Cash flow from investing activities			
Purchases of property, plant and equipment		–	(1)
Net cash flow from investing activities		–	(1)
Change in cash and cash equivalents		(8)	(553)
Cash and cash equivalents at the start of the year		216	771
Effect of exchange rate fluctuations		4	(2)
Cash and cash equivalents at the end of the year		212	216

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

Significant accounting policies

Reporting entity

3i Group plc (the “Company”) is a public limited company incorporated and domiciled in England and Wales. The consolidated financial statements (“the Group accounts”) for the year to 31 March 2022 comprise of the financial statements of the Company and its consolidated subsidiaries (collectively, “the Group”).

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

A Basis of preparation

The Group and Company accounts have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted international accounting standards. The financial statements are presented to the nearest million sterling (£m), the functional currency of the Company.

The Group did not implement the requirements of any new standards in issue for the year ended 31 March 2022. No other standards or interpretations have been issued that are expected to have a material impact on the Group’s financial statements.

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

Going concern

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

As detailed in the Strategic report of our Annual report and accounts 2022, the Group generated an excellent result despite varying degrees of Covid-19 restrictions, macro-economic pressures and more recent geopolitical uncertainties. The Group has no direct exposure to Russia or Ukraine, and the exposure across the portfolio is limited, therefore this has no impact on the Going Concern of the Group. As we enter the next financial year, both our Private Equity and Infrastructure portfolios are well positioned to continue on their respectively growth trajectories.

The Directors’ assessment of going concern, which takes into account this business model and the Group’s liquidity of £729 million, indicates that the Group and parent company will have sufficient funds to continue as a going concern, for at least the next 12 months from the date of approval of the accounts. As detailed within the Financial review, earlier in this document, the Group covers its cash operating costs, £110 million at 31 March 2022, with cash income generated by our Private Equity and Infrastructure businesses and Scandlines, £450 million at 31 March 2022. The Group’s liquidity comprised of cash and deposits of £229 million (31 March 2021: £225 million) and an undrawn multi-currency facility of £500 million (31 March 2021: £500 million), which has no financial covenants. During the year the Group successfully extended its multi-currency facility by one year to March 2027 to further support the Group’s long-term liquidity.

The Group manages liquidity with the aim of ensuring it is adequate and sufficient, by regular monitoring of investments, realisations, operating expenses and portfolio cash income and there have been no post balance sheet changes that would be materially detrimental to liquidity. Within the next 12 months the Group’s £200 million fixed rate bond is due for repayment and the Group is expected to have adequate liquidity to meet the liability as it falls due. The Directors are of the opinion that the Group’s cash flow forecast is sufficient to support the Group given the current market, economic conditions and outlook.

In addition, the Directors have modelled a number of severe, yet plausible, individual and combined stress scenarios over a three-year period to March 2025. The scenarios include the consideration of the potential impact of a disrupted recovery in the wake of Covid-19 in which persistent inflation and supply chain disruption leads into a recession, as well as the impact of a significant downturn event specifically on the Group's largest asset. These scenarios include a range of estimated impacts, primarily based on providing additional support to portfolio companies. The scenarios are most sensitive to a delay in realisations which contribute to liquidity of the Group. A key judgement applied is the extent of recessionary impacts alongside the likely recovery profile of portfolio companies. The severe scenarios include assumptions modelling a combined scenario of a recessionary environment modelled alongside the impact of a significant downturn event on the Group's largest asset and the impact of climate change on the underlying portfolio.

