3i Group plc

Annual report and accounts 2020

Strategic report:
pages 4 to 73

Directors' report:
pages 75 to 94
and 112 to 117

Directors' remuneration report:
pages 95 to 105

For definitions of our financial terms used throughout this report, please see our Glossary on pages 181 and 182.

Consistent with our approach since the introduction of IFRS 10 in 2014, the financial data presented in the Strategic report is taken from the Investment basis financial statements. The Investment basis (which is unaudited) is an alternative performance measure ("APM") and is described on page 43 and the differences from, and the reconciliation to, the IFRS audited financial statements are detailed on pages 44 to 46.

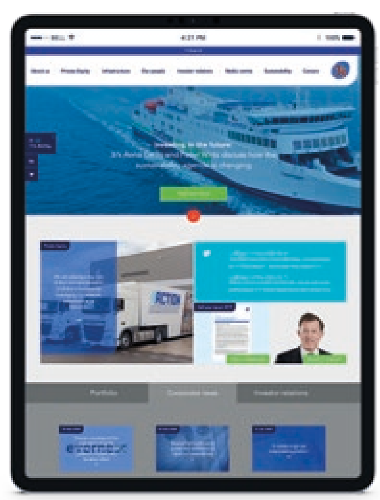
Disclaimer
The Annual report and accounts have been prepared solely to provide information to shareholders. They should not be relied on by any other party or for any other purpose.

The Strategic report on pages 4 to 73, the Directors' report on pages 75 to 94 and 112 to 117, and the Directors' remuneration report on pages 95 to 105 have been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by that law. This Annual report may contain statements about the future, including certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i" or "the Group"). These are not guarantees of future performance and will not be updated. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Our purpose is to generate attractive returns for our shareholders and other investors by investing in private equity and infrastructure assets.

As proprietary capital investors we have a long-term, responsible approach.

We create value through thoughtful origination, disciplined investment and active management of our assets, driving sustainable growth in our investee companies.



Visit our website for more information about 3i and regular updates **www.3i.com**

At a glance

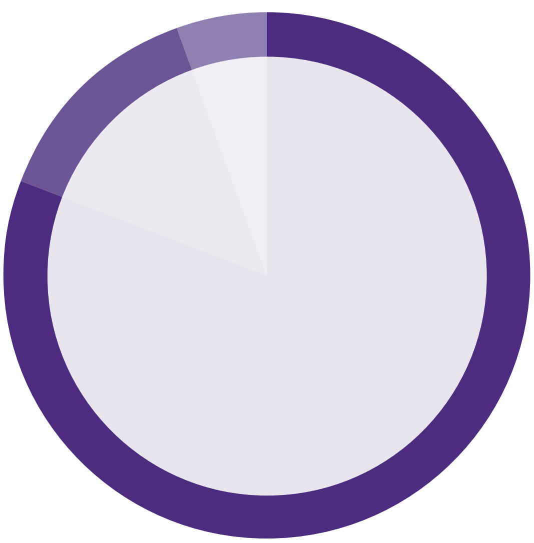
3i is an investment company with complementary businesses, Private Equity and Infrastructure, specialising in core investment markets in northern Europe, the UK and North America.

Group

Proprietary capital value

£8,098m

(2019: £7,553m)



Private Equity
£6,552m

Infrastructure
£1,117m

Scandlines
£429m

Top 10 investments

1. Action
2. 3i Infrastructure plc
3. Scandlines
4. Cirtec Medical
5. WPW
6. Q Holding Company
7. evernex
8. Royal Sanders
9. Tato Holdings Limited
10. Hans Anders

Private Equity

- Invest to generate capital returns
- Invest in companies typically with an enterprise value of €100 million – €500 million at acquisition in our core investment markets of northern Europe, the UK and North America
- Focused on four sectors: Business and Technology Services, Consumer, Healthcare and Industrial
- Portfolio of 31 unquoted assets and one quoted stake

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Infrastructure

- Invest to generate income yield and capital returns
- Investment Manager for 3i Infrastructure plc ("3iN"), which invests in economic infrastructure and greenfield project investments in developed economies, principally Europe
- Manage three other European Infrastructure funds and one India Infrastructure fund, as well as other managed accounts and investments in North America

Read more
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Scandlines

- An investment previously managed in Private Equity and Corporate Assets
- Scandlines is held for its strategic value with the ability to deliver long-term capital returns whilst generating a strong cash income

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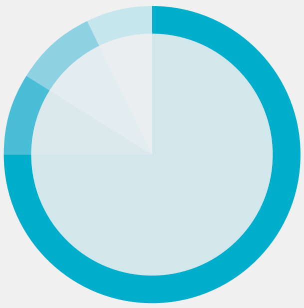
Assets under management

£8.8bn
(2019: £8.3bn)

By sector

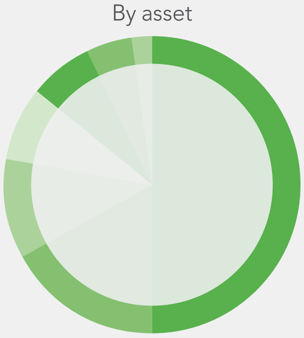


- **75%** Consumer (Action: 63%)
- **9%** Healthcare
- **9%** Industrial
- **7%** Business and Technology Services

Assets under management

£4.4bn
(2019: £4.2bn)

By asset

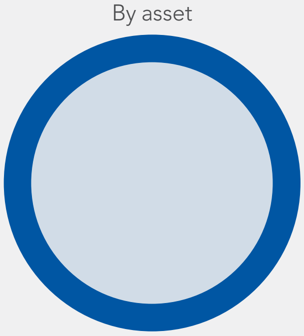


- **50%** 3iN
- **17%** 3i Managed Infrastructure Acquisitions LP ("MIA")
- **11%** BIIF
- **8%** US Infrastructure
- **7%** 3i managed accounts
- **5%** 3i European Operational Projects Fund
- **2%** 3i India Infrastructure Fund

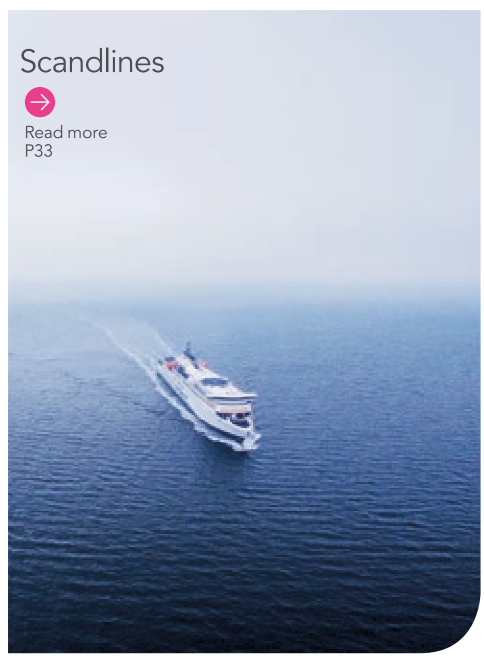
Assets under management

£429m
(2019: £529m)

By asset



- **100%** Scandlines



Performance highlights

804p
NAV per share
(31 March 2019: 815p)

3%
Total return[1] on equity
(2019: 18%)

35.0p
Dividend per share
(2019: 35.0p)

£40m
Operating cash profit
(2019: £46m)

£918m
Realised proceeds[2]
(2019: £1,242m)

£1,062m
Private Equity cash invested[3]
(2019: £332m)

1 Total return is defined as Total comprehensive income for the year, under both the Investment basis and the IFRS basis. See page 35 for the Investment basis Total return statement.
2 FY2020 Realised proceeds of £918 million or £516 million after £402 million of proceeds received as part of the Action transaction which were reinvested.
3 FY2020 Private Equity cash invested includes £591 million of reinvestment into Action as part of the Action transaction.

Certain financial measures used in our Annual report, such as operating cash profit, realised proceeds and Private Equity cash invested, are not defined under IFRS and are therefore termed APMs. Further details on APMs are included on page 47.

Chairman's statement

After a solid performance in FY2020, our Private Equity and Infrastructure teams are actively engaging with our portfolio companies to support and strengthen their resilience in FY2021.

Market environment and performance

Capital markets rallied in calendar year 2019, with the majority of global indices reporting double digit growth, notwithstanding significant political and economic uncertainty driven by the US-China trade war, the terms of the UK's exit from the European Union, and signs of slowing growth in major economies such as China and Germany. As we reached the end of FY2020 having experienced 11 months of strong performance, the outbreak of the coronavirus ("COVID-19") pandemic and the economic impact of lockdown and social distancing triggered sharp falls in pricing across global markets and volatile exchange rates. We have seen significant price reductions across the majority of asset classes, with tensions between Russia and Saudi Arabia over crude oil supply exacerbating the impact on commodities.

Despite record levels of fiscal and monetary stimulus being deployed by governments and central banks, the impact on many businesses of the public health response to COVID-19 has been rapid and damaging. With the effective shutdown of business activity across multiple sectors and geographies, many companies are implementing severe cost saving measures and seeking to maintain sufficient liquidity to manage through the crisis. Within our diverse portfolio of private equity and infrastructure assets, we have seen the full range of impact of the pandemic. Some of our businesses are seeing an increase in sales of essential goods and services. Certain companies are only lightly impacted. Others are suffering significant reductions in revenue and, in selected cases, need, or are likely to need, some form of liquidity support.

The fair value of our portfolio as at 31 March 2020 reflects the impact of COVID-19. We have assessed the effect of the pandemic on full-year projections for each of our portfolio companies, and the current dislocation of capital markets on multiples and discount rates. As a result, as at 31 March 2020, the Group's total return[1] for the year was £253 million (2019: £1,252 million), net asset value ("NAV") decreased to 804 pence per share (31 March 2019: 815 pence) and our return on opening shareholders' funds was 3% (2019: 18%). The impact of the crisis reflects our diverse portfolio, the defensive nature of many of the individual companies, and our consistent adoption over many years of long-term, through the cycle, multiples and discount rates.

"Our priority is to support our employees and our portfolio companies, while continuing to deliver superior returns for our shareholders."

Dividend

We were net investors in FY2020, but still ended the year with net cash of £270 million and liquidity of £1,245 million (31 March 2019: net cash of £495 million and liquidity of £1,420 million).

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. We are aware that some boards have decided to prioritise cash over shareholder distributions, and in some instances regulators have intervened to prevent dividend payments. 3i has the benefit of a long-standing conservative balance sheet strategy. We continue to pay all our employees, support our contractor workforce and have the balance sheet capacity to provide liquidity support to our portfolio companies, if required. Recognising the importance of our dividend to institutional and private shareholders in accordance with our policy, the Board is therefore recommending that we maintain the total dividend for FY2020 at the same level as the prior year. Accordingly, the second FY2020 dividend will be 17.5 pence (2019: 20.0 pence), which together with the first FY2020 dividend of 17.5 pence per share paid in January 2020, takes the total dividend to 35.0 pence (2019: 35.0 pence).

Board and management

I am pleased to welcome Alexandra Schaapveld, who is a Dutch national, who joined the Board as a non-executive Director on 1 January 2020. Alexandra was previously Head of Global Banking and Markets in Western Europe for Royal Bank of Scotland and ABN Amro, and is currently non-executive director of Société Générale. She brings extensive financial services expertise in a number of important markets for 3i and significant board experience in a variety of sectors. She has joined the Valuations, Audit and Compliance, and Nominations Committees.

I would like to thank Simon, Julia and the entire 3i team for their outstanding response to COVID-19. Everyone should feel proud of their contribution and the organisation as a whole has demonstrated adaptability, resilience and great teamwork.

Outlook

As we enter FY2021, we face the most uncertain outlook for generations. Our top priority in the coming months remains the safety and well-being of our employees at 3i and the staff and customers of our portfolio companies. We are confident that 3i's resilient and diverse portfolio, balance sheet strength, and geographic and sector expertise will enable us to navigate our way through these extraordinary social and economic conditions, and emerge from the crisis with renewed strength.

Simon Thompson
Chairman

13 May 2020

Chief Executive's statement

We enter our new financial year with a carefully assembled portfolio of private equity and infrastructure companies and an experienced team that has proved adept at managing these investments against a deteriorating macro-economic backdrop. We have been cautious investors for some years and have maintained a strong balance sheet since our restructuring in 2012. This conservative approach will help us to navigate the challenging months ahead minimising significant interruptions so that we can continue to generate attractive returns for our investors through the cycle.

Delivering attractive returns, however, is not in itself sufficient, and we strive to achieve that by managing our business and portfolio activities sustainably, with due regard to the interests of all stakeholders involved. Our performance through the initial phases of the COVID-19 pandemic is attributable to the prudent management of our own balance sheet, operations and of the portfolio. Throughout this pandemic, our focus has been first and foremost on protecting the well-being of our own employees and those of our portfolio companies and of the communities in which we all collectively operate. We are confident that this will also, over time, benefit us and our shareholders through more attractive returns.

We generated a total return on shareholders' funds of £253 million, or 3% (2019: £1,252 million, or 18%), ending the year with NAV per share of 804 pence (31 March 2019: 815 pence). The COVID-19 pandemic and its many consequences had a material impact on our 31 March 2020 valuations, which was partially offset by a significant gain on foreign exchange of £215 million in the year.

We completed the Action transaction (see page 19) returning proceeds of £402 million to the Group, which were subsequently reinvested back into Action as part of a £591 million further investment, increasing our gross equity stake to 52.6%. The competitive environment for new investment throughout FY2020 meant we remained cautious about the pricing of new investment opportunities. However, we were able to deploy £413 million in three new Private Equity investments and £175 million in a new proprietary capital and bolt-on Infrastructure investment in North America.

Coronavirus pandemic

As we publish our Annual report and accounts FY2020, many countries around the world are still very focused on managing the COVID-19 pandemic and the significant and often tragic consequences it is having on people's lives. Society and the global economy now face a set of unprecedented challenges, the full extent of which is for the moment uncertain. The unparalleled disruption caused by this pandemic has been reflected in all major global indices, which declined at a rate greater than during the financial crisis in 2008. There are many indicators suggesting that most major economies will experience contraction in the first half of 2020, and that this will extend through the second half of 2020 and potentially into 2021. In response to this humanitarian crisis, governments and central banks across the world have ramped up their social and economic interventions to try and slow the spread of the outbreak and lay the foundations for economies and businesses to recover once the pandemic has passed.

In early March, we used our two Portfolio Company Review weeks to establish a programme to assess each of our portfolio companies against the likely impacts of the COVID-19 pandemic. We moved quickly and by mid-March we had a clear assessment of the likely disruption each company and its employees would face as well as new forecasts for earnings, cash flow and liquidity. These revised plans comprised a base forecast which anticipated a relaxation of many lockdown measures in July with a more severe scenario for a number of our travel and transportation assets. From this analysis we agreed the necessary actions for our investment teams to take with each company in order to properly comply with new social-distancing and safety regulations and prepare for the disruption of extensive and ongoing lockdown measures.

"In these unprecedented times of major social and economic disruption, we delivered a solid result for the year."

Simon Borrows
Chief Executive

Since those plans were finalised in mid-March the overwhelming majority of our portfolio companies are trading ahead of their new base case forecasts. Given the defensive nature of much of our portfolio and the relatively flexible nature of our portfolio banking arrangements, we currently estimate that only a modest number of companies will require future support from 3i Group, which we are well placed to provide.

Since 2012, our focus at 3i has been to develop a diverse and resilient portfolio that generates attractive returns for shareholders, through the cycle, supported by a strong Group balance sheet. Our new proprietary capital investments this year, in data management software, IT infrastructure maintenance, biopharma components and systems, and rail, further improve our portfolio diversification and our closing net cash position of £270 million and our new £400 million Revolving Credit Facility ("RCF") demonstrate our balance sheet strength. However, we are not immune to severe market and economic shocks such as those generated by the COVID-19 pandemic. For the first 11 months of FY2020, our portfolio performance was generally strong across our business lines. Since March the severity of responses to COVID-19 in Europe and North America has had a varied impact across our investments. Not surprisingly, the companies exposed to travel, transportation, retail and automotive have been most affected. Conversely, those in medical technology, personal care products, e-commerce and other speciality manufacturers are experiencing strong demand.

Action transaction and performance

Action is the leading general merchandise discount retailer in Europe, selling many essential and other products at very low prices to its customers, and is our largest investment. 2019 was another very strong calendar year for Action, which grew revenue by 21% to €5.1 billion, like-for-like ("LFL") sales by 5.6% and EBITDA by 20% to €541 million (calendar year 2018: €4.2 billion, 3.2% and €450 million). The pace of store roll out remained impressive, with 230 new stores in calendar year 2019, which are performing well. At 31 March 2020, Action had 1,576 stores across seven countries. To deliver such strong performance the business has invested significantly in organisational capability and its supply chain. Action opened three new distribution centres ("DCs") in 2019; Belleville in France, Peine in Germany and Osla in Poland, as well as its first hub for cross-docking of directly sourced products from Asia in Marseille. The growth of its DC network and multi layered supply chain capabilities means Action is well placed to capitalise on the significant white space in existing and new countries.

In the first 11 weeks of 2020, Action recorded very strong performance with LFL sales growth of over 7% and a strong cash position. Late in March 2020, as the outbreak of COVID-19 intensified across Europe, Action faced government-enforced temporary closures of all of its stores in France, Belgium and Austria and partial closure of stores in Germany and Poland. However, all stores in the Netherlands remained open throughout the crisis. As of early May 2020, virtually all the Action stores have re-opened.

In the year, we successfully closed the realisation of the entire investment in Action of Eurofund V ("EFV") at a €10.25 billion enterprise value ("EV"), based on performance to 30 September 2019. The sale was funded by a combination of rolling EFV Limited Partners ("LPs"), 3i and a number of additional blue-chip investors.

Action is a remarkable company and has become one of the most successful private equity investments in the world. As a measure of this success the sale of the 34% EFV equity stake in Action produced a money multiple on original cost of over 31x and an internal rate of return of 73%. Action remains very well positioned as a deep value, scale retailer with significant scope for further international expansion.

We purchased Action in 2011 when it had just 245 stores. Today, it has over 1,576 stores in seven countries and has the white space potential to increase to over 6,000 in Europe over the coming years. 3i is committed to supporting Action to grow further and that is why we decided to reinvest £591 million of the £1,238 million cash distributions we have received from Action in the nine years of ownership, increasing our gross equity stake to 52.6% from 45.3% as part of the EFV transaction. 3i and funds managed by 3i now control over 80% of the equity share capital of Action.

The Action transaction provided a fair value which was based on the five-year business plan of Action and its performance to 30 September 2019. Actual performance for 2019 and the first 11 weeks of 2020 was ahead of this plan. COVID-19 has caused major short-term disruption to the business, however there is no evidence to suggest that Action will not revert to its strong fundamental performance and growth. At 31 December 2019, and before the Action transaction completed, we valued Action at £3,461 million. Given Action's very strong trading in the first 11 weeks of 2020, we had expected to see a further material value increase to 31 March 2020 owing to earnings growth. If we re-evaluate Action in the light of the current trading and temporary delay to roll-out plans, we believe stepping back to the transaction value, which was based on financials to September 2019 is sensible, reflecting the uncertainty, implying an enterprise value of €10.25 billion.

Many of our portfolio companies are contributing their expertise or making donations of goods or money to mitigate the impact of the COVID-19 pandemic. For example:

Action	Action, Europe's leading general merchandise discount retailer, donated more than three million pairs of gloves to each of the Dutch and French Red Cross for the benefit of hospitals and other care institutions;
Havea	The employees of Havea Group, a manufacturer of natural healthcare and cosmetics products, have given paid annual leave back to the company, allowing it to make a donation of €150,000 to the Hôpitaux de France Foundation to support them at this time and to buy medical equipment for COVID-19 patients;
Royal Sanders	Royal Sanders, a private label and contract manufacturing producer of personal care products, donated over 10,000 bottles of hand gels to hospitals across Belgium;
AES Engineering	AESSEAL plc, a subsidiary of AES Engineering Ltd, a manufacturer of mechanical seals and support systems, has provided 2,000 face visors free of charge to its local hospital. It has used its global subsidiary network to assist a group of hospitals in the Hallam area, pro bono, to source PPE. It is also offering free support to the National Health Service and its customers in the set-up of thermal imaging cameras which will reduce the risk of those with a high temperature being at work; and
Ionisos	Ionisos, a leading owner and operator of cold sterilisation facilities servicing the medical, pharmaceutical and cosmetics industries, is participating in a charitable effort in Spain to manufacture 70,000 surgical masks, co-ordinated by the Association of Fashion Creators of Spain.