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

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

B Basis of consolidation

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

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

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

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

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

General Partners ("GPs") – Consolidated

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

Investment managers/advisers – Consolidated

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

Holding companies of investment managers/advisers – Consolidated

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

Limited Partnerships and other intermediate investment holding structures – Fair valued

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

Portfolio investments – Fair valued

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

Associates – Fair valued

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

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

C Critical accounting judgements and estimates

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

(a) Critical judgements

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

I. Assessment as an investment entity

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

(b) Critical estimates

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

I. Fair valuation of the investment portfolio

The investment portfolio, a material group of assets of the Group, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in Note 13 Fair values of assets and liabilities in this document. Further information can be found in Portfolio valuation – an explanation in our Annual report and accounts 2022. Given the importance of this area, the Board has a separate Valuations Committee to review the valuations policies, process and application to individual investments. A report on the activities of the Valuations Committee (including a review of the assumptions made) is included in the Valuations Committee report in our Annual report and accounts 2022.

II. Carried interest payable

Carried interest payable is calculated based on the underlying agreements, and assuming all portfolio investments are sold at their fair values at the balance sheet date. The actual amounts of carried interest paid will depend on the cash realisations of these portfolio investments and valuations may change significantly in the next financial year. The fair valuation of the investment portfolio is itself a critical estimate, as detailed above. The sensitivity of carried interest payable to movements in the investment portfolio is disclosed in Note 15 in our Annual report and accounts 2022.

D Other accounting policies

(a) Gross investment return

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

- i. Realised profits or losses over value on the disposal of investments are the difference between the fair value of the consideration received in accordance with IFRS 13 less any directly attributable costs, on the sale of equity and the repayment of interest income from the investment portfolio, and its carrying value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal.
- ii. Unrealised profits or losses on the revaluation of investments are the movement in the fair value of investments in accordance with IFRS 13 between the start and end of the accounting period converted into sterling using the exchange rates in force at the date of fair value assessment.
- iii. Fair value movements on investment entity subsidiaries are the movements in the fair value of Group subsidiaries which are classified as investment entities under IFRS 10. The Group makes investments in portfolio assets through these entities which are usually limited partnerships or corporate subsidiaries.
- iv. Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured. The following specific recognition criteria must be met before the income is recognised:
 - Dividends from equity investments are recognised in profit or loss when the shareholders’ rights to receive payment have been established;
 - Interest income from the investment portfolio is recognised as it accrues. When the fair value of an investment is assessed to be below the principal value of a loan, the Group recognises a provision against any interest accrued from the date of the assessment going forward until the investment is assessed to have recovered in value; and
 - The accounting policy for fee income is included in Note 4 in our Annual report and accounts 2022.
- v. Foreign exchange on investments arises on investments made in currencies that are different from the functional currency of the Company being sterling. Investments are translated at the exchange rate ruling at the date of the transaction in accordance with IAS 21. At each subsequent reporting date, investments are translated to sterling at the exchange rate ruling at that date.
- vi. Movement in the fair value of derivatives relates to the change in fair value of forward foreign exchange contracts which have been used to minimise foreign currency risk in the investment portfolio. See Note 18 for more details.

(b) Foreign currency translation

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

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

(c) Treasury assets and liabilities

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

Cash and cash equivalents comprise cash at bank and amounts held in money market funds which are readily convertible into cash and there is an insignificant risk of changes in value. Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument. 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 Group whose results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

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

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

The segmental analysis is prepared on the Investment basis. The Investment basis is an APM and we believe it provides a more understandable view of performance. For more information on the Investment basis and a reconciliation between the Investment basis and IFRS can be found in the Reconciliation of Investment basis and IFRS section earlier in this document.

1 Segmental analysis continued

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

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

A number of items are not managed by segment by the chief operating decision maker and therefore have not been allocated to a specific segment.

1 Segmental analysis continued

Investment basis	Private Equity £m	Of which Action £m	Infrastructure £m	Scandlines £m	Total ⁴ £m
Year to 31 March 2021					
Realised profits over value on the disposal of investments	29	–	6	–	35
Unrealised profits on the revaluation of investments	2,161	1,202	168	22	2,351
Portfolio income					
Dividends	53	–	29	–	82
Interest income from investment portfolio	55	–	10	–	65
Fees receivable	9	1	–	–	9
Foreign exchange on investments	(371)	(181)	(39)	(17)	(427)
Movement in the fair value of derivatives	–	–	4	20	24
Gross investment return	1,936	1,022	178	25	2,139
Fees receivable from external funds	4	–	40	–	44
Operating expenses	(70)	–	(40)	(2)	(112)
Interest receivable					(1)
Interest payable					(47)
Exchange movements					7
Other income					1
Operating profit before carried interest					2,031
Carried interest					
Carried interest and performance fees receivable	(3)	–	8	–	5
Carried interest and performance fees payable	(173)	–	(11)	–	(184)
Operating profit before tax					1,852
Tax charge					–
Profit for the year					1,852
Other comprehensive expense					
Re-measurements of defined benefit plans					(126)
Total return					1,726
Realisations ¹	114	–	104	–	218
Cash investment ²	(508)	(9)	(2)	–	(510)
Net (investment)/divestment	(394)	(9)	102	–	(292)
Balance sheet					
Opening portfolio value at 1 April 2020	6,552	3,536	1,117	429	8,098
Investment ³	633	9	2	–	635
Value disposed	(85)	–	(98)	–	(183)
Unrealised value movement	2,161	1,202	168	22	2,351
Other movement (including foreign exchange)	(447)	(181)	(30)	(16)	(493)
Closing portfolio value at 31 March 2021	8,814	4,566	1,159	435	10,408

1 Realised proceeds may differ from cash proceeds due to timing of cash receipts. During the year, Private Equity received £105 million of cash proceeds which were recognised as realised proceeds in FY2020 and recognised £4 million of realised proceeds in Private Equity which was received in FY2022.

2 Cash investment per the segmental analysis is different to cash investment per the cash flow due to £31 million of syndication in Private Equity which was recognised in FY2020 and received in FY2021.

3 Includes capitalised interest and other non-cash investment.

4 The total is the sum of Private Equity, Infrastructure and Scandlines, "Of which Action" is part of Private Equity.

A number of items are not managed by segment by the chief operating decision maker and therefore have not been allocated to a specific segment.

1 Segmental analysis continued

Investment basis	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Year to 31 March 2022					
Realised profits over value on the disposal of investments	1	48	185	4	238
Unrealised profits on the revaluation of investments	276	3,053	493	2	3,824
Portfolio income	60	390	13	–	463
Foreign exchange on investments	–	(78)	76	–	(2)
Movement in fair value of derivatives	–	2	–	–	2
Gross investment return	337	3,415	767	6	4,525
Realisations	10	328	442	8	788
Cash investment	(25)	(374)	(144)	–	(543)
Net (investment)/divestment	(15)	(46)	298	8	245
Balance sheet					
Closing portfolio value at 31 March 2022	1,948	10,388	1,947	22	14,305
Investment basis	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Year to 31 March 2021					
Realised profits over value on the disposal of investments	2	8	–	25	35
Unrealised profits/(losses) on the revaluation of investments	280	1,773	300	(2)	2,351
Portfolio income	47	93	13	3	156
Foreign exchange on investments	–	(289)	(135)	(3)	(427)
Movement in fair value of derivatives	–	20	4	–	24
Gross investment return	329	1,605	182	23	2,139
Realisations	2	88	74	54	218
Cash investment	(171)	(175)	(164)	–	(510)
Net (investment)/divestment	(169)	(87)	(90)	54	(292)
Balance sheet					
Closing portfolio value at 31 March 2021	1,645	7,260	1,481	22	10,408

2 Per share information

The calculation of basic net assets per share is based on the net assets and the number of shares in issue at the year end. When calculating the diluted net assets per share, the number of shares in issue is adjusted for the effect of all dilutive share awards. Dilutive share awards are equity awards with performance conditions attached see Note 27 in our Annual report and accounts 2022 for further details.