Chief Executive's statement continued

Private Equity performance

Our Private Equity portfolio consists of 32 companies across northern Europe, the UK and North America in four sectors: Business and Technology Services; Consumer; Healthcare; and Industrial. In the 12 months to 31 March 2020 this Private Equity portfolio delivered a Gross Investment Return ("GIR") of 6% (2019: 20%). The portfolio had performed well overall in the 11 months to 29 February 2020, and was on track to generate returns consistent with our strategic objectives before the significant impact of COVID-19 on the portfolio valuation at 31 March 2020.

Our 2013-16 vintage generated significant cash returns in the year. In January 2020, we completed the disposal of Aspen Pumps for proceeds of £205 million which generated an overall money multiple of 4.1x and IRR of 34% over the life of our investment. In December 2019, we sold 5.3% of our shareholding in Basic-Fit at €31.25 per share, generating proceeds of £76 million, taking our total money multiple to date, including residual value, to over 4.0x. As a result of COVID-19, all of Basic-Fit's gyms have been temporarily closed resulting in a 49% reduction in share price in the year to 31 March 2020. We retain a 12.7% stake in the business, valued at £93 million. In December 2019, we completed a refinancing of Audley Travel, a tailor-made travel tour operator, returning cash of £65 million to 3i. Audley Travel delivered good organic revenue growth in both the UK and US in 2019 and this momentum continued into January 2020, its largest booking month. Since the outbreak of COVID-19, the market for travel services has been severely impacted. The company has successfully repatriated all its clients and is implementing a number of measures to mitigate the reduction in new and existing bookings. Recognising the impact of these events, we reduced the value of our investment to £124 million. However, we believe that the fundamentals of this business remain strong, and that it is well placed to recover when travel restrictions are eased given its position of scale in tailor made travel, its excellence in client service and the diversity of its destination offering. We completed bolt-on acquisitions for Q Holding, WP and Dynatect in the year. Despite this challenging macro-economic environment, we expect to complete the sale of Kinolt in August 2020, for proceeds of c.€96 million, subject to competition clearance.

The 2016-19 vintage of investments had a more mixed performance in the year. Cirtec Medical performed strongly, driven by a combination of organic growth and previous value accretive bolt-on acquisitions. Similarly, Royal Sanders, the private label and contract manufacturing producer of personal care products, delivered growth rates that exceeded the general market. The two McBride sites, acquired in 2018 which were loss making, are now contributing a good profit. COVID-19 has not impacted either of these businesses to date. Following Hans Anders' acquisition of eyes + more in January 2019, the combined business had a strong start to the year driven by good LFL performance, particularly in eyes + more, on budget store roll out and a good level of operational synergies. However, in the case of Hans Anders, the COVID-19 pandemic has had a material impact on the 2020 earnings and liquidity. Government-initiated measures resulted in almost all stores being closed or open on an appointment only basis and, despite cost saving measures, the business required an equity injection from 3i of €22.5 million in April 2020 to support it through this very difficult period. We continue to support Hans Anders as we believe there is significant value upside once the business resumes full operations. Most of the company's stores have gradually resumed trading in the course of May 2020, with safety measures in place to protect employees and customers.

ICE, our global provider of technology-based B2B2C travel-based loyalty and reward solutions, is another business that has been significantly impacted by COVID-19. The business had good momentum running into the start of 2020, with its previous acquisition of SOR Technologies performing strongly and good progress made integrating its most recent bolt-on acquisition of WMPH. Since March 2020, revenue generated from cruises, which contributes c.25% of the total, has materially declined. We recognised a combined value loss on both Hans Anders and ICE of £146 million to reflect these short-term declines in earnings.

The automotive sector was challenged throughout 2019 before the impact of the pandemic was felt on demand and supply. Formel D, the leading international provider of quality services for the automotive industry, performed well despite the challenging market backdrop and also completed the acquisitions of CPS and Vdynamics. European and US OEM plant shutdowns in mid March as a result of COVID-19 have impacted Formel D's output and this is reflected in the valuation at 31 March 2020. In December 2019, Schlemmer, a German manufacturer of cable management solutions for the global automotive industry, filed for administration in Germany. Schlemmer had continued to suffer operational challenges in its North American plants, as well as a significant decline in volumes in its European plants in the second half of 2019. Despite further financial support from 3i, we wrote down our investment to nil, recognising a £103 million value loss in the year.

In October 2019, we completed the first investment in our 2019-22 vintage with the £214 million investment in Evernex, and at the end of 2019 we completed a £60 million investment in a new platform for the production of bioprocessing products. Both companies continue to trade well through the disruption of COVID-19. As we enter FY2021, our investment activity for the new vintage will be lower than planned as we focus our resources and energy on supporting our existing portfolio through the pandemic. Our realisation activity is also expected to be limited. However at the end of March 2020, we completed the sale of ACR, recognising total realised proceeds of £105 million. The most significant tranche of these realised proceeds is expected to be received in Q3 2020.

Infrastructure performance

The Group's 30% stake in 3iN was valued at £665 million at 31 March 2020, based on a share price of 247 pence (31 March 2019: 275 pence). The impact of COVID-19 on capital markets has been far reaching, even on resilient asset classes such as infrastructure; 3iN had traded at a record high share price of 317 pence in February 2020. By its nature, 3iN's portfolio is defensive and less vulnerable to economic downturns. To date, the social and economic disruption has had limited operational impact on the 3iN investment portfolio with just TCR, the airport ground handling equipment leasing business, impacted by travel restrictions. Demand for infrastructure assets remained strong in 2019 and 3iN capitalised on this with the realisations of Wireless Infrastructure Group ("WIG") for proceeds of £387 million and IRR of 27%, and the UK projects portfolio for proceeds of £194 million and an IRR of 15%. 3iN also completed new acquisitions of Joulz, which owns and provides essential energy infrastructure equipment and services in the Netherlands, and Ionisos, a leading owner and operator of cold sterilisation facilities headquartered in France. In addition to these investments, 3iN completed the bolt-on acquisition by Valorem of Force Hydraulique Antillaise SAS.

Our North American Infrastructure team completed its second US infrastructure investment in July 2019, with the acquisition of Regional Rail, which owns and operates short-line freight railroads and rail-related businesses throughout the Mid-Atlantic US. Subsequently, in December 2019, we supported Regional Rail's strategically transformative acquisition of Pinsly Railroad Company's Florida subsidiaries. In addition, in February 2020, Regional Rail acquired Carolina Coastal Railway, taking our total investment in Regional Rail and bolt-on acquisitions to £175 million. Short-line freight rail has been designated as an essential service in the US, and the business is performing well. US and global travel restrictions have had a significant impact on Smarte Carte, our US luggage carts, lockers and strollers business, impacting all revenue streams. The team is working on cost mitigation and financing options to navigate this tough trading period.

Scandlines performance

Scandlines continues to make good progress and has yielded a strong cash return for 3i since our reinvestment in the last financial year. In August 2019, it completed a successful refinancing which returned £70 million to 3i. In addition, we received a further £37 million in dividends in the year, meaning Scandlines has returned 26% of our reinvestment in June 2018.

The Danish and German Governments' decision to impose border controls in March 2020 due to COVID-19 has, however, had a major short-term impact on car volumes in particular. However, Scandlines' strategic importance to supply chains across the region is evident and freight continues to flow with good volumes despite the reduced economic activity across Europe. To reflect the short-term impact to volumes from the temporary restrictions and the current elevated level of potential uncertainty on the longer-term impact of the pandemic, we reduced the value of Scandlines to £429 million from £464 million at 31 December 2019 (31 March 2019: £529 million pre-refinancing proceeds of £70 million).

Strong, resilient balance sheet, well positioned to deliver good returns to shareholders

We have had a conservative balance sheet strategy since our restructuring in 2012. At 31 March 2020, we had gross cash of £845 million, after returning £363 million of cash dividends to shareholders in the year, and long-dated gross debt of £575 million. In March 2020, we completed the refinancing of our RCF, increasing its amount from £350 million to £400 million in a five-year facility with an option to extend annually for a further two years. We also generated an operating cash profit of £40 million in the year meaning our income, before realisations, more than covered our operating costs. This strong balance sheet is important because we are under no pressure to sell assets to cover our costs and can support our portfolio as required.

Our people and values

The 3i team is the heart of our business and we expect everyone at 3i to act with integrity, to be accountable for their behaviour, and to approach their roles with ambition, rigour and energy.

Our long-standing Responsible Investment Policy informs our investment decisions and our behaviour as a manager of our assets. We are committed to the continuous improvement of our approach.

The COVID-19 pandemic continues to have a significant impact on people's lives. 3i supports a number of charities on an ongoing basis. Given the increased demand that these charities are experiencing at this time, we have chosen to make additional donations to a number of them. We have also made donations to charities or organisations addressing issues raised by COVID-19 in the seven other countries in which we operate, on the recommendation of our local teams. In addition, we matched our employees' charitable donations during April, which will take our annual total donations to c.£1 million. We are also supportive of any of our employees who choose to volunteer with their local healthcare service and are assisting them in this endeavour by enabling them to work flexibly around what they choose to do.

Finally, we have set up a £5 million charitable fund to help alleviate the impact of COVID-19 by supporting charities and communities affected by the pandemic. Through this fund, we will focus our support on organisations helping the most vulnerable in those countries in which we and our portfolio companies operate. The £5 million has been funded from Private Equity and Infrastructure carry and performance fee arrangements which have been provided for through the income statement in prior periods.

Outlook

At the time of writing, the world continues to manage the COVID-19 pandemic. For 3i and many other businesses, the next 12 to 24 months will be among the most challenging periods historically in which to operate a business and generate a return. Our strong balance sheet and lean cost base mean we are under no pressure to realise assets in our portfolio before they reach their full potential. We expect our investment rate to be lower than previous years as our main focus for the next 12 months will be on managing and growing our existing portfolio through some tough trading conditions. We will, however, continue to build an interesting pipeline of new and further investment opportunities.

We are confident that our diverse portfolio is well positioned to continue the good momentum demonstrated throughout the majority of FY2020 before the pandemic began and we see no reason to change our financial objective of achieving mid to high-teen returns through the cycle for shareholders.

It is frustrating for all of us to produce such strong performance over 11 months and then to see events outside our control wreak such enormous social and economic damage. We are fortunate to have such strong portfolio companies and finances at 3i, as well as such an experienced and reliable team of professionals. We are adapting to the challenges posed by COVID-19 and continue with our usual purpose and caution to attain our stated objectives, as well as helping some of those most at risk at this time.

I have been very impressed with the way the 3i team has responded to the challenge imposed by the COVID-19 outbreak and I would like to thank them for all their good work this year.

Simon Borrows
Chief Executive

13 May 2020

Our business model

We create value growth principally by investing in a diverse portfolio of mid-market private equity and infrastructure investments. We cover our operating costs with fees generated by our Infrastructure business and some income from our portfolio, thereby minimising the dilution to returns.

Our business

Private Equity

- Business and Technology Services
- Consumer
- Healthcare
- Industrial

Infrastructure

- Utilities
- Communications
- Transport/Logistics
- Social Infrastructure
- Natural resources/Energy
- Healthcare

Scandlines

- Transport/Logistics

What we offer

Expertise

The knowledge and skills of our teams, where sector and international experience come together, is a crucial part of our origination and value creation

Access to capital

We create value by investing our proprietary capital in a portfolio of mid-market companies and cover our operating costs from fee and portfolio income

Business leaders network

Our global network of advisers and business leaders assists us to identify, access and assess opportunities, transform businesses and drive value

Active partnership

We work with our portfolio companies to achieve their full potential and generate good returns for our shareholders through the cycle

Reputation

As an investment company with a 75-year history, our brand strength and long-term approach underpin our reputation as a responsible investor and business

Key to our operation

Our institutional culture and values

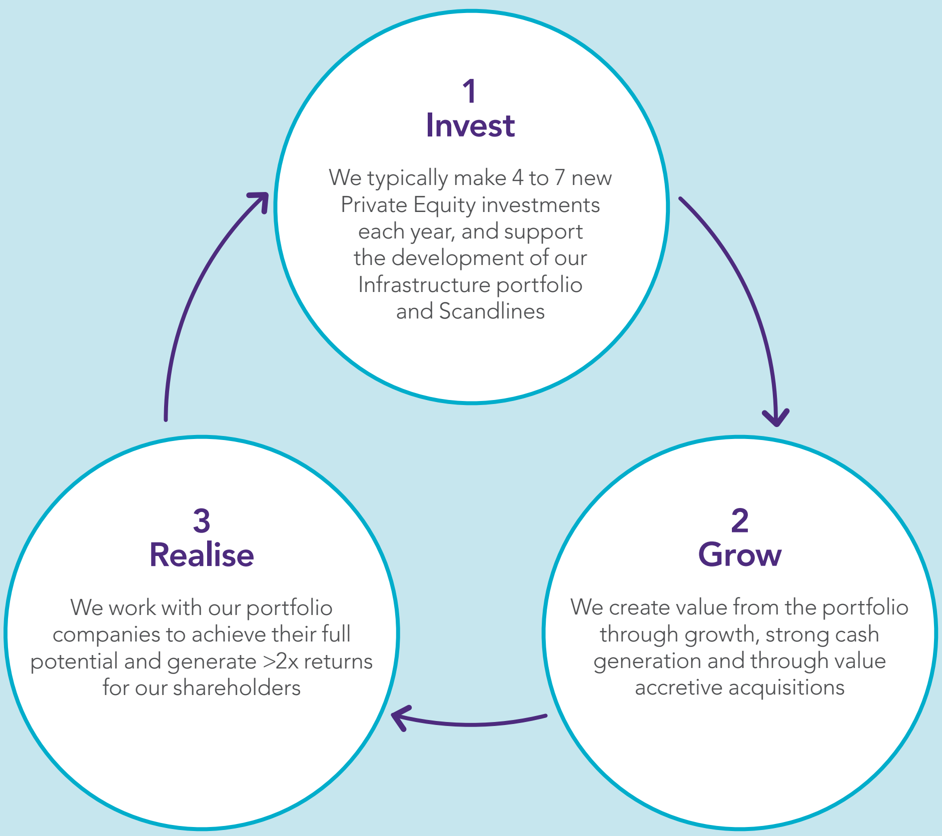
Our institutional culture, policies and procedures, led by the Investment Committee and Executive Committee, ensure a disciplined, responsible and selective approach to investment and divestment decisions.

Strong corporate governance

A balanced and effective Board, that seeks to ensure that the Group's culture is aligned with its purpose and values, and that the Company has the necessary financial and human resources to drive long-term sustainable success.

Value creation

We manage our balance sheet conservatively. We maintain a tight grip on operating costs and cover these with fund management fees and portfolio income



Who benefits

Shareholder returns in FY2020

Our model creates the capability to deliver mid-teen returns to shareholders through the investment cycle

£253m
Total return

35.0p
Dividend per share

Portfolio companies

We work in close partnership with our portfolio companies to provide expertise and support, enabling them to grow sustainably, achieve their full potential and contribute positively to the communities in which they operate

Our people

Our people are our most important resource. We foster the professional development and well-being of our employees

Effective risk management

Integrity, rigour and accountability, combined with robust processes, are central to our institutional culture and underpin our approach to risk management and the successful delivery of our strategic objectives.

Our responsible approach

We are committed to managing our business sustainably. We take responsibility for our actions as an employer, investor, and an international corporate citizen.

Read more about our key risks
P55

Read more about Sustainability
P60

Strategic objectives

Strategic objective	FY2020 progress
Grow investment portfolio earnings	**93%** of Private Equity portfolio companies[1] (by value) grew earnings in 2019
Realise investments with good cash-to-cash returns	**£918m** Group proceeds (or £516 million net of £402 million Action proceeds)[2]
Maintain an operating cash profit	**£40m** Operating cash profit[2]
Use our strong balance sheet	**£1,062m** Invested in Private Equity (or £471 million net of £591 million reinvestment in Action)
Increase shareholder distributions	**35.0p** Dividend per share

1 Last 12 months ("LTM") earnings to 31 December 2019. Includes 22 unquoted companies and Basic-Fit, which is quoted.

2 Operating cash profit, realised proceeds are APMs. Further details are included on page 47.

Further information on how these strategic objectives are factored into decisions concerning the Executive Directors' remuneration is included in the Directors' remuneration report on page 95.

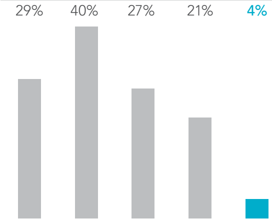
Key performance indicators

KPIs

Gross investment return ("GIR")[1,2] as % of opening portfolio value

The performance of the proprietary investment portfolio expressed as a percentage of the opening portfolio value.

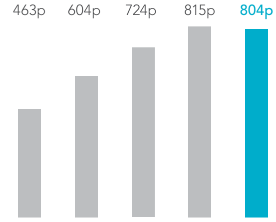
2016	2017	2018	2019	2020
29%	40%	27%	21%	4%



NAV per share[2]

The measure of the fair value per share of our proprietary investments and other assets after the net cost of operating the business and dividends paid in the year.

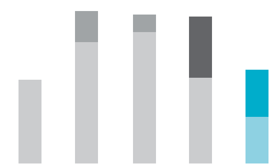
2016	2017	2018	2019	2020
463p	604p	724p	815p	804p



Cash realisations[1,2]

Support our returns to shareholders, as well as our ability to invest in new opportunities.

2016	2017	2018	2019	2020
£718m	£1,308m	£1,277m	£1,261m	£801m
	£270m	£152m	£529m	£402m
	£1,038m	£1,125m	£732m	£399m



Cash realisations

Proceeds from the sale of Debt Management/residual Debt Management assets

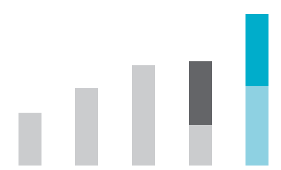
Scandlines reinvestment

Action reinvestment

Cash investment[1,2,5]

Identifying and investing in new and further investments is the primary driver of the Group's ability to deliver attractive returns.

2016	2017	2018	2019	2020
£433m	£638m	£827m	£859m	£1,248m
			£529m	£591m
			£330m	£657m



Cash investments

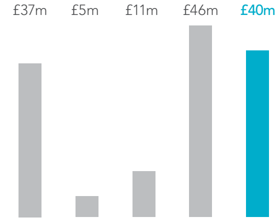
Scandlines reinvestment

Action reinvestment

Operating cash profit[1,2,3]

By covering the cash operating cost of running our business with cash income, we reduce the potential dilution of capital returns.

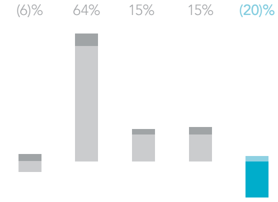
2016	2017	2018	2019	2020
£37m	£5m	£11m	£46m	£40m



Total shareholder return[2]

The return to our shareholders through the movement in the share price and dividends paid during the year.

2016	2017	2018	2019	2020
(2)%	71%	18%	19%	(17)%
4%	7%	3%	4%	3%
(6)%	64%	15%	15%	(20)%



Dividends

Share price

FY2020 progress and FY2021 outlook	Key risks	Link to strategic objectives
• Resilient performance across our portfolio throughout the year, with COVID-19 only having a material impact in the final month, resulting in a GIR in Private Equity of 6%, a 3iN total return of 11% and a Group GIR of 4% • Action had another good year, opening 230 new stores in calendar year 2019 and generated LFL sales growth of 5.6% • The strength of Action's model is endorsed by the introduction of a significant number of new investors in 2020	• Exposure of specific portfolio assets to COVID-19 disruption and wider economic downturn impacts performance • Investment rates or quality of new investments are lower than expected • Operational underperformance in the portfolio companies impacts earnings growth and exit plans • Sterling materially strengthens against the euro and US dollar; at 31 March 2020, 78% of the portfolio was denominated in euros or US dollars	
• Very strong performance for the first 11 months of FY2020 • 1% decrease in NAV per share to 804 pence (31 March 2019: 815 pence), after payment of 37.5 pence dividend per share in the year • Progress impacted by valuation effect of COVID-19 at the end of March 2020	• COVID-19 disruption, market volatility and wider economic downturn impacts portfolio company earnings and valuation multiples • Ongoing market volatility and geo-political and economic uncertainty further dampens investor sentiment	
• Cash proceeds of £801 million, including £402 million from the Action transaction, which were reinvested back into Action (see page 19) • Cash realisation levels expected to be lower in FY2021 • We expect to receive the first and most significant tranche of proceeds from the disposal of ACR in Q3 2020, and we expect to complete the sale of Kinolt in August 2020	• Market volatility and related COVID-19 disruption may delay exits or affect pricing • Subdued M&A activity in our core sectors reduces investor appetite for our assets • Macro-economic uncertainty limits investor appetite for the private equity and infrastructure asset classes • Debt markets become less supportive of leveraged buyouts or refinancings	%
• Invested £413 million in three new Private Equity investments • Reinvested £591 million into Action, increasing our gross equity stake to 52.6% as part of the Action transaction • Completed 13 bolt-on acquisitions for the Private Equity portfolio • Cash investment levels expected to be lower in FY2021 • Our focus will be on bolt-on acquisitions and supporting our existing portfolio through tough trading conditions. We also continue to work on new opportunities	• Competition from other private equity and infrastructure investors, as well as trade and other financial buyers, makes it more challenging to source investments at prices that will allow us to meet our return targets • Failure to attract, invest in and retain the right investment executives impacts our ability to originate and manage assets • Failure to maintain and develop our network of advisers and business leaders reduces the quality of potential deal flow	%
• Infrastructure and Scandlines generated cash income of £78 million (2019: £82 million) and £37 million (2019: £28 million) respectively • Remained disciplined over cash operating expenses, which were £120 million[4] (2019: £109 million) • Operating cash profit expected to be lower in FY2021 as cash yields will be reduced as a number of companies focus on preserving liquidity	• Portfolio performance, and therefore portfolio income, is weak • Reduced ability to generate interest and dividend income in a private equity structure • Infrastructure initiatives do not generate sufficient fee income • Unplanned increase in the cost base; for example, legal, compliance or regulatory issues	%
• TSR of (17)% driven by a share price decrease of 20% in the year, offsetting the impact of dividend payments of 37.5 pence in the year • Strong balance sheet and strong cash generation support a total FY2020 dividend of 35.0 pence per share	• Lower NAV due to investment underperformance or market volatility and economic uncertainty • Investor appetite for 3i shares could reduce in a volatile macro-economic environment • Uncertainty around Brexit and the future of the UK/EU trading relationship could impact general confidence in the UK economy and equity markets	%

1 A number of our KPIs are calculated using financial information which is not defined under IFRS and therefore they are classified as APMs. Further details on these APMs are included in our Financial review on page 47.
2 Further information on how these KPIs are factored into decisions concerning the Executive Directors' remuneration is included in the Directors' remuneration report on page 95.
3 Operating cash profit balances up to 2016 include the contribution of the Debt Management business, sold to Investcorp in March 2017.
4 Cash operating expenses includes lease expense.
5 Cash investment of £1,248 million. Includes a £31 million syndication of cash investment in Private Equity, which is to be received in FY2021.

Business review

COVID-19

COVID-19 presents a huge risk to the global economy, and to individual companies and has had a severe impact on economic growth forecasts worldwide. The impacts of COVID-19 are not all apparent yet and the position will remain fluid until the length and extent of the crisis become clearer. Evidently, not all industries or companies will be impacted to the same degree. However, the effects will be felt in a number of areas across 3i and the majority of its portfolio companies. 3i continues to monitor and follow closely the information released from governments, regulatory bodies and health organisations in the countries in which 3i and its portfolio companies operate.

3i's response to COVID-19 is set out in further detail below.

People and operations

Lockdown, social distancing and economic hardship have highlighted the importance of 3i and its portfolio companies' focus on keeping employees safe, motivated and able to fulfil their roles effectively. New methods of working have reshaped the work environment and the ways in which people interact and communicate. All 3i offices have been closed, or have had access significantly restricted, in accordance with local regulations and guidance. Business meetings and events are being held virtually, and all international travel has been cancelled at least until we are advised that it may resume safely. Particular effort has been made to keep all of our people informed and engaged through regular updates from management and team leaders. 3i has a detailed business continuity plan for the whole organisation, which includes contractors, and has taken the following steps in particular to address the impact on people and any risks that the changing work environment may present:

- the implementation of a flexible work-from-home policy for all our offices, facilitated through the use of remote login and video and audio conferencing;
- the provision of mental health and well-being advice and guidance to employees, provided virtually by an experienced external provider, and the provision of streamed fitness classes;
- frequent communication, sharing tools to help everyone work effectively from home; and
- restrictions on international business travel to limit potential risk to staff.

Members of 3i's investment teams continue to interact regularly with portfolio company management, and hold Board and review meetings virtually. At a Group level, remote working has allowed 3i to continue to hold effective Investment Committee, Board and other regular meetings. There has been limited impact on 3i's ability to facilitate discussion and enable informed decision making.

Technology

Managing the stability and digital risk of an organisation's technology environment has become a key priority as firms seek to implement social distancing whilst maintaining everyday operations. The performance of 3i's systems is closely monitored to help ensure the effective continuity of business operations. 3i's IT systems have performed strongly against these new demands with the continuation of high quality IT support and the provision of effective and reliable video and audio teleconferencing software. 3i employees have been provided with additional hardware, where required, to work effectively from home. The IT team has provided training for all employees to become comfortable with this new operating model and to ensure they can perform their jobs remotely. The management of cyber security remains of paramount importance and monitoring of the associated risk to the Group and its portfolio companies continues.

Liquidity

3i has maintained a conservative balance sheet structure since its strategic review in 2012, which should aid the Group in navigating the current uncertain business environment. 3i has cash of £845 million at 31 March 2020, low levels of debt, and has recently completed a successful refinancing of its RCF, increasing the size to £400 million and extending the maturity to 2025 without any financial covenants, providing the Group with a strong source of additional liquidity should it be called upon in the future. Levels of new investments and realisations throughout FY2021 are likely to be considerably lower than in prior years, with the principal focus of investment during this period being on supporting existing portfolio companies. Our investment teams are working closely with the management of our portfolio companies in order to review their short to medium-term cash forecast, working capital position and bank covenants relating to their borrowings. Our expert teams are dedicated to supporting our portfolio companies through this period of uncertainty.

In accordance with its ongoing obligations, the Board will ensure that there are sufficient reserves available at the time of declaring and paying of the dividend. The Board has also assessed and reviewed 3i's long-term viability. The Viability statement on page 54 discloses and explains key assumptions and future scenarios covered in preparing the Viability statement.

Valuation approach at 31 March 2020

At 31 March 2020, our approach to valuation was substantially consistent with our normal process and valuation policy. A key focus of the portfolio fair value at 31 March 2020 was an assessment of the impact of the COVID-19 pandemic on each portfolio company. Our approach considered the performance of the portfolio companies before the outbreak of COVID-19, the projected short-term impact on their ability to generate earnings and cash flow and also our longer-term view of their ability to recover and perform against their investment cases. Our policy of taking a long-term view on multiples against frequently volatile and dislocated capital markets was also applied where appropriate. Given the diversity of our portfolio, the impact has been varied, with portfolio companies exposed to travel and transportation such as ICE, Audley Travel and Smarte Carte, retail such as Action and Hans Anders, and automotive such as Formel D, experiencing significant disruption compared to those in medical technology, personal care products, e-commerce and other speciality manufacturers, such as Cirtec, Royal Sanders, Tato and Lampenwelt.

Portfolio management

Our investment teams are working with our portfolio companies in order to manage the range of operational and financial issues that have arisen, including ensuring employee health and safety in accordance with government regulations, liquidity and supply chain issues, and the effective preparation of short to mid-term forecasts. We continue to monitor the portfolio performance closely, through our positions on boards and working closely with management teams.

These close working relationships and our well-established monthly portfolio dashboard monitoring mean that the Investment Committee has good access to information on the portfolio in this rapidly changing environment. This has enabled it to respond quickly to requests for support where needed, and to keep the Group Board and its Committees regularly updated.

Private Equity

Investing in good businesses to make them great

Action is an award-winning, general merchandise discount retailer, with more than 1,576 stores in seven countries across Europe. With over eight million store visits per week in 2019, customers are drawn by the quality of products, ever-changing ranges, surprise assortment and the low prices.

Action has a simple and scalable model. It offers c.6,000 different items across 14 categories in its stores, introducing more than 150 new products every week to its ever-changing range. Action's competitive advantage is predicated on buying high volumes of a relatively narrow set of products, sourced across A brands and private labels. It is able to achieve this due to its scale and highly efficient supply chain. Its stores are stocked multiple times per week from distribution centres ("DCs") in the Netherlands, France, Germany and Poland.

In 2019, Action opened 230 stores in seven different countries including its 500th store in its largest market, France. Action's model has proven to be popular in Poland, its newest market, where it opened 32 new stores in 2019, taking the total to 57. The Polish stores have shown significant growth over the past two years. Action is looking to expand further into the country, supported by the significant investment in a new DC in Osla, which is now operational and delivering.

Action's expansion has been supported over the years by significant investment in its organisational capability and supply chain. Action is developing a multi-layered supply network of DCs, hubs and cross-docking centres which will allow it to reduce inventory costs in its DCs, increase flexibility and absorb the incremental growth in direct sourcing over the next few years. During the year, Action opened three new DCs and a new hub.

Action's digital strategy is key to its future growth and scalability. The business is investing significantly in building its digital customer interface across a variety of social media and direct customer touchpoints, such as email newsletters, with the objective of driving further customer footfall into its stores.

Action's Social Responsibility ("ASR") strategy was introduced in 2017. It is based on the four pillars of Product, People, Environment and Good Citizenship, and serves as Action's roadmap to doing business while respecting human rights, trading ethically and protecting the environment, both in its own operations and in its supply chain. Action is investing in its ASR strategy by building a stronger quality function, process and team.

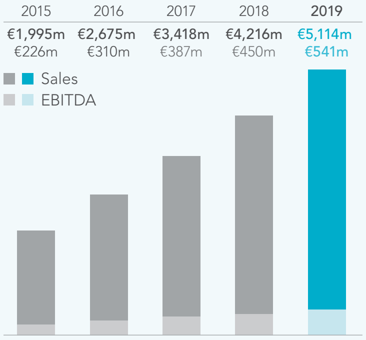
Action has taken significant steps to reduce its direct footprint on the environment through a number of initiatives, including the use of double-decker and LNG trucks to transport products to its stores, the installation of solar panels on DCs to reduce energy use and the central recycling of packaging used in transportation. Importantly, it is committed to sourcing its products responsibly and has continued to develop its policies to ensure that its products are safe, ethically sourced and sustainable. These policies are available on Action's website.

The COVID-19 pandemic has had a significant effect on businesses worldwide, and Action was impacted by some of the infection mitigation strategies and lockdowns imposed across Europe. Government intervention forced it to implement total or partial store closures in a number of countries in which it operates. In others, it has been able to keep its stores open, selling the entirety of its assortment or a more limited selection of essential, non-discretionary products. These infection control measures and resultant closures are expected to be temporary but will nonetheless have a one-off financial impact which will mainly be seen in the first, and second quarter of the year. However, Action's costs are being managed actively to mitigate some of the reduction in revenues. Action is seeing strong sales performance both in the situation where stores have remained open and where stores re-open after temporary closure; this performance further demonstrates the strength of the format.

As a result of the pandemic, Action has placed a temporary pause on its store roll-out and international expansion. Plans to open pilot stores in the Czech Republic in April and in northern Italy after the summer are currently on hold. We are confident that Action's business model and value proposition will allow it to rebound rapidly now lockdowns are being lifted and the size of the white space opportunity remains undiminished and deliverable.

Key financial figures

at 31 December



Store figures

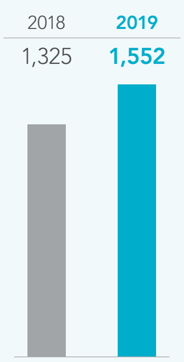
230
Stores added

11
Stores enlarged

32
Stores refurbished

8
Stores relocated

Number of stores



Geographical spread of stores and DCs at 31 December 2019

www.action.com
For more information

Private Equity

We back entrepreneurs and management teams of mid-market businesses headquartered in northern Europe, the UK and North America that can grow internationally. Once invested, we work closely with our portfolio companies to achieve their full potential, realising our investments at the appropriate time to deliver strong cash-to-cash returns for 3i shareholders and other investors.

At a glance

Gross investment return

£352m or 6%

(2019: £1,148m or 20%)

Investment

£1,062m

(2019: £332m)

Realised proceeds

£848m

(2019: £1,235m)

Portfolio growing earnings

93%[1]

(2019: 93%)

Portfolio value

£6,552m

(2019: £6,023m)

Number of companies

32

(2019: 32)

1 LTM earnings to 31 December 2019.

Our Private Equity portfolio delivered a Gross Investment Return of £352 million or 6% on the opening portfolio (2019: £1,148 million or 20%). The portfolio had performed well overall in the 11 months to 29 February 2020 before the significant negative impact of COVID-19 on the portfolio valuation at the end of March 2020. Our team remained selective and disciplined on price despite a competitive market throughout the year, completing three new investments totalling £413 million. These new investments, with end markets in biopharmaceuticals; data centre hardware and critical IT assets; and application data solutions, have to date proven resilient to the COVID-19 crisis.

In addition, 13 bolt-on acquisitions were completed by existing portfolio companies in the year to 31 March 2020. There are a number of potential further bolt-on acquisitions being reviewed at the date of this report.

We generated realised proceeds of £848 million. The Action transaction generated £402 million, which was subsequently reinvested into Action as part of a £591 million further investment, increasing our gross equity stake from 45.3% to 52.6%. We also sold Aspen Pumps in the year, generating £205 million of proceeds and an overall 4.1x return over the life of 3i's investment.

TABLE 1: **GROSS INVESTMENT RETURN**
FOR THE YEAR TO 31 MARCH

Investment basis	2020 £m	2019 £m
Realised profits over value on the disposal of investments	**90**	131
Unrealised (losses)/profits on the revaluation of investments	**(34)**	916
Dividends	**5**	12
Interest income from investment portfolio	**106**	103
Fees receivable	**9**	10
Foreign exchange on investments	**176**	(24)
Gross investment return	**352**	1,148
Gross investment return as a % of opening portfolio value	**6%**	20%

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

COVID-19 and our Private Equity portfolio

The COVID-19 pandemic presents unprecedented economic and liquidity challenges for the majority of businesses. Infection mitigation measures, including restrictions on travel and lockdowns are creating significant disruption to core operations and global supply chain processes.

Action transaction overview

In 2011, 3i invested £106 million in Action alongside EFV and other co-investors. Since then, 3i has made several small further investments to buy out exiting Action management and has also bought several additional stakes in EFV in secondary Limited Partner ("LP") transactions. At 31 December 2019, 3i's effective equity holding in Action was 45.3%.

On 17 January 2020, we completed a transaction to provide liquidity to investors in EFV by a realisation of the EFV investment in Action through a sale to the 3i 2020 Co-investment vehicles, for an enterprise value of €10.25 billion funded by a combination of rolling LPs, new LPs and 3i (the "Transaction"). We are delighted that GIC, AlpInvest Partners, Coller Capital, HarbourVest Partners, J.P. Morgan Asset Management, Pantheon, as well as investment funds managed by each of Aberdeen Standard Investments, Goldman Sachs Asset Management and Neuberger Berman, amongst others, have decided to either roll their existing investment or make a significant new investment in the next chapter of Action's growth story.

Action's remarkable growth and cash generation since the original investment has allowed 3i to successfully refinance the business five times prior to the Transaction. Prior to this Transaction, 3i had received cash proceeds of £836 million for a 6.3x cash multiple. 3i received £402 million proceeds from this Transaction bringing total proceeds to date to £1,238 million in the nine years of our ownership. With its reinvestment of £591 million, the total cash invested by 3i is £724 million at a 6.6x money multiple including unrealised value.

January 2020

Sale of EFV interest in Action

- The Transaction provided liquidity to EFV LPs through the realisation of their investment in Action, representing 34% of the equity of Action, at an enterprise value of €10.25bn
- Ahead of the Transaction, Action completed a refinancing with a new term loan of €625m and 3i and EFV received their pro-rata share of the subsequent distribution

Payment of EFV carry to 3i

- As a result of the Transaction, the relevant carry hurdles were met resulting in EFV releasing carry it owed to 3i

Disposal of 3i's LP stake in Action held in EFV

- When EFV disposed of its entire stake in Action, 3i also received its share of those proceeds from 3i's own LP stake in EFV (acquired through secondary transfers), equivalent to a 1.8% equity investment in Action

3i reinvestment into Action

- Following the receipt of: (i) the dividend proceeds; (ii) carried interest from EFV; and (iii) the proceeds from the disposal of its share of the EFV proceeds, 3i reinvested £591m into Action both through the 3i 2020 Co-investment vehicles and directly, to purchase an additional equity stake of 9.1%, resulting in 3i holding a total gross equity stake in Action of 52.6% as at 31 March 2020

March 2020

Ongoing

Action remains part of the Private Equity business

- There were no changes to the governance structure in the way Action is managed as a result of the Transaction. We will continue to report Action as part of the Private Equity business, but have provided separate disclosure about Action's performance on pages 16 and 17, and in Note 1 to the financial statements

Action valuation

The Transaction was concluded after detailed due diligence was conducted by sophisticated investors on the Action business model and its five-year business plan and thus provided an independent fair value. Prior to the impact of COVID-19 the business was trading strongly and outperforming this plan. Although the pandemic has since caused major short-term disruption to the business, there is no evidence to suggest that Action will not bounce back strongly now that the store portfolio has substantially re-opened. We believe that the strength of the business model and the growth potential offered by the white space opportunity ahead of Action remains undiminished. Notwithstanding this, if we re-evaluate Action in light of the current trading and temporary delay to roll-out plans, stepping back to the Transaction value is sensible, reflecting current uncertainties. This valuation level was also triangulated against the relevant comparable peer group and the results of DCF modelling. It is broadly equivalent to using Action run-rate earnings to March 2020 and reducing the multiple used to c.17x post discount.

Across our Private Equity portfolio, we have to date seen the greatest impact on companies operating in travel, retail and automotive. However, we have seen some of our businesses in essential product manufacturing, e-commerce and healthcare generating stable or increased revenues through the crisis. The majority of our portfolio went into the crisis with good cash generation.

In response to the COVID-19 pandemic, we have worked with management teams to support an appropriate business response. The first priority has been the health and safety of employees and customers. All of our portfolio companies which have been impacted have run scenarios based on a range of assumptions around the duration and potential impact of the crisis. These have informed mitigation strategies to help companies trade through the current crisis. Where required we will also support our companies financially, as we have done for Hans Anders providing €22.5 million in April 2020.

Because 2020 will likely continue to be a very challenging year, we have increased our portfolio governance and monitoring activities. Our focus is ensuring our portfolio companies are positioned to recover well as they emerge from the crisis, supporting the return to higher valuation levels and ultimately strong cash returns upon final realisations in the future.

The impact of COVID-19 on portfolio performance and valuation is further detailed on pages 23 to 25.

Investment activity

2019 saw a continued increase in "dry powder" in the Private Equity asset class, as a result of increased fundraising and relatively flat deal volumes. Purchase multiples continued to increase, partly fuelled by high levels of leverage, with US buyout transaction multiples reaching their highest level in 15 years.

In the year, we remained highly selective on new investment. We completed three new investments, all in defensive sectors that have been resilient following the impact of COVID-19 on wider markets. Magnitude Software provides subscription software services which support enterprise ERP solutions; Evernex provides essential IT infrastructure maintenance services; and our new Bioprocessing platform (which was all equity funded), is focused on defensive areas of healthcare. Where appropriate, we will look to add value accretive acquisitions for these companies, as well as supporting the companies to deliver organic growth.

In addition to these three new investments, 13 bolt-on acquisitions were completed across the existing portfolio, the majority of which were funded from the portfolio company balance sheets. These were a combination of complementary businesses in existing geographies and acquisitions which further improve geographic diversification and international growth potential.

Over the last 12 months, our Private Equity team invested a total of £471 million across new, further, bolt-on and other investments, in addition to the £591 million additional investment in Action (as detailed on page 19).

As a result of the COVID-19 pandemic, investment activity for the next 12 months is expected to be lower than in previous years. In April 2020, we provided an equity injection of €22.5 million to Hans Anders to support its operational cash flow while its stores in most countries were closed or open on an appointment-only basis as a result of the COVID-19 pandemic. Most of the company's stores have gradually resumed trading in the course of May 2020, with safety measures in place to protect employees and customers. We will prioritise supporting such portfolio assets in the short term, whilst continuing to build an interesting pipeline of new and further investment opportunities.