	2022	2021
Net assets per share (£)		
Basic	13.24	9.50
Diluted	13.21	9.47
Net assets (£m)		
Net assets attributable to equity holders of the Company	12,754	9,164
	2022	2021
Number of shares in issue		
Ordinary shares	973,238,638	973,166,947
Own shares	(10,212,745)	(8,530,634)
	963,025,893	964,636,313
Effect of dilutive potential ordinary shares		
Share awards	2,705,623	2,656,230
Diluted shares	965,731,516	967,292,543

The calculation of basic earnings per share is based on the profit attributable to shareholders and the weighted average number of shares in issue. The weighted average shares in issue for the year to 31 March 2022 are 966,091,793 (2021: 964,217,242). When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effect of all dilutive share awards. The diluted weighted average shares in issue for the year to 31 March 2022 are 968,636,820 (2021: 966,547,522).

	2022	2021
Earnings per share (pence)		
Basic	415.4	192.4
Diluted	414.3	191.9
Earnings (£m)		
Profit for the year attributable to equity holders of the Company	4,013	1,855

3 Dividends

	2022	2022	2021	2021
	pence per share	£m	pence per share	£m
Declared and paid during the year				
Ordinary shares				
Second dividend	21.0	203	17.5	169
First dividend	19.25	186	17.5	169
	40.25	389	35.0	338
Proposed dividend	27.25	262	21.0	203

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

The dividend can be paid out of either the capital reserve or the revenue reserve subject to the investment trust rules, see Note 20 in our Annual report and accounts 2022 for details of reserves.

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

20 large investments

The 20 investments listed below account for 93% of the portfolio at 31 March 2022 (31 March 2021: 95%). All investments have been assessed to establish 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. Controlled subsidiaries under IFRS are noted below. None of these investments are UK Companies Act subsidiaries.

In accordance with Part 5 of The Alternative Investment Fund Managers Regulations 2013 (“the Regulations”), 3i Investments plc, as AIFM, requires all controlled portfolio companies to make available to employees an annual report which meets the disclosure requirements of the Regulations. 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 ¹ March 2022 £m	Residual cost ¹ March 2021 £m	Valuation March 2022 £m	Valuation March 2021 £m	Relevant transactions in the year
Action* General merchandise discount retailer	Private Equity Netherlands 2011/2020 Earnings	623	623	7,165	4,566	£284 million cash dividend received
3i Infrastructure plc* Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	305	305	934	797	£27 million dividend received
Scandlines Ferry operator between Denmark and Germany	Scandlines Denmark/Germany 2018 DCF	530	529	533	435	£13 million dividend received
Cirtec Medical* Outsourced medical device manufacturing	Private Equity US 2017 Earnings	172	172	513	444	Acquisition of Cardea Catheter Innovations in July 2021
Luqom* Online lighting specialist retailer	Private Equity Germany 2017 Earnings	196	110	448	307	Acquisition of Lampemesteren in April 2021 and £81 million further investment in the year
Tato Manufacturer and seller of speciality chemicals	Private Equity UK 1989 Earnings	2	2	407	368	£14 million dividend received
Q Holding* Manufacturer of precision engineered elastomeric components	Private Equity US 2014 Sum of the parts	162	162	398	187	Sale of QSR division agreed in April 2022
Hans Anders* Value-for-money optical retailer	Private Equity Netherlands 2017 Earnings	269	268	345	262	Acquisition of Eyes! NV and Eyes Society BV in December 2021. £19 million dividend received
Havea* Manufacturer of natural healthcare and cosmetics products	Private Equity France 2017 Earnings	196	187	304	242	Acquisition of ixX Pharma in September 2021