New investments

Assets	Business description	Date	Proprietary Capital investment
Magnitude Software See page 27 for case study	Leading provider of unified application data management solutions	May 2019	£139m
Evernex See page 26 for case study	International provider of third-party maintenance services for data centre infrastructure	October 2019	£214m
Bioprocessing platform See page 27 for case study	Single-use bioprocessing product platform serving the biopharmaceutical sector	November 2019	£60m
Total new Private Equity investments			**£413m**

Further investments

Assets	Further description	Date	Proprietary Capital investment
Action See page 19 for case study	Reinvestment in Action as part of the EFV liquidity transaction, increasing our gross equity stake to 52.6% (December 2019: 45.3%)	January 2020 and March 2020	£591m
EFV LP stakes	Acquisition of three additional stakes in EFV at March 2019 valuation, before the Action Transaction	June 2019	£61m
Schlemmer	Liquidity support	April 2019 and September 2019	£10m
Total Private Equity further investments			**£662m**

Bolt-on investments

Assets		Name of acquisition	Business description of bolt-on investments	Date	Proprietary Capital investment
Lampenwelt	+	Lampenlicht/QLF	One of the leading online lighting players in the Benelux	July 2019	£8m
ICE	+	WMPH	We Make People Happy Vacations ("WMPH"), a travel agency	December 2019	£7m
Aspen	+	TNC Clips	Manufacturer and distributor of clips and related products for the air conditioning industry	April 2019	–
Christ	+	Valmano	Online retailer of jewellery and watches in Germany	May 2019	–
Havea	+	Pasquali	A leading skincare brand in Italy	May 2019	–
Basic-Fit	+	Fitland	The third largest fitness operator in the Dutch market by number of clubs with a network of 37 clubs	July 2019	–
Dynatect	+	Thodacon	A leading provider of waywipers and other critical components for the industrial machining and automation markets based in China	August 2019	–
Formel D	+	Vdynamics	A German automotive engineering service provider focused on physical and virtual testing of automotive software and ECUs (electronic control units)	September 2019	–
Formel D	+	CPS	International quality service provider	October 2019	–
Q Holding	+	TBL Performance Plastics	A leading manufacturer of single-use bioprocess components and systems	October 2019	–
WP	+	Orange Poland	A manufacturer of deodorant packaging systems	November 2019	–
AES	+	Van Geffen	A Netherlands-based provider of reliability and vibration monitoring service	January 2020	–
Evernex	+	Storex	A South African provider of maintenance services for critical data centre equipment	March 2020	–
Total Private Equity bolt-on investments from 3i balance sheet					**£15m**

Other

Assets	Description	Date	Proprietary Capital investment
Hans Anders	Return of overfunding	December 2019	£(35)m
Other	n/a	n/a	£7m
Total Private Equity other investments			**£(28)m**

Realisations activity

As proprietary capital investors, we are not under pressure to exit investments when market conditions are unfavourable or when we believe a longer-term hold would yield greater returns for shareholders. Aside from the £402 million proceeds generated from the Action Transaction described on page 19, we also generated £328 million of capital proceeds from our 2013-16 vintage in the year. In January 2020, we completed the disposal of Aspen Pumps for proceeds of £205 million. This realisation achieved an overall money multiple of 4.1x and IRR of 34%, which validates the effectiveness of our international buy-and-build strategy, complementing strong organic growth in developing a multi-national business.

We took advantage of supportive equity market conditions at the end of 2019 to reduce our quoted holding in Basic-Fit, disposing of 2.9 million shares at a price of €31.25 per share, returning proceeds of £76 million. We retain a 12.7% holding in that business. We continue to refinance our most cash generative assets where appropriate for the business and where the market allows. In December 2019, Audley Travel completed a refinancing which resulted in a £65 million distribution to 3i, of which £47 million was recognised as capital proceeds and the remainder as income. In October 2019, we received £12 million of proceeds from BoConcept following the repayment of a shareholder loan.

Finally, at the end of March 2020, we completed the sale of ACR. We recognised total realised proceeds of £105 million from this sale, with the most significant tranche of these realised proceeds expected to be received in Q3 2020. At 31 March 2020, the proceeds of £105 million were a receivable on the Group's balance sheet.

In aggregate, we generated total Private Equity proceeds of £848 million (2019: £1,235 million) and realised profits of £90 million in the year (2019: £131 million).

Realisation proceeds for the next 12 months are expected to be lower than previous years. However, we go into the year ending 31 March 2021 having sold Kinolt for proceeds of c.€96 million, with completion anticipated in August 2020 and being subject only to competition clearance.

Approach to Private Equity portfolio valuation at 31 March 2020

At 31 March 2020, our approach to valuation was substantially consistent with our policy and the process adopted in previous years. We value the Private Equity portfolio on a "fair value" basis, in line with the International Private Equity and Venture Capital ("IPEV") guidelines, including the recent IPEV guidance which addressed how to reflect the impact of COVID-19 in valuations at 31 March 2020. In addition to our normal process, we placed additional focus on the following areas when considering the impact of COVID-19 on our Private Equity portfolio companies:

- the performance of the portfolio company prior to the COVID-19 outbreak;
- the potential impact on full-year projections for relevant KPIs;
- our long-term, through the cycle view on multiples against the dislocation of capital markets and the average of quoted comparable peer sets;
- the portfolio companies' liquidity; and
- the potential impact on the long-term plan of the portfolio company.

Given the unprecedented social and economic disruption caused by COVID-19, a higher level of judgement has been required to derive the "fair value" of assets in our Private Equity portfolio. To support our valuations, we have gathered a broad range of inputs that cover historical, current and forward-looking data to determine a fair value and where applicable we have used other valuation methodologies to triangulate a proposed valuation.

TABLE 2: **PRIVATE EQUITY REALISATIONS IN THE YEAR TO 31 MARCH 2020**

Investment	Country	Calendar year invested	31 March 2019 value[1] £m	3i realised proceeds £m	Profit/(loss) in the year[2] £m	Uplift on opening value[2] %	Residual value £m	Money multiple[3]	IRR
Full realisations									
Aspen Pumps	UK	2015	103	205	102	99%	–	4.1x	34%
ACR	Singapore	2006	129	105	(30)	(23)%	–	1.0x	–
Total realisations			**232**	**310**	**72**	**31%**	**–**	**2.2x**	**n/a**
Refinancings[3]									
Audley Travel	UK	2015	47	47	–	–	124	1.4x	8%
Total refinancings			**47**	**47**	**–**	**–**	**124**	**1.4x**	**8%**
Partial realisations[1,3]									
Basic-Fit	Netherlands	2013	74	76	2	3%	93	4.2x	37%
BoConcept	Denmark	2016	12	12	–	–	119	1.1x	2%
Other	n/a	n/a	–	1	1	–	n/a	n/a	n/a
Action Transaction									
Action Transaction	Netherlands	2011	387	402[4]	15	4%	3,536	6.6x	70%
Total Private Equity realisations			**752**	**848**	**90**	**12%**	**3,872**	**n/a**	**n/a**

1 For partial realisations, 31 March 2019 value represents value of stake sold.
2 Cash proceeds realised in the period 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.
4 Action's realised proceeds include refinancing proceeds of £289 million and proceeds from the disposal of 3i's LP stake in Action held in EFV of £113 million.

The majority of our Private Equity valuations at 31 March 2020 have been derived using either last 12 months' earnings to 31 December 2019 or last 12 months' earnings to 31 March 2020. If available and considered reasonably reliable a full-year 2020 forecast was considered and, in a small number of cases, used as the basis of valuation. In all cases net debt was adjusted in accordance with the earnings period used and adjustments were made to capture any additional financing or significant cash outflows up to 31 March 2020.

Our strategy of taking a long-term view on valuation multiples has been consistently applied during various peaks and troughs in equity markets over the last seven to eight years. In setting and before changing a multiple we consider a number of factors such as relative performance, investment size, comparable recent transactions and exit plans, and the trading of equity markets. Our approach at 31 March 2020 was consistent with this approach and we were also conscious of not "double dipping" by taking both a market driven multiple and earnings that were impacted by COVID-19. In some cases, we reverted to a comparable peer group multiple whilst in others we maintained a longer-term view. Further detail of Action's valuation can be found on page 19.

The table below summarises the approaches we have taken to estimating fair value for the Private Equity portfolio, taking into consideration the impact of COVID-19.

Performance

The portfolio had performed well overall in the 11 months to 29 February 2020. Whilst this period included the £103 million write-down of the remaining value of Schlemmer, there was good momentum across a number of other companies, with Action in particular performing very strongly, and also the excellent realisation of Aspen Pumps at a 99% uplift over its opening value (and 4.1x / 34% IRR over its life). In the 12 months to 31 December 2019, 93% (2019: 93%) of the portfolio by value, including Basic-Fit, grew earnings.

However, after February 2020, the global outbreak of COVID-19 and subsequent major social and economic disruption have had a varied impact on our Private Equity portfolio, with companies exposed to travel, retail and automotive experiencing significant disruption, and those in the manufacturing, software or health and personal care sectors experiencing more robust trading. Further detail on Action's performance can be found on pages 16 and 17.

ICE, a global provider of technology-based B2B2C travel-based loyalty and reward solutions, had good momentum running into the start of 2020, despite the loss of the RCI contract earlier in the year, with its previous acquisition of SOR technologies performing strongly and good progress made in integrating its most recent bolt-on acquisition of WMPH. Similarly, Audley Travel, our provider of tailor made travel, had a strong finish to 2019 and start to 2020. Global travel restrictions and lockdowns across most of the world at the end of Q1 2020 have severely impacted travel services, resulting in significant revenue reductions. As a result, we reduced the value of both assets materially. Because it is difficult to predict when travel restrictions will be lifted, and therefore when consumer demand will increase, the value reduction was reflected in the valuation multiple. At 31 March 2020, ICE was valued at £69 million (2019: £155 million) and Audley Travel was valued at £124 million post-refinancing proceeds of £65 million (2019: £270 million).

In 2019 Hans Anders, a value-for-money optical retailer, made good progress with its store roll-out plan and was already recognising operational synergies from its acquisition of eyes + more in January 2019. Due to various government-initiated measures to combat the COVID-19 pandemic, at 31 March 2020 almost all its stores were either closed or open on an appointment-only basis. As a result of the material fall in revenue, we invested a further €22.5 million in Hans Anders in April 2020 to support near-term liquidity and help navigate the business through these tough trading conditions. Most of the company's stores have gradually resumed trading in the course of May 2020, with safety measures in place to protect employees and customers. We reflected the value reduction in Hans Anders through the latest earnings available. At 31 March 2020, Hans Anders was valued at £196 million (2019: £246 million). We have also seen COVID-19 impact BoConcept and Action (see page 19). Conversely Lampenwelt, an e-commerce retailer of lighting, has seen record sales in 2020 to date, and we recognised value growth of £10 million.

Approach	General application	Examples
No material change to the valuation approach	• LTM earnings to December 2019 • No material change to the valuation multiple • Used for portfolio companies that have continued to trade well through the COVID-19 pandemic	• Cirtec has continued to trade well through the pandemic • Companies like Royal Sanders and Tato have benefited from increased demand in certain of their products
Impact of COVID-19 mainly reflected through earnings	• LTM earnings to March 2020 or forecast earnings • No material change to the valuation multiple • Used for companies for which the impact of COVID-19 will be limited in time for the duration of lockdowns or other restrictions on trading	• Hans Anders retails non-discretionary products and is expected to resume trading when restrictions are lifted in its markets. As a value-for-money retailer, it is also expected to trade well in less favourable economic conditions
Impact of COVID-19 mainly reflected through valuations multiple	• LTM earnings to March 2020 • Material reduction in the valuation multiple • Approach used for companies for which the negative impact of COVID-19 could endure beyond the duration of any lockdown • In these instances, the extent of the earnings reduction in the current year and beyond is more difficult to forecast with any degree of confidence	• Audley Travel and ICE may suffer from continued restrictions to travel after the lifting of formal lockdowns, or from changes in consumer behaviour and perception of risk

The approach used to value Action is described separately on page 19.

Throughout 2019, the automotive sector faced challenging conditions and contracting volumes, which have since been compounded by the COVID-19 pandemic. Formel D, the leading international provider of quality services for the automotive industry, performed well, despite the challenging market backdrop, and also completed the acquisitions of CPS and Vdynamics. However, since the start of Q1 2020, OEM plant shut-downs in China, Europe and the US have impacted Formel D's production related services. Similarly, Q Holding, a manufacturer of precision engineered elastomeric components, experienced softer trading in its QSR business that has exposure to the automotive industry, offsetting good performance in its medical division. In December 2019, Schlemmer filed for administration in Germany. Schlemmer, whose primary end markets are in the automotive industry, faced several operational challenges in its North American plants, as well as a decline in volumes in its European plants. Despite further financial support from 3i, we wrote down our investment in Schlemmer to nil in December 2019, recognising a £103 million value loss in the year.

Cirtec Medical performed strongly throughout 2019 and this momentum has continued into 2020. A combination of organic growth and previous value accretive bolt-on acquisitions which have internationalised its footprint, have increased its exposure to high-growth end markets that are important long-term value drivers. Similarly, Royal Sanders, the private label and contract manufacturing producer of personal care products, delivered growth rates that exceeded the general market in 2019 and has performed well into 2020. As a result, we increased our value in Cirtec to £302 million (2019: £248 million) and Royal Sanders to £198 million (2019: £147 million). Tato, the manufacturer of speciality chemicals, performed very strongly in the year, driven by organic growth in most existing markets with particularly strong growth in the Americas and China.

Chart 1 shows the portfolio earnings growth of the top 20 Private Equity investments in 2019.

Leverage

The leverage in our Private Equity portfolio comprises all senior debt, which is competitively priced and will benefit from a lower interest rate environment. It has a long-dated maturity profile, with 93% not due for repayment until 2023 or later. We completed a number of significant re-financings ahead of the current COVID-19 crisis (including on Action), securing good terms on each. Across the whole portfolio leverage was 4.1x (31 March 2019: 3.9x), with good covenant flexibility in place.

Chart 2 shows the ratio of net debt to earnings by portfolio value.

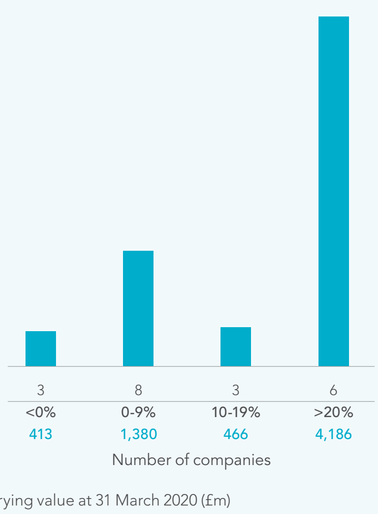
Multiple movements

The decrease in value due to multiple movements was £231 million (2019: £219 million increase).

The majority of global indices reported double digit growth in 2019, notwithstanding political and economic uncertainty. This resulted in near historic highs in EV/EBITDA valuation multiples of quoted comparable companies across most of our core sectors. Towards the end of Q1 2020, equity markets fell significantly as a result of the COVID-19 pandemic. A number of sectors have been materially de-rated, including the travel, retail and automotive sectors. A major consideration when determining our long-term view on valuation multiples is the impact of macro-economic factors that may alter or delay our investment case. As a result of the COVID-19 pandemic and subsequent disruption, we reduced a number of our portfolio company multiples. The most significant decrease (>1.0x) in multiple was for Audley Travel, ICE, BoConcept and AES.

For each of our assets valued on an earnings basis, we considered the impact of the new lease accounting standards, IFRS 16 and Accounting Standards Codification 842 and, where appropriate, made adjustments to aid the comparability of multiples. It is clear that it will take some time for the effect of these new standards to be fully absorbed into comparable multiples and so we are keeping our policy under review.

CHART 1: **PORTFOLIO EARNINGS GROWTH OF THE TOP 20 PRIVATE EQUITY[1] INVESTMENTS IN 2019**



1 Includes top 20 Private Equity companies by value. This represents 98% of the Private Equity portfolio by value (31 March 2019: 97%). Last 12 months' earnings to 31 December 2019.

CHART 2: **RATIO OF NET DEBT TO EARNINGS[1]**

1 This represents 91% of the Private Equity portfolio by value (31 March 2019: 88%). Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation. Net debt and earnings at 31 December 2019.

Quoted portfolio

In its 2019 financial year Basic-Fit, the only quoted asset in the Private Equity portfolio, increased its revenue and adjusted EBITDA by 28% and 25% respectively. The business ended the year with 784 clubs and 2.2 million members. In December 2019, we sold 5.3% of our shareholding in Basic-Fit at €31.25 per share, generating proceeds of £76 million. As a result of COVID-19, all Basic-Fit's gyms have been temporarily closed, resulting in a 49% reduction in share price to €15.20 in the 12 months to 31 March 2020 (31 March 2019: €30.00). We retain a 12.7% stake in the business, valued at £93 million as at 31 March 2020.

Assets under management

The value of 3i's proprietary capital invested in Private Equity increased to £6.6 billion in the year (31 March 2019: £6.0 billion), as we were a net investor in the year.

The value of the Private Equity portfolio, including third-party capital, increased to €9.9 billion (31 March 2019: €9.6 billion).

TABLE 3: **UNREALISED (LOSSES)/PROFITS ON THE REVALUATION OF PRIVATE EQUITY INVESTMENTS**[1]
IN THE YEAR TO 31 MARCH

	2020 £m	2019 £m
Earnings based valuations		
Performance (excluding Action)	**(61)**	214
Multiple movements	**(231)**	219
Action performance to 31 December 2019/(2019: performance to 31 March 2019)	**733**	440
Action fair value adjustment at 31 March 2020	**(272)**	–
Other bases		
Uplift to imminent sale	**1**	–
Write off of Schlemmer	**(103)**	–
Discounted cash flow	**(9)**	–
Other movements on unquoted investments	**–**	(12)
Quoted portfolio	**(92)**	55
Total	**(34)**	916

1 Further information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation on pages 177 and 178.

TABLE 4: **PRIVATE EQUITY ASSETS BY GEOGRAPHY**
AS AT 31 MARCH 2020

3i office location	**Number of companies**	**3i carrying value 2020 £m**
Benelux	**6**	**4,222**
France	**2**	**399**
Germany	**5**	**565**
UK	**8**	**486**
US	**7**	**850**
Other	**4**	**30**
Total	**32**	**6,552**

TABLE 5: **PRIVATE EQUITY PROPRIETARY CAPITAL**
AS AT 31 MARCH

Vintages	**Proprietary capital value 2020 £m**	**Vintage multiple 2020**	Proprietary capital value 2019 £m	Vintage multiple 2019
Buyouts 2010-2012[1]	**1,623**	**9.5x**	2,679	8.5x
Growth 2010-2012	**20**	**2.1x**	25	2.1x
2013-2016[1]	**869**	**2.2x**	1,325	2.3x
2016-2019[1]	**1,472**	**1.0x**	1,503	1.2x
2019-2022[1]	**281**	**1.0x**	–	–
Others[2]	**2,287**	**n/a**	491	n/a
Total	**6,552**		6,023	

1 Assets included in these vintages are disclosed in the Glossary.
2 Includes value of £1,913 million held in Action through 3i Co-investment 2020 LP and 3i.

Investments in the year

Business and Technology Services

Evernex

£214m

3i investment

www.evernex.com
For more information

Evernex is a leading international provider of third-party maintenance services for data centre infrastructure.

Evernex maintains over 200,000 IT systems in c.160 countries and has a global network of 34 offices. With a maintenance proposition covering data centre hardware and critical IT assets, the business provides solutions for servers, storage and network equipment, with a differentiated presence notably in Europe and Latin America.

3i invested alongside management to push the company's expansion in a growing market. In March 2020, Evernex completed its first acquisition under 3i ownership when it acquired Storex, a South African provider of maintenance services for critical data centre equipment. This acquisition will give Evernex local resources to grow its presence in South Africa and its region. Evernex and Storex have highly complementary capabilities and the acquisition provides further evidence of Evernex's ability to integrate smaller businesses into its platform, after acquiring Roer in Argentina in 2019 and A Systems in Brazil in 2018.

As part of its offering, Evernex contributes to prolonging the useful life of IT equipment, decommissions it and recycles spare parts when the equipment is no longer viable, thereby contributing to reducing the overall environmental impact of its clients' IT infrastructure.