Investment	Business line Geography First invested in Valuation basis	Residual cost ¹ March 2022 £m	Residual cost ¹ March 2021 £m	Valuation March 2022 £m	Valuation March 2021 £m	Relevant transactions in the year
Royal Sanders* Private label and contract manufacturing producer of personal care products	Private Equity Netherlands 2018 Earnings	136	136	297	364	£84 million distribution received. Acquisition of Otto Cosmetic in February 2022
Evernex* Provider of third-party maintenance services for data centre infrastructure	Private Equity France 2019 Earnings	285	272	291	281	Acquisition of Emcon-IT in October 2021
SaniSure* Manufacturer, distributor and integrator of single-use bioprocessing systems and components	Private Equity US 2019 Earnings	76	135	277	183	Returned £59 million of investment to 3i in July 2021. Acquisition of GL Engineering in December 2021
AES Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	30	30	269	212	Acquisition of JAtech Services in November 2021
WP* Supplier of plastic packaging solutions	Private Equity Netherlands 2015 Earnings	239	222	234	259	
Smarte Carte* Provider of self-serve vended luggage carts, electronic lockers and concession carts	Infrastructure US 2017 DCF	187	176	207	160	
BoConcept* Urban living designer	Private Equity Denmark 2016 Earnings	99	165	184	161	£90 million distribution received
MPM* An international branded, premium and natural pet food company	Private Equity UK 2020 Earnings	139	128	162	124	
GartenHaus* An online retailer of garden buildings, sheds, saunas and related products	Private Equity Germany 2020 Earnings	121	72	131	66	Acquisition of Outdoor Toys in October 2021 with £45 million of further funding from 3i
Basic-Fit Discount gyms operator	Private Equity Netherlands 2013 Quoted	11	23	129	214	Proceeds received of £146 million
Audley Travel* Provider of experiential tailor-made travel	Private Equity UK 2015 DCF	243	197	117	85	Further investment of £25 million
		4,021	3,914	13,345	9,717	

* Controlled in accordance with IFRS.

¹ Residual cost includes cash investment and interest net of cost disposed.

List of Directors and their functions

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

David Hutchison, Chairman
Simon Borrows, Chief Executive and Executive Director
Julia Wilson, Group Finance Director and Executive Director
Caroline Banzky, Independent non-executive Director
Stephen Daintith, Independent non-executive Director
Lesley Knox, Senior Independent non-executive Director
Coline McConville, Independent non-executive Director
Peter McKellar, Independent non-executive Director
Alexandra Schaapveld, Independent non-executive Director

By order of the Board
K J Dunn
Company Secretary
11 May 2022

Registered Office: 16 Palace Street, London SW1E 5JD

Glossary

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

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

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

Alternative Investment Funds (“AIFs”) at 31 March 2022, 3i Investments plc as AIFM, managed seven AIFs. These were 3i Group plc, 3i Growth Capital B LP, 3i Growth Capital C LP, 3i Europartners Va LP, 3i Europartners Vb LP, 3i Managed Infrastructure Acquisitions LP and 3i Infrastructure plc. 3i Investments (Luxembourg) SA as AIFM, managed one AIF, 3i European Operational Projects SCSp.

Alternative Investment Fund Manager (“AIFM”) is the regulated manager of AIFs. Within 3i, these are 3i Investments plc and 3i Investments (Luxembourg) SA.

APAC The Asia Pacific region.

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

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

B2B Business-to-business.

Board The Board of Directors of the Company.

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

CAGR is the compound annual growth rate.

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

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

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

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

Company 3i Group plc.

DACH The region covering Austria, Germany and Switzerland.

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

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

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

EMEA The region covering Europe, the Middle East and Africa.

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

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

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

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

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

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

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

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

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

IRR Internal Rate of Return.

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

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

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

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

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

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

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

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

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

Portfolio effect is the level of risk based on the diversity of the investment portfolio.

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

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

Public Private Partnership ("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 is the difference between the fair value of the consideration received, less any directly attributable costs, on the sale of equity and the repayment of loans and receivables and its carrying value at the start of the accounting period, converted into sterling using the exchange rates at the date of disposal.

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

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

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

SORP means the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts.

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

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

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

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

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