Healthcare/ Life Sciences

Bioprocessing product platform: combination of Cellon, Silicone Altimex and TBL Performance Plastics

Initial equity invested to complete acquisitions and pursue organic initiatives:

£60m

3i investment

www.cellon.lu
www.silalt.co.uk
www.tblplastics.com
For more information

3i has established a single-use bioprocessing product platform serving the biopharmaceutical sector with the acquisitions of Cellon, Silicone Altimex and TBL Performance Plastics.

The platform offers a high value single-use consumable product offering, including assemblies, bottles, tubing and various components that are used in the research, development and commercial production of biological drugs and vaccines. Biologics are the fastest growing segment of the pharmaceutical industry and are forecast to grow 8%+ per annum. The single-use production method of biological drugs is rapidly gaining favour versus the traditional multi-use stainless steel production method. The Company's products enable the manufacture of life saving therapies, accelerate production set-up times and time to market, and reduce required capital investment.

The current platform has operations in the UK, Luxembourg and the US and serves leading biotech and pharmaceutical customers in both Europe and the US. Over the coming years, the business is expected to leverage these relationships and its differentiated product portfolio to drive growth. The business is planning to invest in capacity expansion across the globe and commercial resources to drive organic growth and will seek out further M&A opportunities to enable inorganic growth.

Business and Technology Services

Magnitude Software

£139m

3i investment

Magnitude Software is a leading provider of software products that enable businesses to connect, integrate and analyse data from enterprise software and cloud applications.

www.magnitude.com
For more information

Magnitude Software has a diverse customer base across a variety of sectors and works with many of the largest software, manufacturing, retail and financial services companies. The company has a global footprint with operations in the US, the Netherlands, Canada, UK and India. More than a third of revenues are outside the US. Magnitude Software's products maximise the value clients get out of ERP data through automation, connectivity and insights and can be deployed either on-premise or in the private cloud.

Since being founded in 2014, Magnitude Software has grown rapidly through a mix of organic growth and M&A. It has developed deep relationships within the ERP space, specifically at SAP and Oracle, giving the company insights into their product and technology roadmap. 3i is excited to partner with management to continue to grow the business.

Infrastructure

We manage a range of funds investing principally in mid-market economic infrastructure in Europe. 3i's Infrastructure team looks at a range of investment opportunities across adjacent sectors to utilities, transportation, communications and energy. Infrastructure is a defensive asset class that is resilient and provides a good source of income and fees for the Group, enhancing returns on our proprietary capital. The team is also active in the deployment of proprietary capital as part of our strategy to build our North American Infrastructure platform.

At a glance

Gross investment return

£(39)m or (4)%

(2019: £210m or 25%)

AUM

£4,441m

(2019: £4,198m)

Cash income

£78m

(2019: £82m)

Infrastructure contributed a gross investment return of £(39) million, or (4)% on the opening portfolio (2019: £210 million, 25%). The negative return was driven primarily by the impact of COVID-19 on 3iN's share price which declined by 10% in the year. 3iN generated £581 million of proceeds from the sale of WIG and the UK projects portfolio and made two new investments in Joulz and Ionisos. We continued to build our US Infrastructure platform with the completion of our second proprietary capital investment in Regional Rail and two subsequent bolt-on acquisitions of short-line freight railroads.

TABLE 6: **GROSS INVESTMENT RETURN**
FOR THE YEAR TO 31 MARCH

Investment basis	**2020 £m**	2019 £m
Realised profits over value on the disposal of investments	**–**	1
Unrealised (losses)/profits on the revaluation of investments	**(92)**	162
Dividends	**26**	23
Interest income from investment portfolio	**12**	10
Fees receivable	**–**	(1)
Foreign exchange on investments	**21**	15
Movement in the fair value of derivatives	**(6)**	–
Gross investment return	**(39)**	210
Gross investment return as a % of opening portfolio value	**(4)%**	25%

3iN performance

3iN's portfolio consists of economic infrastructure and greenfield projects across the utilities, communications, healthcare, transportation, energy and natural resources and social infrastructure sectors. By nature, the portfolio is defensive and less vulnerable to economic downturns. To date, the severe social and economic disruption caused by COVID-19 has had limited operational impact on the 3iN investment portfolio with TCR, the airport ground handling equipment business, the portfolio company most affected due to travel restrictions.

The portfolio generated a return on opening NAV of 11% (2019: 15%), ahead of 3iN's target total return of between 8-10% per annum to be achieved over the medium term.

As investment manager to 3iN we received a management fee of £28 million (2019: £31 million) and a NAV based performance fee of £6 million (2019: £31 million).

3iN investment and realisations

3iN made two new acquisitions in the year; the £190 million investment in Joulz, which owns and provides essential energy infrastructure equipment and services in the Netherlands, and the £186 million investment in Ionisos, a leading owner and operator of cold sterilisation facilities headquartered in France. In addition to these investments, 3iN completed the bolt-on acquisition by Valorem of Force Hydraulique Antillaise SAS in the year.

In March 2020, 3iN announced Joulz's acquisition of GreenFlux's electric vehicle charging station business, with over 3,000 charging points across the Netherlands. This acquisition is the first since 3iN invested in Joulz in April 2019 and is part of Joulz's strategy to expand into other energy transition related products and services for the B2B market.

Demand for infrastructure assets remained strong in FY2020. In December 2019, 3iN completed the realisations of WIG for proceeds of £387 million and IRR of 27% and of the UK projects portfolio for proceeds of £194 million and IRR of 15%.

3iN placing

On 11 October 2019, 3iN announced that it had completed a placing of 81 million shares (c.10% of its equity) at a price of 275 pence per share (representing a premium of c.19% on the March 2019 ex-dividend NAV per share), raising gross proceeds of £223 million. The proceeds were used to repay amounts drawn under 3iN's revolving credit facility and to provide liquidity for further investment. 3i, as the largest shareholder and Investment Manager of 3iN, was supportive of the 3iN board's objective of diversifying the company's shareholder base through the placing and, accordingly, did not subscribe for new shares. 3i now has a 30% (2019: 33%) holding in 3iN.

Performance of 3i's proprietary capital Infrastructure portfolio

Quoted stake in 3iN

The Group's proprietary capital infrastructure portfolio consists primarily of its 30% stake in 3iN.

The impact of COVID-19 on capital markets has been wide reaching, affecting even defensive asset classes such as Infrastructure. As a result, 3iN's share price decreased by 10%, closing at 247 pence on 31 March 2020 (31 March 2019: 275 pence). We recognised a £76 million unrealised value reduction on our 3iN investment and received £24 million of dividend income (2019: £22 million).

TABLE 7: **UNREALISED (LOSSES)/PROFITS ON THE REVALUATION OF INFRASTRUCTURE INVESTMENTS**[1] IN THE YEAR TO 31 MARCH

	2020 £m	2019 £m
Quoted	**(76)**	167
Discounted cash flow	**(16)**	(7)
Fund	**–**	2
Total	**(92)**	162

1 Further information on our valuation methodology, including definitions and rationale, is included in the portfolio valuation – an explanation section on pages 177 and 178.

TABLE 8: **INFRASTRUCTURE PORTFOLIO MOVEMENT** FOR THE YEAR TO 31 MARCH 2020

Investment	Valuation	Opening value at 1 April 2019 £m	Investment £m	Disposals at opening book value £m	Unrealised value movement £m	Other movements[1] £m	**Closing value at 31 March 2020 £m**
3iN	Quoted	744	–	–	(76)	(3)	**665**
Smarte Carte	DCF	181	–	–	(22)	13	**172**
Regional Rail	DCF	–	175	–	10	10	**195**
3i Managed Infrastructure Acquisitions Fund	NAV	38	–	–	–	–	**38**
3i European Operational Projects Fund	NAV	8	11	–	–	1	**20**
India Infrastructure Fund	DCF	30	–	–	(4)	1	**27**
Total		1,001	186	–	(92)	22	**1,117**

1 Other movements include foreign exchange.

North American Infrastructure

Our North American Infrastructure team completed its second infrastructure investment in July 2019, with the acquisition of Regional Rail, which owns and operates short-line freight railroads and rail-related businesses throughout the Mid-Atlantic US. Part of our investment thesis for acquiring Regional Rail is to build on the existing platform by bolting on other short-line railroads across its highly fragmented market. We have made a good start towards this strategy with two bolt-on acquisitions. In December 2019, we supported Regional Rail's strategically transformative acquisition of Pinsly Railroad Company's Florida operations and, in February 2020, Regional Rail acquired Carolina Coastal Railway. The total investment in Regional Rail including bolt-on acquisitions was £175 million.

Regional Rail's operating profile has not been materially impacted by the COVID-19 pandemic. All of Regional Rail's operations are deemed "essential services" and have continued to operate. At 31 March 2020, Regional Rail was valued on a DCF basis and the resulting valuation was £195 million.

US and global travel restrictions are impacting all revenue streams for Smarte Carte, our US luggage carts, lockers and strollers business. The team is working on cost mitigation and financing options to navigate this tough trading period. At 31 March 2020, Smarte Carte was valued on a DCF basis and the resulting valuation was £172 million.

We executed a short-term hedging programme to mitigate the foreign exchange translation risk of our investment in Regional Rail. We recognised a £10 million gain on foreign exchange translation for Regional Rail offset by a £6 million loss in the year from the movement on the fair value of these derivatives.

Fund management

We have continued to deploy committed capital in our 3i European Operational Projects Fund. In April 2019, we announced investments in four projects across Europe. In October 2019 the Fund agreed to invest €70 million for the acquisition of an 80% stake in Sociedad Concesionaria Autovia Gerediaga Elorrio, SA ("AGESA"), the project company for the Gerediaga–Elorrio motorway in Spain. The fund continued its investment momentum into January 2020 with the agreement to acquire a portfolio of eight operational projects in France from DIF Infrastructure III. Following the completion of this transaction in April, the Fund has deployed c.60% of its total commitments.

Infrastructure AUM increased to £4.4 billion (2019: £4.2 billion), principally due to further investment in US Infrastructure and 3i European Operational Projects Fund offsetting the reduction in 3iN's share price.

TABLE 9: **ASSETS UNDER MANAGEMENT**
AS AT 31 MARCH 2020

Fund/strategy	Close date	Fund size	3i commitment/ share	Remaining 3i commitment	% invested at 31 March 2020	**AUM £m**	**Fee income earned in 2020 £m**
3iN[1]	Mar 07	n/a	£665m	n/a	n/a	**2,202**	**28**
3i Managed Infrastructure Acquisitions LP	Jun 17	£698m	£35m	£5m	86%	**756**	**6**
3i European Operational Projects Fund	Apr 18	€456m	€40m	€18m	52%	**217**	**2**
BIIF	May 08	£680m	n/a	n/a	90%	**486**	**4**
3i India Infrastructure Fund	Mar 08	US$1,195m	US$250m	US$35m	73%	**102**	**–**
3i managed accounts	various	n/a	n/a	n/a	n/a	**308**	**2**
US Infrastructure	various	n/a	n/a	n/a	n/a	**370**	**–**
Total						**4,441**	**42**

1 AUM based on the share price at 31 March 2020.

Investments in the year

Ionisos is a leading owner and operator of cold sterilisation facilities servicing the medical, pharmaceutical and cosmetics industries.

Ionisos is the third largest cold sterilisation provider globally and operates a network of 11 large sterilisation facilities in Europe with market leading positions in France and Spain. It has c.250 employees and a highly diversified customer base of more than 1,000 customers.

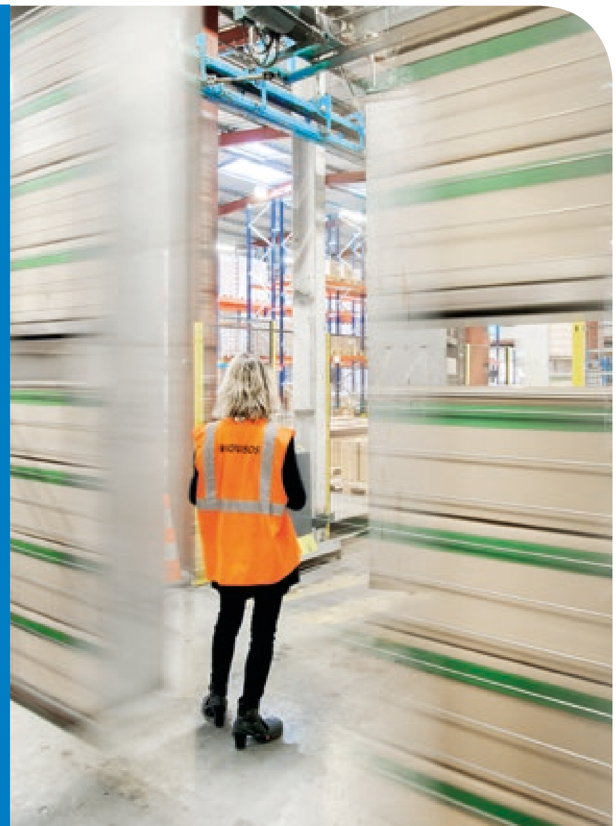
The company delivers a mission-critical service for the medical, pharmaceutical and cosmetic industries for whom cold sterilisation is an essential component of the manufacturing process. It is typically applied to single-use products that would be damaged by the heat and/or humidity of hot sterilisation methods. Demand for sterilisation is expected to benefit from attractive market fundamentals including an ageing population in Western Europe, growing demand from medical services relying on single-use products and increasingly stringent regulation on the sterilisation of medical, pharmaceutical and cosmetic products. Ionisos is currently contributing to alleviating the COVID-19 crisis in Spain by sterilising surgical masks produced by a consortium of businesses co-ordinated by the Association of Fashion Creators of Spain, as well as handling the substantial increase in demand for sterilisation of medical testing equipment.

Ionisos

£186m

Investment funded by 3iN

www.ionisos.com
For more information



Joulz is a market leading owner and provider of essential energy infrastructure equipment and services in the Netherlands.

Joulz leases essential energy infrastructure equipment and meters to a large and diversified customer base of industrial, commercial and public sector customers. The Infrastructure Services business unit leases, operates and maintains c.4,000 medium voltage electricity installations such as transformers, switchgear and cables in large commercial offices, multi-storey residential buildings and industrial sites with a high electricity load. The Metering business unit leases, operates and reads c.50,000 electricity and gas meters for non-household customers under medium-term contracts.

3iN invested in Joulz as it has good potential for growth as the Netherlands accelerates its transition to more sustainable energy use. In March 2020, Joulz made its first acquisition under 3i ownership acquiring Greenflux's Dutch electric vehicle charging solutions division, with over 3,000 charging points across the Netherlands. This supports Joulz's strategy to expand into other energy transition related products and services for the B2B market.

Joulz

£190m

Investment funded by 3iN

www.joulz.nl
For more information

Regional Rail is a leading owner and operator of short-line freight railroads and rail-related businesses based in the US.

The company provides freight transportation across over 540 miles of track, railcar storage, and transloading services with operations in a number of locations including Pennsylvania, Delaware, New York, North Carolina and Florida.

3i invested to support Regional Rail with its vision of creating a group of short-line rail-related companies to realise the synergies of combining smaller entities into a large enterprise. This will provide improved customer satisfaction, facilitate long-term growth and result in continued reinvestment. Under 3i's ownership, Regional Rail has acquired Pinsly Railroad Company's Florida operations and Carolina Coastal Railway. In 2019, the combined companies served over 180 customers across a diversified set of end-user markets including food and agriculture, chemicals and heating.

Regional Rail

£175m

3i investment

www.regional-rail.com
For more information

Scandlines

Scandlines is held for its strategic value with the ability to deliver long-term capital returns whilst generating a strong cash income.

At a glance

Gross investment return

£5m or 1%

(2019: £49m or 9%)

Proceeds

£107m[1]

(2019: £28m)[2]

1 Capital proceeds of £70 million and dividend distributions of £37 million in FY2020.
2 Dividend distributions in FY2019.

Scandlines generated a gross investment return of £5 million (March 2019: £49 million) or 1% of opening portfolio value (March 2019: 9%). The business completed an investment grade debt refinancing in August 2019, returning capital proceeds of £70 million and dividend income of £21 million. We also received an additional £16 million of dividend income in the year.

TABLE 10: **GROSS INVESTMENT RETURN**
FOR THE YEAR TO 31 MARCH

Investment basis	2020 £m	2019 £m
Unrealised (loss)/profit on the revaluation of investments	(46)	9
Dividends	37	28
Foreign exchange on investments	17	(9)
Movement in the fair value of derivatives	(3)	21
Gross investment return	**5**	49
Gross investment return as a % of opening portfolio value	**1%**	9%

Portfolio performance

Scandlines continues to perform well and produced solid results in 2019. Leisure volumes were in line with 2018 whilst freight volumes marginally declined due to weakened trade flows between Scandinavia and continental Europe. This resulted in stable revenues from Scandlines' two traffic routes despite weakening market conditions. In August 2019, Scandlines raised an investment grade debt facility, maintaining its BBB rating from Fitch, and returning £70 million of capital proceeds to 3i, in addition to £21 million of dividend income. A further £16 million of dividend income was also received in the year. Since our reinvestment in June 2018, Scandlines has already returned 26% of our reinvestment amount.

The Danish and German Governments' decision to impose border controls in March 2020 due to COVID-19 has had a major short-term impact on car volumes in particular. However, Scandlines' strategic importance to supply chains across the region is evident and freight continues to flow with good volumes despite the reduced economic activity across Europe. To reflect the short-term impact to volumes from the temporary restrictions and the current elevated level of potential uncertainty of the longer-term impact of the pandemic, we reduced the value of Scandlines to £429 million from £464 million at 31 December 2019 (31 March 2019: £529 million pre refinancing proceeds of £70 million).

Management is working hard to ensure the resilience of the business despite the tougher trading conditions caused by COVID-19 and we remain confident that Scandlines, as a vital piece of infrastructure connecting continental Europe and Scandinavia, will continue to provide strategic value to 3i over the medium term.

Foreign exchange

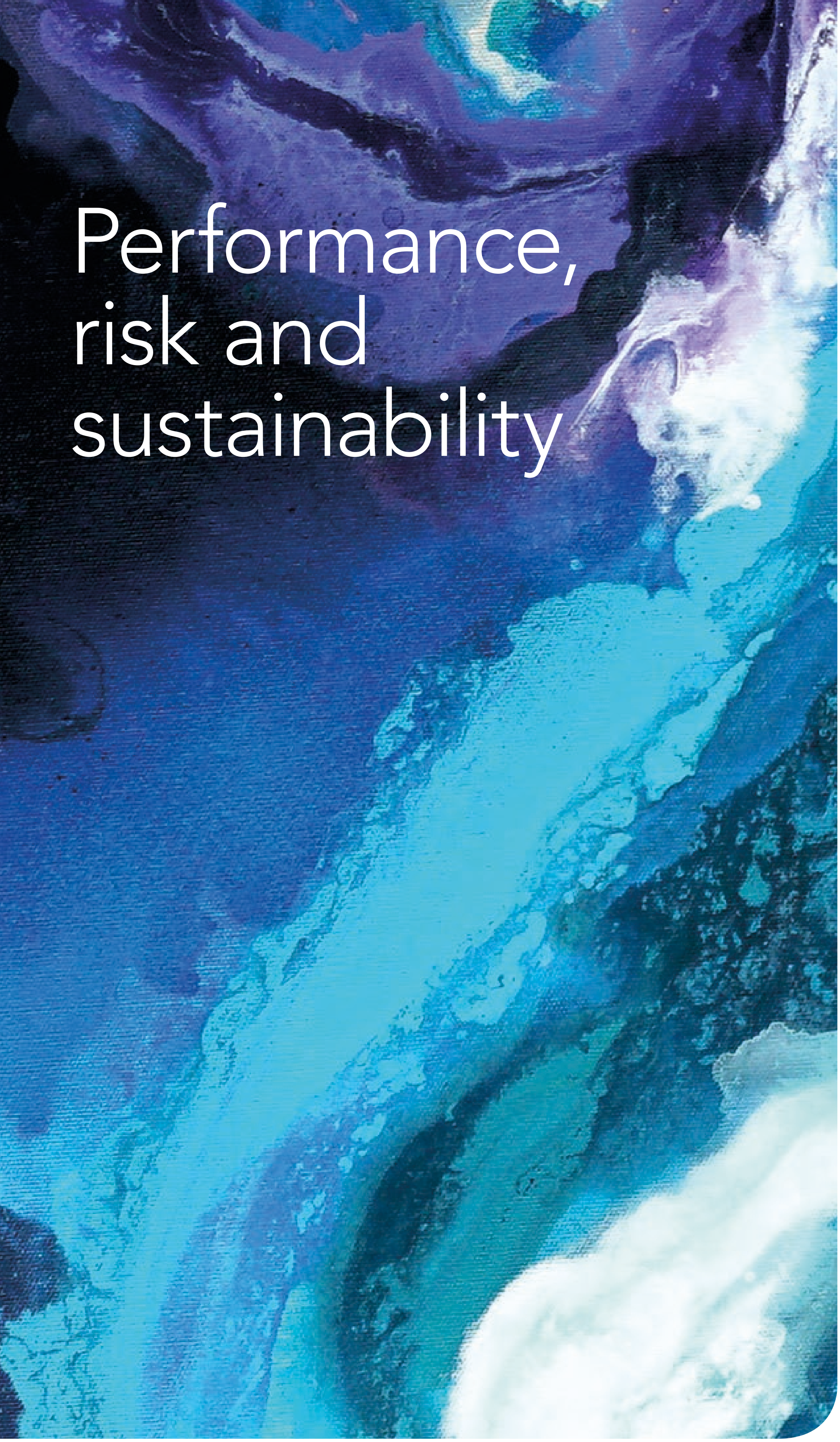
We hedge our investment in Scandlines for foreign exchange translation risks. We recognised a £14 million net gain on foreign exchange translation (March 2019: £12 million gain) including a £3 million fair value loss (March 2019: £21 million gain) from our hedging programme.

Scandlines operates two high capacity, high frequency ferry routes between Denmark and Germany. It was a pioneer in the introduction of its hybrid ferries and has a vision to operate ferries with zero emissions.

Scandlines' core business provides efficient and reliable transport services whilst creating value for customers on and off board through its ferry operations, its three ports in Puttgarden, Rødby and Gedser, and two Border Shops in Rostock and Puttgarden.

In 2019, the company transported 7.2 million passengers, 1.7 million cars and more than 650,000 freight units on its eight ferries, six of which are hybrid. Since 2013, Scandlines has invested c.€365 million in green technology and this year an agreement was reached to install wind propulsion technology on one ship serving the Gedser-Rostock route. New fuel efficient thrusters were installed on the ferry M/V Schleswig-Holstein. The new thrusters produce less noise and vibrations underwater benefiting marine life and reducing emissions. The thrusters will be installed on three other ships in the coming years.

Performance, risk and sustainability



Financial review

Solid financial performance

We generated a gross investment return of £318 million in FY2020 (2019: £1,407 million) and operating profit before carried interest of £215 million (2019: £1,295 million).

The total return was £253 million, representing a profit on opening shareholders' funds of 3% (2019: £1,252 million or 18%). The diluted NAV per share at 31 March 2020 decreased by 1% to 804 pence (31 March 2019: 815 pence) after paying dividends totalling 37.5 pence per share during the year.

TABLE 11: **TOTAL RETURN**
FOR THE YEAR TO 31 MARCH

Investment basis	**2020 £m**	2019 £m
Realised profits over value on the disposal of investments	**90**	132
Unrealised (losses)/profits on the revaluation of investments	**(172)**	1,087
Portfolio income		
Dividends	**68**	63
Interest income from investment portfolio	**118**	113
Fees receivable	**9**	9
Foreign exchange on investments	**214**	(18)
Movement in the fair value of derivatives	**(9)**	21
Gross investment return	**318**	1,407
Fees receivable from external funds	**44**	53
Operating expenses	**(116)**	(126)
Interest received	**1**	2
Interest paid	**(38)**	(36)
Exchange movements	**1**	(3)
Other income/(expense)	**5**	(2)
Operating profit before carried interest	**215**	1,295
Carried interest		
Carried interest and performance fees receivable	**85**	159
Carried interest and performance fees payable	**(84)**	(220)
Operating profit	**216**	1,234
Income taxes	**(1)**	13
Re-measurements of defined benefit plans	**38**	5
Total comprehensive income ("Total return")	**253**	1,252
Total return on opening shareholders' funds	**3%**	18%

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 provides an exception from consolidation but also 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 £918 million (2019: £1,242 million) and realised profits of £90 million (2019: £132 million) in the year, of which the Private Equity portfolio contributed £848 million of proceeds and £90 million of realised profits (2019: £1,235 million, £131 million). The profits were generated from the sale of Aspen (£102 million realised profit) and disposal of additional LP stakes in EFV as part of the Action Transaction (£15 million realised profit). At the end of March 2020, we completed the sale of ACR. We recognised total realised proceeds of £105 million and a realised loss of £30 million from this sale. The most significant tranche of these realised proceeds is expected to be received in Q3 2020. Further information on the Action Transaction can be found on page 19.

Realisation proceeds for the next 12 months are expected to be lower than in previous years. However, we go into the year ending 31 March 2021 having sold Kinolt for proceeds of c.€96 million, with completion anticipated in August 2020 and being subject only to competition clearance.

Unrealised value movements

We recognised an unrealised value loss of £172 million (2019: £1,087 million gain). The COVID-19 pandemic and its many consequences had a material impact on the valuation of some of our portfolio companies as at 31 March 2020. Portfolio companies exposed to travel, transportation, retail and automotive have been most affected (Action, Audley Travel, ICE, Smarte Carte, Hans Anders and Formel D). Conversely, those in medical, personal care or cleaning products are experiencing increased demand (Royal Sanders, Cirtec and Tato). Sharp falls in global capital markets have resulted in an unrealised value loss of £168 million in our quoted portfolio following share price declines of 10% for 3iN and 49% for Basic-Fit in the 12 months to 31 March 2020.

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

Portfolio income

Portfolio income increased to £195 million during the year (2019: £185 million) principally due to the receipt of £37 million of dividend income from Scandlines (2019: £28 million). Loan interest income receivable from portfolio companies increased marginally to £118 million (2019: £113 million). The majority of this interest income is non-cash. Fee income remained stable in the year at £9 million (2019: £9 million). We expect a lower level of portfolio income in FY2021 as we focus on preserving the liquidity of some of our portfolio companies and because realisations and refinancings (which can also produce income) are also expected to be lower.

Fees receivable from external funds

Fees received from external funds decreased to £44 million (2019: £53 million). Following the Action Transaction 3i will receive an administration fee from the co-investment vehicles.

3i receives a fund management fee from 3iN, which amounted to £28 million in FY2020 (2019: £31 million). 3i also received fee income of £6 million (2019: £6 million) from 3i Managed Infrastructure Acquisitions ("MIA") through advisory and management fees and continued to generate fee income from other 3i managed accounts and other funds.

Operating expenses

Operating expenses decreased to £116 million (2019: £126 million), principally due to lower employee costs and general, careful cost management. 3i continues to focus on operating expenses to reinforce the need to maintain good cost control and achieve an operating cash profit.

TABLE 12: **UNREALISED VALUE MOVEMENTS ON THE REVALUATION OF INVESTMENTS**
FOR THE YEAR TO 31 MARCH

	2020 £m	2019 £m
Private Equity	**(34)**	916
Infrastructure	**(92)**	162
Scandlines	**(46)**	9
Total	**(172)**	1,087

TABLE 13: **OPERATING CASH PROFIT**
FOR THE YEAR TO 31 MARCH

	2020 £m	2019 £m
Cash fees from external funds	**44**	57
Cash portfolio fees	**12**	11
Cash portfolio dividends and interest	**104**	87
Cash income	**160**	155
Cash operating expenses[1]	**(120)**	(109)
Operating cash profit	**40**	46

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

Operating cash profit

We generated an operating cash profit of £40 million in the year (2019: £46 million). Cash income increased to £160 million (2019: £155 million), principally due to increased cash interest. We received £37 million of dividend income from Scandlines (2019: £28 million) and non-recurring cash interest of £25 million from Audley Travel and Aspen Pumps.

Carried interest and performance fees

We receive carried interest and performance fees from third-party funds. 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% to 13% of gross investment return.

Carried interest is paid to participants when the performance hurdles are passed in cash terms, when the cash proceeds have been received following a realisation, refinancing event or other cash distribution. Due to the length of time between investment and realisation, the schemes are usually active for a number of years and their participants are both current and previous employees of 3i.

Following the sale of the EFV interest in Action, the relevant EFV carry hurdles were met, with EFV releasing carry it owed to 3i Group. The sum of £679 million was received by 3i Group from the investors in EFV in January 2020. This payment also triggered the equivalent hurdles in the so-called Buyouts 2010-12 carry scheme, crystallising payments to the 81 individual participants in that scheme, which will be made during FY2021. These carry payments are calculated in accordance with the related partnership agreements, and are not discretionary. They are a consequence of the successful sale of EFV investments and reflect the outstanding success of Action, the 10-year duration of the Buyouts 2010-12 carry scheme, and also include the repayment of significant co-investment made by the individual participants starting in 2010.

Given the age of the scheme, the majority of the recipients no longer work at 3i. Total payments made will be £547 million; the reduction in 3i's opening cash of £845 million will be £438 million, with the remainder being funded by the release of an escrow account held separately on the balance sheet. 3i will continue to accrue carried interest in accordance with the Buyouts 2010-12 carry scheme agreements in relation to the residual Action stake held through the Buyouts 2010-12 carry scheme.

During the period, £35 million was paid to participants in the Private Equity plans (2019: £77 million).

3iN pays a performance fee based on 3iN's NAV on an annual basis, subject to a hurdle rate of return and a high watermark. The continued strong performance of the assets held by 3iN, including the significant uplift achieved on the sale of WIG, resulted in the recognition of £6 million (2019: £31 million) of performance fees receivable. The Infrastructure team receives a share of the performance fee received from 3iN, with the majority of payments deferred and expensed over a number of years. £21 million (2019: £14 million) was recognised as an expense during the year, relating to performance fees from both the current and previous years. The total potential payable relating to the FY2020 performance fee is £6 million, which together with prior periods' performance fees, results in a remaining cumulative total potential payable for performance fees of £58 million.

TABLE 14: **CARRIED INTEREST AND PERFORMANCE FEES**
FOR THE YEAR TO 31 MARCH

Statement of comprehensive income	**2020 £m**	2019 £m
Carried interest and performance fees receivable		
Private Equity	**79**	128
Infrastructure	**6**	31
Total	**85**	159
Carried interest and performance fees payable		
Private Equity	**(63)**	(206)
Infrastructure	**(21)**	(14)
Total	**(84)**	(220)
Net carried interest payable	**1**	(61)

TABLE 15: **CARRIED INTEREST AND PERFORMANCE FEES**
AT 31 MARCH

Statement of financial position	**2020 £m**	2019 £m
Carried interest and performance fees receivable		
Private Equity	**11**	609
Infrastructure	**6**	31
Total	**17**	640
Carried interest and performance fees payable		
Private Equity	**(998)**	(942)
Infrastructure	**(40)**	(28)
Total	**(1,038)**	(970)

Net foreign exchange movements

At 31 March 2020, 78% of the Group's net assets were denominated in euros or US dollars (31 March 2019: 77%). Following the weakening of sterling against the euro and US dollar, the Group recorded a total net foreign exchange gain of £215 million, before the £9 million loss from the movement in the fair value of hedging derivatives (2019: £21 million gain) in the year.

The Group's general policy remains 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. Hedging of our reinvestment in Scandlines remains in place to mitigate the foreign exchange translation risk associated with our investment in Scandlines which is considered a longer-term hold with relatively predictable cash flows. During the year, we also completed a hedging programme to help mitigate the foreign exchange translation risk on our investment in Regional Rail. As at 31 March 2020 the notional amount of the forward foreign exchange contracts held by the Group was €500 million for Scandlines and $112 million for Regional Rail and the movement in fair value of the derivatives was a £9 million loss.

The net foreign exchange gain also reflects the translation of non-portfolio net assets, including non-sterling cash held at the balance sheet date.

Pension

During the year, the Group and the Trustees of the 3i Group Pension Plan ("the Plan") commenced an exercise to consider a possible "buyout" of the Plan. This would involve the Trustees first completing a further "buyin" transaction with an insurance company to secure all remaining uninsured liabilities in the Plan, following which the expectation would be that the Plan's Trustees would, ultimately and at the appropriate time, exercise their right to convert the buyin policies held in the Plan into individual annuity policies in the names of Plan members.

Such a buyin would eliminate risks to the Group from factors such as inflation, interest rate movements, investment returns and longevity, whilst continuing to deliver benefits promised to Plan members. Following the exercise by the Trustees of their right to convert the buyin policies into individual annuity policies, all responsibility for paying members' benefits would transfer from the Plan to the relevant insurance companies.

The last triennial funding valuation was based on the Plan's position at 30 June 2016. On an IAS 19 basis, the Plan remains in surplus and there was a £36 million re-measurement gain during the year (2019: £8 million). The liability of the Plan increased in the year following a decrease in the discount rate. This was offset by an increase in the underlying asset valuations.

TABLE 16: NET ASSETS AND SENSITIVITY BY CURRENCY AT 31 MARCH

	FX rate	£m	%	1% sensitivity £m
Sterling	n/a	**1,511**	20%	**n/a**
Euro[1]	1.1305	**4,904**	63%	**48**
US dollar[1]	1.2404	**1,191**	15%	**12**
Danish krone	8.4381	**119**	2%	**1**
Other	n/a	**32**	–	**n/a**

1 Sensitivity impact is net of derivatives.

TABLE 17: SIMPLIFIED CONSOLIDATED BALANCE SHEET AT 31 MARCH

Statement of financial position	2020 £m	2019 £m
Investment portfolio	**8,098**	7,553
Gross debt	**(575)**	(575)
Cash and deposits	**845**	1,070
Net cash	**270**	495
Carried interest and performance fees receivable	**17**	640
Carried interest and performance fees payable	**(1,038)**	(970)
Other net assets	**410**	191
Net assets	**7,757**	7,909
Gearing[1]	**nil**	nil

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

Tax

The affairs of the Group's parent company continue to be directed to allow it 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 £1 million (2019: £13 million credit). The Group's overall UK tax position for the financial year is dependent on the finalisation of the tax returns of the various corporate and partnership entities in the UK group.

Balance sheet

Net cash decreased to £270 million (31 March 2019: £495 million) as the Group became a net investor in FY2020. The investment portfolio value increased to £8,098 million at 31 March 2020 (31 March 2019: £7,553 million) with a foreign exchange gain and cash investment offsetting the value of realisations in the year.

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

Liquidity

Liquidity remained strong at £1,245 million (31 March 2019: £1,420 million). Liquidity comprised cash and deposits of £845 million (31 March 2019: £1,070 million) and undrawn facilities of £400 million (31 March 2019: £350 million). In March we completed a successful refinancing of our RCF, increasing the size to £400 million and extending the maturity to 2025 without any financial covenants, which ensures the Group continues to have access to additional liquidity if necessary.

Dividend

The Board has recommended a second FY2020 dividend of 17.5 pence (2019: 20.0 pence). Subject to shareholder approval, the dividend will be paid to shareholders in July 2020 and takes the total dividend for the year to 35.0 pence (2019: 35.0 pence).

In addition to the expected agreed proceeds from the realisations of ACR and Kinolt in FY2021, the Group had cash and liquidity of £1,245 million as at 31 March 2020, and is therefore well positioned to fund the second FY2020 dividend of 17.5 pence.

Corporate Assets

Our Corporate Assets segment was formed following our sale and reinvestment into Scandlines in June 2018. At that time, it was considered possible that the Action Transaction would result in the transfer of our holding in Action to Corporate Assets from Private Equity. However, there were no changes to the governance of Action as a result of the Transaction and Action continues to be reported as part of the Private Equity segment. For simplicity, we have therefore eliminated reference to Corporate Assets and referred to Scandlines where necessary.

Key accounting judgements and estimates

A key judgement 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 2020, 91% by value of the investment assets were unquoted (31 March 2019: 87%).

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 2020 and the underlying investment management agreements.

Investment basis

Consolidated statement of comprehensive income

for the year to 31 March

	2020 £m	2019 £m
Realised profits over value on the disposal of investments	**90**	132
Unrealised (losses)/profits on the revaluation of investments	**(172)**	1,087
Portfolio income		
Dividends	**68**	63
Interest income from investment portfolio	**118**	113
Fees receivable	**9**	9
Foreign exchange on investments	**214**	(18)
Movement in the fair value of derivatives	**(9)**	21
Gross investment return	**318**	1,407
Fees receivable from external funds	**44**	53
Operating expenses	**(116)**	(126)
Interest received	**1**	2
Interest paid	**(38)**	(36)
Exchange movements	**1**	(3)
Other income/(expense)	**5**	(2)
Operating profit before carried interest	**215**	1,295
Carried interest		
Carried interest and performance fees receivable	**85**	159
Carried interest and performance fees payable	**(84)**	(220)
Operating profit	**216**	1,234
Income taxes	**(1)**	13
Profit for the year	**215**	1,247
Other comprehensive income		
Re-measurements of defined benefit plans	**38**	5
Total comprehensive income for the year ("Total return")	**253**	1,252

Consolidated statement of financial position

as at 31 March

	2020 £m	2019 £m
Assets		
Non-current assets		
Investments		
Quoted investments	**758**	998
Unquoted investments	**7,340**	6,555
Investment portfolio	**8,098**	7,553
Carried interest and performance fees receivable	**11**	605
Other non-current assets	**26**	117
Intangible assets	**9**	11
Retirement benefit surplus	**173**	134
Property, plant and equipment	**5**	4
Right of use asset	**19**	–
Derivative financial instruments	**7**	11
Total non-current assets	**8,348**	8,435
Current assets		
Carried interest and performance fees receivable	**6**	35
Other current assets	**296**	29
Current income taxes	**2**	12
Derivative financial instruments	**6**	7
Deposits	**–**	50
Cash and cash equivalents	**845**	1,020
Total current assets	**1,155**	1,153
Total assets	**9,503**	9,588
Liabilities		
Non-current liabilities		
Trade and other payables	**(5)**	(8)
Carried interest and performance fees payable	**(505)**	(926)
Loans and borrowings	**(575)**	(575)
Retirement benefit deficit	**(25)**	(27)
Lease liability	**(16)**	–
Derivative financial instruments	**(2)**	–
Deferred income taxes	**(1)**	(1)
Provisions	**(3)**	(1)
Total non-current liabilities	**(1,132)**	(1,538)
Current liabilities		
Trade and other payables	**(73)**	(95)
Carried interest and performance fees payable	**(533)**	(44)
Lease liability	**(4)**	–
Derivative financial instruments	**(2)**	–
Current income taxes	**(2)**	(1)
Provisions	**–**	(1)
Total current liabilities	**(614)**	(141)
Total liabilities	**(1,746)**	(1,679)
Net assets	**7,757**	7,909
Equity		
Issued capital	**719**	719
Share premium	**788**	787
Other reserves	**6,328**	6,445
Own shares	**(78)**	(42)
Total equity	**7,757**	7,909

Consolidated cash flow statement

for the year to 31 March

	2020 £m	2019 £m
Cash flow from operating activities		
Purchase of investments	**(1,279)**	(859)
Proceeds from investments	**801**	1,261
Net cash flow from derivatives	**–**	3
Portfolio interest received	**34**	26
Portfolio dividends received	**70**	61
Portfolio fees received	**12**	11
Fees received from external funds	**44**	57
Carried interest and performance fees received	**696**	104
Carried interest and performance fees paid	**(44)**	(86)
Carried interest held in non-current assets	**(14)**	(9)
Operating expenses paid	**(116)**	(109)
Co-investment loans paid	**(8)**	(3)
Income taxes received/(paid)	**10**	(10)
Other cash income	**2**	–
Net cash flow from operating activities	**208**	447
Cash flow from financing activities		
Issue of shares	**1**	1
Purchase of own shares	**(59)**	(29)
Dividends paid	**(363)**	(358)
Lease payments	**(4)**	–
Interest received	**1**	2
Interest paid	**(42)**	(39)
Net cash flow from financing activities	**(466)**	(423)
Cash flow from investing activities		
Purchase of property, plant and equipment	**(3)**	(3)
Net cash flow from deposits	**50**	(50)
Net cash flow from investing activities	**47**	(53)
Change in cash and cash equivalents	**(211)**	(29)
Cash and cash equivalents at the start of year	**1,020**	1,054
Effect of exchange rate fluctuations	**36**	(5)
Cash and cash equivalents at the end of year	**845**	1,020

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.

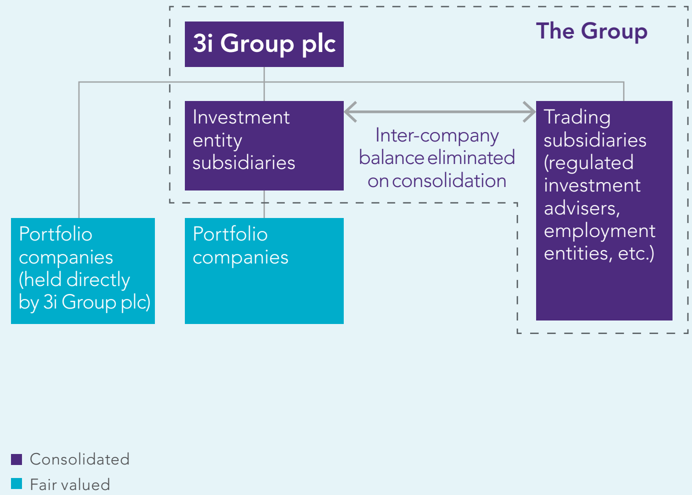
The financial effect of the underlying portfolio companies and fee income, operating expenses and carried interest transactions occurring in Investment entity subsidiaries are aggregated into a single value. Other items which were previously eliminated on consolidation are now included separately.

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.

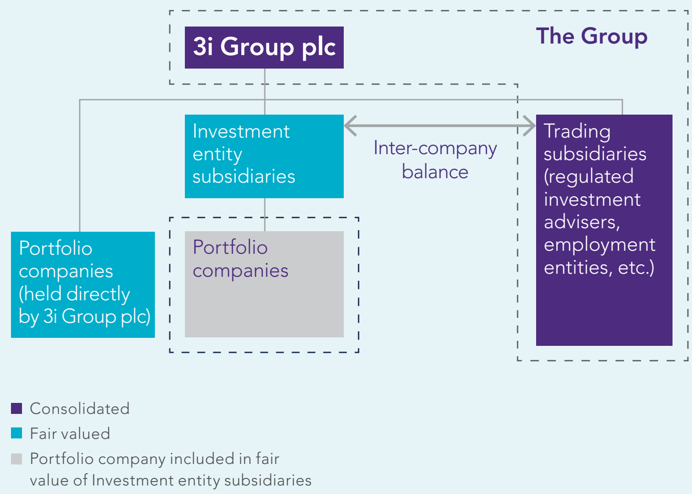
Reconciliation of Investment basis and IFRS

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 pages 44 to 46.

Investment basis of consolidation



IFRS 10 basis of consolidation



Reconciliation of Investment basis and IFRS

Reconciliation of consolidated statement of comprehensive income

for the year to 31 March

	Notes	Investment basis 2020 £m	IFRS adjustments 2020 £m	IFRS basis 2020 £m	Investment basis 2019 £m	IFRS adjustments 2019 £m	IFRS basis 2019 £m
Realised profits/(losses) over value on the disposal of investments	1,2	**90**	**(119)**	**(29)**	132	(99)	33
Unrealised (losses)/profits on the revaluation of investments	1,2	**(172)**	**144**	**(28)**	1,087	(919)	168
Fair value movements on investment entity subsidiaries	1	**–**	**191**	**191**	–	827	827
Portfolio income							
Dividends	1,2	**68**	**(46)**	**22**	63	(37)	26
Interest income from investment portfolio	1,2	**118**	**(81)**	**37**	113	(80)	33
Fees receivable	1,2	**9**	**2**	**11**	9	2	11
Foreign exchange on investments	1,3	**214**	**(178)**	**36**	(18)	35	17
Movement in the fair value of derivatives		**(9)**	**–**	**(9)**	21	–	21
Gross investment return		**318**	**(87)**	**231**	1,407	(271)	1,136
Fees receivable from external funds		**44**	**–**	**44**	53	–	53
Operating expenses	4	**(116)**	**–**	**(116)**	(126)	–	(126)
Interest received	1	**1**	**1**	**2**	2	1	3
Interest paid		**(38)**	**–**	**(38)**	(36)	–	(36)
Exchange movements	1,3	**1**	**25**	**26**	(3)	(24)	(27)
Income from investment entity subsidiaries	1	**–**	**19**	**19**	–	66	66
Other income/(expense)		**5**	**(2)**	**3**	(2)	–	(2)
Operating profit before carried interest		**215**	**(44)**	**171**	1,295	(228)	1,067
Carried interest							
Carried interest and performance fees receivable	1,4	**85**	**(18)**	**67**	159	4	163
Carried interest and performance fees payable	1,4	**(84)**	**61**	**(23)**	(220)	220	–
Operating profit		**216**	**(1)**	**215**	1,234	(4)	1,230
Income taxes	1,4	**(1)**	**–**	**(1)**	13	(1)	12
Profit for the year		**215**	**(1)**	**214**	1,247	(5)	1,242
Other comprehensive income/(expense)							
Exchange differences on translation of foreign operations	1,3	**–**	**1**	**1**	–	5	5
Re-measurements of defined benefit plans		**38**	**–**	**38**	5	–	5
Other comprehensive income for the year		**38**	**1**	**39**	5	5	10
Total comprehensive income for the year ("Total return")		**253**	**–**	**253**	1,252	–	1,252

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

Notes:
1 Applying IFRS 10 to the Consolidated statement of comprehensive income consolidates the line items of a number of previously consolidated subsidiaries into a single line item "Fair value movements on investment entity subsidiaries". In the "Investment basis" accounts we have disaggregated these line items to analyse our total return as if these Investment entity subsidiaries were fully consolidated, consistent with prior 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.
2 Realised profits, unrealised profits, and portfolio income shown in the IFRS accounts only relate to portfolio companies that are held directly by 3i Group plc and not those portfolio companies held through Investment entity subsidiaries. Realised profits, unrealised profits, and portfolio income in relation to portfolio companies held through Investment entity subsidiaries are aggregated into the single "Fair value movement on investment entity subsidiaries" line. This is the most significant reduction of information in our IFRS accounts.
3 Foreign exchange movements have been reclassified under the Investment basis as foreign currency asset and liability movements. Movements within the Investment entity subsidiaries are included within "Fair value movements on investment entities".
4 Other items also aggregated into the "Fair value movements on investment entity subsidiaries" line include fees receivable from external funds, audit fees, administration expenses, carried interest and tax.

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

Notes to Reconciliation of consolidated statement of financial position on page 45:
1 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 and other payables, and the Investment basis presentation again disaggregates these items.
2 Intercompany balances between Investment entity subsidiaries and trading subsidiaries also impact the transparency of our results under the IFRS basis. If an Investment entity subsidiary has an intercompany balance with a consolidated trading subsidiary of the Group, then the asset or liability of the Investment entity subsidiary will be aggregated into its fair value, while the asset or liability of the consolidated trading subsidiary will be disclosed as an asset or liability in the Consolidated statement of financial position for the Group.
3 Investment basis financial statements are prepared for performance measurement and therefore reserves are not analysed separately under this basis.

Reconciliation of consolidated statement of financial position

as at 31 March

	Notes	Investment basis 2020 £m	IFRS adjustments 2020 £m	IFRS basis 2020 £m	Investment basis 2019 £m	IFRS adjustments 2019 £m	IFRS basis 2019 £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	**758**	**(340)**	**418**	998	(529)	469
Unquoted investments	1	**7,340**	**(4,304)**	**3,036**	6,555	(5,362)	1,193
Investments in investment entity subsidiaries	1,2	**–**	**3,936**	**3,936**	–	5,159	5,159
Investment portfolio		**8,098**	**(708)**	**7,390**	7,553	(732)	6,821
Carried interest and performance fees receivable	1	**11**	**–**	**11**	605	–	605
Other non-current assets		**26**	**(3)**	**23**	117	(93)	24
Intangible assets		**9**	**–**	**9**	11	–	11
Retirement benefit surplus		**173**	**–**	**173**	134	–	134
Property, plant and equipment		**5**	**–**	**5**	4	–	4
Right of use asset		**19**	**–**	**19**	–	–	–
Derivative financial instruments		**7**	**–**	**7**	11	–	11
Total non-current assets		**8,348**	**(711)**	**7,637**	8,435	(825)	7,610
Current assets							
Carried interest and performance fees receivable	1	**6**	**1**	**7**	35	–	35
Other current assets	1	**296**	**(152)**	**144**	29	(5)	24
Current income taxes		**2**	**–**	**2**	12	–	12
Derivative financial instruments		**6**	**–**	**6**	7	–	7
Deposits		**–**	**–**	**–**	50	–	50
Cash and cash equivalents	1	**845**	**(74)**	**771**	1,020	(37)	983
Total current assets		**1,155**	**(225)**	**930**	1,153	(42)	1,111
Total assets		**9,503**	**(936)**	**8,567**	9,588	(867)	8,721
Liabilities							
Non-current liabilities							
Trade and other payables	1	**(5)**	**5**	**–**	(8)	7	(1)
Carried interest and performance fees payable	1	**(505)**	**439**	**(66)**	(926)	840	(86)
Loans and borrowings		**(575)**	**–**	**(575)**	(575)	–	(575)
Retirement benefit deficit		**(25)**	**–**	**(25)**	(27)	–	(27)
Lease liability		**(16)**	**–**	**(16)**	–	–	–
Derivative financial instruments		**(2)**	**–**	**(2)**	–	–	–
Deferred income taxes		**(1)**	**–**	**(1)**	(1)	–	(1)
Provisions		**(3)**	**–**	**(3)**	(1)	–	(1)
Total non-current liabilities		**(1,132)**	**444**	**(688)**	(1,538)	847	(691)
Current liabilities							
Trade and other payables	1	**(73)**	**–**	**(73)**	(95)	1	(94)
Carried interest and performance fees payable	1	**(533)**	**492**	**(41)**	(44)	19	(25)
Lease liability		**(4)**	**–**	**(4)**	–	–	–
Derivative financial instruments		**(2)**	**–**	**(2)**	–	–	–
Current income taxes		**(2)**	**–**	**(2)**	(1)	–	(1)
Provisions		**–**	**–**	**–**	(1)	–	(1)
Total current liabilities		**(614)**	**492**	**(122)**	(141)	20	(121)
Total liabilities		**(1,746)**	**936**	**(810)**	(1,679)	867	(812)
Net assets		**7,757**	**–**	**7,757**	7,909	–	7,909
Equity							
Issued capital		**719**	**–**	**719**	719	–	719
Share premium		**788**	**–**	**788**	787	–	787
Other reserves	3	**6,328**	**–**	**6,328**	6,445	–	6,445
Own shares		**(78)**	**–**	**(78)**	(42)	–	(42)
Total equity		**7,757**	**–**	**7,757**	7,909	–	7,909

The IFRS basis is audited and the Investment basis is unaudited.
Notes: see page 44.

Reconciliation of consolidated cash flow statement

for the year to 31 March

	Notes	Investment basis 2020 £m	IFRS adjustments 2020 £m	IFRS basis 2020 £m	Investment basis 2019 £m	IFRS adjustments 2019 £m	IFRS basis 2019 £m
Cash flow from operating activities							
Purchase of investments	1	**(1,279)**	**629**	**(650)**	(859)	734	(125)
Proceeds from investments	1	**801**	**(792)**	**9**	1,261	(435)	826
Cash inflow/(outflow) from investment entity subsidiaries	1	**–**	**186**	**186**	–	(264)	(264)
Net cash flow from derivatives		**–**	**–**	**–**	3	–	3
Portfolio interest received	1	**34**	**(24)**	**10**	26	(20)	6
Portfolio dividends received	1	**70**	**(46)**	**24**	61	(37)	24
Portfolio fees received	1	**12**	**(1)**	**11**	11	1	12
Fees received from external funds		**44**	**–**	**44**	57	–	57
Carried interest and performance fees received	1	**696**	**(18)**	**678**	104	(2)	102
Carried interest and performance fees paid	1	**(44)**	**13**	**(31)**	(86)	48	(38)
Carried interest held in non-current assets	1	**(14)**	**14**	**–**	(9)	9	–
Operating expenses paid	1	**(116)**	**–**	**(116)**	(109)	–	(109)
Co-investment loans (paid)/received	1	**(8)**	**–**	**(8)**	(3)	7	4
Income taxes received/(paid)	1	**10**	**–**	**10**	(10)	–	(10)
Other cash income		**2**	**–**	**2**	–	–	–
Net cash flow from operating activities		**208**	**(39)**	**169**	447	41	488
Cash flow from financing activities							
Issue of shares		**1**	**–**	**1**	1	–	1
Purchase of own shares		**(59)**	**–**	**(59)**	(29)	–	(29)
Dividends paid		**(363)**	**–**	**(363)**	(358)	–	(358)
Lease payments		**(4)**	**–**	**(4)**	–	–	–
Interest received		**1**	**1**	**2**	2	–	2
Interest paid		**(42)**	**–**	**(42)**	(39)	–	(39)
Net cash flow from financing activities		**(466)**	**1**	**(465)**	(423)	–	(423)
Cash flow from investing activities							
Purchase of property, plant and equipment		**(3)**	**–**	**(3)**	(3)	–	(3)
Net cash flow from deposits		**50**	**–**	**50**	(50)	–	(50)
Net cash flow from investing activities		**47**	**–**	**47**	(53)	–	(53)
Change in cash and cash equivalents	2	**(211)**	**(38)**	**(249)**	(29)	41	12
Cash and cash equivalents at the start of year	2	**1,020**	**(37)**	**983**	1,054	(82)	972
Effect of exchange rate fluctuations	1	**36**	**1**	**37**	(5)	4	(1)
Cash and cash equivalents at the end of year	2	**845**	**(74)**	**771**	1,020	(37)	983

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 on pages 43 to 46.

The table below defines our additional APMs.

Gross investment return as a percentage of opening portfolio value

Purpose

A measure of the performance of our proprietary investment portfolio

For further information, see the Group KPIs on page 12

Calculation

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

Reconciliation to IFRS

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

Cash realisations

Purpose

Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities

For further information, see the Group KPIs on page 12

Calculation

The cash received from the disposal of investments in the year as shown in the Investment basis Consolidated cash flow statement

Reconciliation to IFRS

The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement

Cash investment

Purpose

Identifying new opportunities in which to invest proprietary capital is the primary driver of the Group's ability to deliver attractive returns

For further information, see the Group KPIs on page 12

Calculation

The cash paid to acquire investments in the year as shown on the Investment basis Consolidated cash flow statement

Reconciliation to IFRS

The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement

Operating cash profit

Purpose

By covering the cash cost of running the business with cash income, we reduce the potential dilution of capital returns

Calculation

The cash income from the portfolio (interest, dividends and fees) together with fees received from external funds less cash operating expenses as shown on the Investment basis Consolidated cash flow statement. The calculation is shown in Table 13 of the Financial review

Reconciliation to IFRS

The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement

Net cash/net (debt)

Purpose

A measure of the available cash to invest in the business and an indicator of the financial risk in the Group's balance sheet

Calculation

Cash and cash equivalents plus deposits less loans and borrowings as shown on the Investment basis Consolidated statement of financial position

Reconciliation to IFRS

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

A measure of the financial risk in the Group's balance sheet

Calculation

Net debt (as defined above) as a % of the Group's net assets under the Investment basis. It cannot be less than zero

Reconciliation to IFRS

The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position

Risk management

Effective risk management underpins the successful delivery of our strategy and longer-term sustainability of the business. Integrity, rigour and accountability are central to our values and culture at 3i and are embedded in our approach to risk management.

Understanding our risk appetite and culture

As both an investor and asset manager, 3i is in the business of taking risks in order to seek to achieve its targeted returns for fund investors and shareholders. The Board approves the strategic objectives that determine the level and types of risk that 3i is prepared to accept. The Board reviews 3i's strategic objectives and risk appetite at least annually. The Group's risk management framework is designed to support the delivery of the Group's strategic objectives and the longer-term sustainability of the business and its investment portfolio.

3i's risk appetite policy, which is consistent with previous years, is built on rigorous and comprehensive investment procedures and conservative capital management.

Culture

Integrity, rigour and accountability are central to our values and culture and are embedded in our approach to risk management. Our Investment Committee, which has oversight of the investment pipeline development and approves new investments, significant portfolio changes and divestments, is integral to ensuring a consistent approach across the business. This includes compliance with 3i's financial and strategic requirements, cultural values and appropriate investment behaviours. Members of the Executive Committee have responsibility for their own business or functional areas and the Group expects individual behaviours to meet its high standards of conduct. All employees share the responsibility for upholding 3i's strong control culture and supporting effective risk management. Senior managers, typically those who report to Executive Committee members, are required to confirm their individual and business area compliance annually. In addition, all staff are required to comply with regulatory conduct rules and are assessed on how they demonstrate 3i's values as part of their annual appraisal. Finally, our Remuneration Committee is responsible for ensuring the Group's remuneration culture is weighted towards variable compensation where reward is strictly dependent on performance.

The following sections explain how we control and manage the risks in our business. They outline the key risks, our assessment of their potential impact on our business in the context of the current environment and how we seek to mitigate them.

Approach to risk governance

The Board is responsible for risk assessment, the risk management process and for the protection of the Group's reputation, brand integrity and longer-term sustainability. It considers the most significant risks facing the Group and uses quantitative analyses, such as vintage controls which consider the portfolio concentration by geography and sector, periodic reporting of financial and non-financial KPIs from the portfolio, including ESG indicators, and liquidity reporting, where appropriate.

Non-executive oversight is also exercised through the Audit and Compliance Committee which focuses on upholding standards of integrity, financial reporting, risk management, going concern and internal control. The Audit and Compliance Committee's activities are discussed further in this document in the Audit and Compliance Committee report.

The Board has delegated the responsibility for risk oversight to the Chief Executive. He is assisted by the Group Risk Committee ("GRC") in managing this responsibility, and guided by the Board's appetite for risk and any specific limits set. The GRC maintains the Group risk review, which summarises the Group's principal risks, associated mitigating actions and key risk indicators, and identifies any changes to the Group's risk profile. The review also incorporates a watch list of new and emerging risks for monitoring purposes. The risk review takes place four times a year, with the last review in April 2020, and the Chief Executive provides updates to each Audit and Compliance Committee meeting. Investment Committee ensures a consistent approach to investment and portfolio management processes across the business.

In addition to the above, a number of other Board and Executive Committee members contribute to the Group's overall risk governance structure.

Risk appetite

Our risk appetite is defined by our strategic objectives. We invest capital in businesses that will deliver capital returns and portfolio and fund management cash income to cover our costs, and increase returns to our investors.

Investment risk

The substantial majority of the Group's capital is invested in Private Equity. Before the Group commits to an investment, we assess the Private Equity opportunity using the following criteria:

- return objective: individually assessed and subject to a minimum target of a 2x money multiple over four to five years;
- geographic focus: operate within our core markets of northern Europe, the UK and North America;
- sector expertise: focus on Business and Technology Services, Consumer, Industrial and Healthcare;
- responsible investment: ESG risk profile in line with the criteria and exclusions set out in our Responsible Investment policy; and
- vintage: invest up to £750 million per annum in four to seven new investments in companies with an enterprise value range of €100 million to €500 million at investment.

Investments made by 3iN need to be consistent with 3iN's overall return target of 8% to 10% over the medium term and generate a mix of capital and income returns. Other Infrastructure investments made by the Group should be capable of delivering capital growth and fund management fees which together generate mid-teen returns. All Infrastructure investments are also made subject to the criteria set out in the Group's Responsible Investment Policy.

On occasion, the Group may conclude that it is in the interest of shareholders, and consistent with our strategic objectives, to hold a Private Equity investment for a longer period. Such an investment may be managed outside the Private Equity or Infrastructure businesses. The only investment currently in this category is Scandlines.

Capital management

3i adopts a conservative approach to managing its capital resources as follows:

- the Group may raise long-term debt or use other financing from time to time, to manage investment and realisation flows. It has no appetite for structural gearing at the Group level but a tolerance to operate within a range of £500 million net cash to £500 million net debt;
- the Group generally does not hedge its currency exposure for its Private Equity and Infrastructure assets, but it does match currency realisations with investments, where possible, and may take out short-term hedges occasionally to hedge investments and realisations between signing and completion;
- if appropriate, with due consideration of any associated liquidity risk, the Group will hedge a portion of its currency exposure on its longer-term investments, such as Scandlines; and
- we have limited appetite for the dilution of capital returns as a result of operating and interest expenses. All of our business lines generate cash income to mitigate this risk.

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

Risk governance structure

- Committees of the Board
- Committees of the Chief Executive
- Independent Committees

Board

- Approves the Group's risk appetite and strategy
- Responsible for ensuring an effective risk management and oversight process across the Group and for the longer-term sustainability of the business
- Assisted by four Board Committees with specific responsibility for key risk management areas
- Delegates management of the Group to the Chief Executive

Nominations Committee

- Responsible for ensuring that the Board has the necessary skills, experience and knowledge to enable the Group to deliver its strategic objectives
- Responsible for ensuring the Board is sufficiently diverse

Audit and Compliance Committee

- Responsible for reviewing financial reporting risk and internal control and the relationship with the external Auditor
- Reviews and challenges reports from Group Finance, Tax, Internal Audit and Compliance
- Chief Executive updates the Committee at each meeting on the output of the latest GRC meeting
- Oversees the assessment and management of ESG issues and risks, including those related to environmental legislation and regulation, climate change, governance and compliance regulation

Valuations Committee

- Specific and primary responsibility for the valuation policy and valuation of the Group's investment portfolio including the impact of sustainability related matters
- Provides oversight and challenge of underlying assumptions on the valuation of the unquoted investment portfolio (95% of net assets at 31 March 2020)
- Direct engagement with the external Auditor, including its specialist valuations team

Remuneration Committee

- Responsible for ensuring a remuneration culture which is weighted towards variable reward and strictly dependent on performance
- Approves variable compensation schemes for our investment professionals that are in line with market practice and enable the Group to attract and retain the best talent
- By excluding Executive Directors from carried interest or performance fee profit schemes, the Committee ensures that their remuneration is closely aligned with shareholder returns

Chief Executive

- Delegated responsibility for management of the Group
- Delegated responsibility for investment decisions
- Delegated responsibility for risk management

Executive Committee

- Monitors divisional performance
- Facilitates information sharing between divisions
- Meets monthly

Conflicts Committee

- Deals with potential conflicts as required

Treasury Transactions Committee

- Considers specific treasury transactions as required

Market Abuse Regulation Committee

- Considers potential disclosure matters as required

Investment Committee

- Principal committee for managing the Group's investment portfolio and monitoring its most material risks. Meets as often as required
- Chaired by the Chief Executive
- Strict oversight of each step of the investment lifecycle
- Approves all investment, divestment and material portfolio decisions
- Monitors investments against original investment case
- Ensures investments are in line with the Group's investment policy and risk appetite
- Responsible for the implementation of the Responsible Investment policy, as well as for the assessment of ESG risks and opportunities in the portfolio

Group Risk Committee

- Assists the Chief Executive with the oversight of risk management across the Group
- Implements the Group's risk appetite policy and monitors performance
- Maintains the Group risk review which details its risk exposure and appropriate mitigations and controls
- Two members of the GRC, the Group Finance Director and General Counsel, form the Risk Management Function as required under AIFMD
- Maintains oversight of the management of the Responsible Investment policy and of key ESG and sustainability risks across the Group and portfolio

The risk framework is augmented by a separate Risk Management Function which has specific responsibilities under the FCA's Investment Funds Sourcebook. It meets ahead of the GRC meetings to consider the key risks impacting the Group, and any changes in the relevant period where appropriate. It also considers the separate risk reports for each Alternative Investment Fund ("AIF") managed by the Group, including areas such as portfolio composition, portfolio valuation, operational updates and team changes, which are then considered by the GRC.

In practice, the Group operates a "three lines of defence" framework for managing and identifying risk:

- The first line of defence against outcomes outside our risk appetite is constituted by our business functions themselves.
- Line management is supported by oversight and control functions such as Finance, Human Resources and Legal which constitute the second line of defence. The Compliance function is also in the second line of defence; its duties include reviewing the effective operation of our processes in meeting regulatory requirements.
- Internal Audit provides independent assurance over the operation of controls and is the third line of defence. The internal audit programme includes the review of risk management processes and recommendations to improve the internal control environment.

Role of Group Risk Committee in risk management

The quarterly Group risk review process includes the monitoring of key strategic and financial metrics (such as KPIs) considered to be indicators of potential changes in the Group's risk profile. The GRC uses these to identify its principal risks. It then evaluates the impact and likelihood of each risk, with reference to associated measures and KPIs. The adequacy of the mitigation plans is then assessed and, if necessary, additional actions are agreed and then reviewed at the subsequent meeting.

A number of focus topics are also agreed in advance of each meeting. In FY2020, the GRC covered the following:

- a review of the Group's IT framework including cyber security, systems' developments and IT resilience;
- a review of updates to the Group's Responsible Investment Policy and approach to sanctions;
- a report on the benchmarking of 3i's principal risk disclosures against a suitable peer group of investment companies and asset managers;
- an update on the Group's business continuity and resilience planning and testing;
- a review of the risk implications of the COVID-19 outbreak and an update on contingency planning;
- an update on risks in relation to Action (including concentration risk) from a 3i Group perspective, following the Action Transaction (please refer to page 19);
- a review of the Group's stress tests to support its Internal Capital Adequacy Assessment Process ("ICAAP") and Viability statement;
- semi-annual updates on Environmental, Social, Governance ("ESG") and sustainability issues and themes with respect to the Group's portfolio companies; and
- the proposed risk disclosures in the 2020 Annual report and accounts.

There were no significant changes to the GRC's overall approach to risk governance or its operation in FY2020 but we continued to refine our framework for risk management where appropriate.

Role of Investment Committee in risk management

Our Investment Committee is fundamental to the management of investment risk. The Investment Committee is involved in and approves every material step of the investment portfolio management and realisation process.

We carry out our investment activities under our rigorous Responsible Investment Policy, which is embedded in our processes and informs the Investment Committee's assessment of each investment opportunity.

The investment case presented at the outset of our investment consideration process includes the expected benefit of operational improvements, growth initiatives, opportunities arising from initiatives to mitigate the impact of sustainability-related challenges, and M&A activity that will be driven by our investment professionals together with the portfolio company's management team. It will also include a view on the likely exit strategy and timing. In evaluating new and existing investments, the Investment Committee also takes account of sustainability-related risks, including the impact of environmental factors on the markets each company serves and demand for its products, the resilience of each company's assets and supply chain and the feasibility and cost of initiatives to reduce the company's environmental footprint.

The execution of this investment case is closely monitored:

- our monthly portfolio monitoring reviews assess current performance against budget, prior year and a set of traffic light indicators and bespoke, forward looking financial and non-financial KPIs; and
- we hold semi-annual reviews of all our assets. We focus on the longer-term performance and plan for the investment compared to the original investment case, together with any strategic developments, a detailed assessment of ESG and sustainability risks and opportunities, and market outlook.

The monthly portfolio monitoring reviews and the semi-annual reviews are attended by the Investment Committee and the senior members of the investment teams. Non-executive Directors are invited to attend the semi-annual reviews.

Finally, we recognise the need to plan and execute a successful exit at the optimum time for the portfolio company's development, taking consideration of market conditions. This risk is closely linked to the external economic environment. Exit plans are refreshed where appropriate in the semi-annual portfolio reviews and the divestment process is clearly defined and overseen by the Investment Committee.

Individual portfolio company underperformance could have adverse reputational consequences for the Group, even though the value impact may not be material. We review our internal processes and investment decisions in light of actual outcomes on an ongoing basis.

Further details on 3i's approach as a responsible investor and a summary of our Responsible Investment Policy are available at www.3i.com

Principal risks and mitigations – aligning risk to our strategic objectives

Business and risk environment in FY2020

The impact of the COVID-19 pandemic has been at the forefront of our risk assessment and mitigation planning processes since early March 2020. Our first priority has been to protect and support our employees during this period. We have also taken steps to try to minimise any operational disruption to the Group by activating our contingency plans and putting in place a comprehensive range of measures. We have worked with our portfolio companies to do likewise. The speed of events and uncertainty regarding both the duration and impact of COVID-19 has required our assessment and planning to be updated on a frequent basis.

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. We define our principal risks as those that have the potential to impact the delivery of our strategic objectives materially. We also maintain a log of risks which includes new and emerging risks which may have the potential to become principal risks but are not yet considered to be so. This is called our "watch list". These risks are regularly reviewed to determine if they have the potential to impact the delivery of our strategy. In the year, we reclassified the risk around the outcome of the UK/EU trade negotiations from the watch list to a principal risk. We also added operational disruption to the Group from COVID-19, along with similar exposures within the portfolio, as new principal risks.

External

External risks are the risks to our business which are usually outside of our direct control such as political, economic, environmental, social, regulatory and competitor risks.

As already noted, the impact of COVID-19 on global economic growth and market volatility, towards the end of FY2020 and beyond, has increased both of these principal risks compared to last year. Extensive travel restrictions, quarantines and other social distancing measures are having a significant and increasingly adverse economic impact, with some sectors being particularly hard hit in the short term by the resultant sharp falls in consumer and business demand. Some of our portfolio companies operate in the retail, travel and transportation sectors which have been directly affected by lockdown and travel bans. We continue to monitor the situation closely.

The EU and UK signed a withdrawal agreement in January 2020; however, there remains uncertainty regarding the UK's future trading relationship with the EU, and the economic impact on both parties in the event that a new trade agreement is not reached. We have considered the possible outcomes and the risks that this will pose to the Group's business model and financial performance.

Our regulatory structure includes a regulated subsidiary in Luxembourg, currently with branches in Germany and the Netherlands. Our French operations are now conducted on an unregulated basis. Currently 70% of our portfolio is invested in northern Europe and these structures will enable 3i to operate its investment activities in Europe beyond the UK/ EU current transition period which ends in December 2020.

The direct impact of changes to the UK/EU trading relationship on 3i's investment portfolio is not expected to be material, due to the limited number of our portfolio companies that operate between the UK and the EU.

Investment

Our overarching objective is to source attractive investment opportunities at the right price and execute our investment plans successfully.

As part of our portfolio monitoring, all of our new investments in the year were subject to rigorous review, including performance against a 180-day plan. We continued to monitor the portfolio actively, and held additional reviews for the small number of Private Equity assets where operational improvements and reorganisation were particularly intense.

Our investment and portfolio monitoring processes include an enhanced ESG and sustainability assessment, which enables current and emerging risks and opportunities to be tracked on a systematic basis.

Investment teams are responsible for origination and asset management and are rewarded with performance-based remuneration.

Operational

The potential operational disruption of the COVID-19 pandemic to the Group was classified as a principal risk towards the end of FY2020. We were able to activate our existing incident management and business continuity plans supplemented by a comprehensive contingency plan. Please refer to page 15 for more detail on our response to COVID-19.

Attracting and retaining key people remains a significant potential operational risk. Our Remuneration Committee ensures that our variable compensation schemes are in line with market practice. Carried interest is an important long-term incentive and only rewards cash-to-cash returns.

In addition, detailed succession plans are in place for each division. The Board last completed its annual review of the Group's organisational capability and succession plans in September 2019. The success of the Group since the 2012 restructuring has led to very modest levels of voluntary staff turnover (9% in FY2020).

New and emerging risks

The GRC maintains a watch list of risks which are deemed of sufficient importance to require active monitoring by the GRC, but are not currently regarded as principal risks to the achievement of the Group's strategic objectives. Risks on the watch list may be reclassified as principal risks and vice versa based on the GRC's assessment. During the year, for example, the risk relating to the renegotiation of the UK/EU trading treaty and COVID-19 risk were each classified as principal risks.

The current watch list includes some portfolio related risks, such as concentration and specific sector exposures; tax risks in relation to changing rules; cyber security; and ESG risks and reporting requirements.

We recognise the increasing impact that environmental and climate-related risks are having on businesses and communities across the world. The Group is not directly exposed to material environmental or climate-related risks. We monitor and manage any direct environmental and climate-related risks through our comprehensive risk governance framework and compliance processes and procedures, which also ensure that 3i is compliant with all applicable environmental legislation and reporting requirements.

We are, however, potentially exposed to environmental and climate-related risks through the portfolio. Our investment strategy is to make a limited number of new investments each year, selected within our target sectors and geographies on the basis of their compatibility with our return targets. We carry out our investment activities under a rigorous Responsible Investment policy and have the flexibility to screen out businesses which have unsustainable environmental practices, or which are exposed to excessive risks. Once invested, we monitor environmental and climate-related risks closely, and use our influence to ensure that our portfolio companies are compliant with emerging regulations and legislation in this field, to encourage the development of more environmentally sustainable behaviours in our portfolio companies as well as investments to mitigate the impact of our companies' environmental impact.

Our annual stress test scenario planning, which underpins our Viability statement, also models a range of environmental impacts on our portfolio, including an increase in physical risks relating to climate change, changes in regulation and in consumer preferences.

Outlook

The near-term outlook will be dependent on the extent and duration of the disruption related to the COVID-19 pandemic, the economic impact and the effectiveness of government counter-measures. The position remains fluid and the full effects, which are not all apparent, are likely to be long-lasting.

3i continues to operate with limited disruption to its day-to-day operations and has worked closely with portfolio management teams to support their respective contingency plans. Enhanced portfolio monitoring and reporting processes have been put in place to identify any short-term liquidity or covenant test issues and other actions needed to support portfolio companies through this unprecedented period of uncertainty. The impact of COVID-19 on the longer-term plans of the portfolio companies will be subject to regular updates and assessments as part of this enhanced monitoring.

Levels of new investments and realisations over the next 12 months are likely to be considerably lower than in prior years, with our principal focus being on supporting the existing portfolio during this period, as noted above. Beyond this, we remain focused on a clear and consistent strategy and a disciplined approach to investment while continuing to look to put more capital behind those portfolio companies we already know well. We expect competition for the best assets in our sectors to remain intense and prices high. Accordingly, our focus will continue to be on bilateral or complex processes and our buy-and-build platforms.

Going concern and Viability statement

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 4 to 73. The financial position of the Group, its cash flows, liquidity position, and borrowing facilities are described in Financial review on pages 35 to 42. In addition, the Directors have taken account of the Group's risk management process described on pages 48 to 51. The Directors have made an assessment of going concern, taking into account both the Group's current performance and the Group's outlook, which considered the impact of the COVID-19 pandemic, using the information available up to the date of issue of these financial statements.

The Group has maintained a conservative balance sheet structure for the past eight years, which should aid it in navigating the current uncertain business environment. The Group manages and monitors liquidity regularly ensuring it is adequate and sufficient. This is supported by its monitoring of investments, realisations, operating expenses and receipt of portfolio cash income. At 31 March 2020, liquidity remained strong at £1,245 million (31 March 2019: £1,420 million). Liquidity comprised cash and deposits of £845 million (31 March 2019: £1,070 million) and undrawn facilities of £400 million (31 March 2019: £350 million). In March, the Group completed a successful refinancing of its RCF, increasing the size to £400 million and extending the maturity to 2025 without any financial covenants, ensuring that the Group continues to have access to additional liquidity where necessary. This financial position and liquidity profile provide confidence that the Group has sufficient financial resources for the foreseeable future. As a consequence, the Directors believe that the Company and the Group are well positioned to manage its and their businesses and liabilities as they fall due.

The Directors have acknowledged their responsibilities in relation to the financial statements for the year to 31 March 2020. After making the assessment on going concern, the Directors considered it appropriate to prepare the financial statements of the Company and the Group on a going concern basis, having considered the impact of COVID-19 on their operations and portfolio. The Group has sufficient financial resources and liquidity and is well positioned 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 this report. The Directors have also considered key dependencies set out within the Risk Management section including investment and operational requirements.

Viability statement

The Directors have assessed 3i's viability over a three-year period to March 2023. 3i conducts its strategic planning over a five-year period; this statement is based on the first three years, which provides more certainty over the forecasting assumptions used. 3i's strategic plan, ICAAP and associated principal risks as set out on pages 55 to 59 are the foundation of the Directors' assessment.

The assessment is overseen by the Group Finance Director and is subject to challenge by the Group Risk Committee, review by the Audit and Compliance Committee and approval by the Board.

The Group's strategic plan projects the performance, net asset value and liquidity of 3i over a five-year period and is presented at the Directors' annual strategy conference in December and updated throughout the year as appropriate. At the strategy conference, the Directors consider the strategy and opportunities for, and threats to, each business line and the Group as a whole. The outcome of those discussions is included in the next iteration of the strategic plan which is then used to support the viability assessment. The next iteration of the Plan will reflect the effect of the COVID-19 pandemic. For the purpose of this statement, the effect of the pandemic has been treated as a stress to the base position considered in December and updated for the 31 March 2020 valuations.

The Group's ICAAP and viability testing considers multiple severe, yet plausible, individual and combined stress scenarios which are as follows:

- **Widespread economic turmoil** – considers the impact of a widespread economic crisis similar to the global financial crisis experienced in 2008
- **Concentration risk** – considers a material event in a single large asset in the investment portfolio
- **Combined scenario with a widespread economic turmoil and concentration risk** – considers both occurring at the same time
- **Loss of key personnel** – considers the impact of the loss of key Private Equity and Infrastructure personnel
- **Impact of a significant event** – considers the impact of several portfolio companies not being able to withstand the impact of the event, leading to a loss in permanent value following operational underperformance, covenant breaches, fraud, a cyber security breach or other ESG issues
- **Climate change** – considers the impact of climate change on 3i's portfolio, driven by changes in consumer behaviour, regulations, and other physical and business risks
- **COVID-19** – considers the impact of the COVID-19 outbreak on the Group and portfolio companies

The assessment projects the amount of capital the Group needs in the business to cover its risks, including financial and operational risks, under such stress scenarios. The analysis shows that, while there may be a significant impact on the Group's reported performance in the short term under a number of these scenarios, the resilience and quality of the balance sheet is such that solvency is maintained and the business remains viable.

Taking the inputs from the strategic planning process, the ICAAP and its stress scenarios, the Directors reviewed an assessment of the potential effects of 3i's principal risks on its current portfolio and forecast investment and realisation activity, and the consequent impact on 3i's capital and liquidity.

Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due up to at least March 2023.

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

Operational

Key risk

Operational disruption to Group from COVID-19

Added as a new principal risk in March 2020

Link to strategic objectives

Potential impact

- Staff sickness could impact operations and productivity
- Potential challenges in managing critical business processes
- Travel, meeting and other restrictions affect business

Risk management and mitigation

- Robust and tested business and IT contingency plans
- Ability for staff to work securely from home
- Central Incident Management Team monitoring regularly
- Assessment and monitoring of supplier resilience

FY2020 outcome

- Business continuity plans implemented successfully
- Implementation of effective work-from-home strategy for all staff
- Provision of mental health advice and streamed fitness classes
- Frequent staff communications

Key risk

Failure to recruit, develop and retain key people

Movement in risk status in FY2020

Link to strategic objectives

Potential impact

- Restricts our ability to attract and retain the personnel required to deliver our objectives
- Potential to undermine investor/ shareholder confidence
- Potential to delay execution of strategic plan

Risk management and mitigation

- Specific focus by Remuneration Committee which approves all material incentive arrangements to ensure they reflect market practice
- Annual Board review of succession planning
- Regular review of resourcing and key man exposures as part of business line reviews and the portfolio company review process

FY2020 outcome

- Organisational capability and succession plan reviewed by the Board in September 2019

Risk exposure has increased

No significant change in risk exposure

Risk exposure has decreased

External

Key risk

Global economic growth and investor and market confidence is vulnerable to ongoing challenges, including the impact of COVID-19 pandemic and geo-political developments

Movement in risk status in FY2020

Link to strategic objectives

Potential impact

- Limits earnings growth or reduces NAV owing to contraction of earnings in our investments and/or changes in multiples and discount rates used for their valuation
- Increases covenant risks or limits ability to refinance our investments
- Impacts general market confidence and risk appetite
- Leads to reduced M&A volumes, economic instability and lower growth, which impacts realisation levels

Risk management and mitigation

- Regular portfolio company reviews as well as Investment Committee focus on investment strategy, exit processes and refinancing strategies
- Monthly portfolio monitoring to identify and address portfolio issues promptly
- Enhanced portfolio monitoring and reporting processes to address COVID-19 related risks
- Monitoring of valuations and application of policy by the Valuations Committee
- Regular liquidity and currency monitoring and strategic reviews of the balance sheet
- Additional reviews to monitor COVID-19 impact and response

FY2020 outcome

- Increased risk due to COVID-19 pandemic
- Valuations impacted by increased market volatility and reductions in portfolio company earnings
- GIR of 4%
- Gearing remains nil and liquidity strong at £1.2 billion. Recently refinanced £400m RCF

Key risk

Renegotiating UK/EU trading relationship

Moved from "Watch list" and added as a new principal risk in March 2020

Link to strategic objectives

Potential impact

- Adversely affects general economic confidence, investment levels and growth
- Possible regulatory uncertainty

Risk management and mitigation

- Close monitoring of developments and market impact
- Adopt process and structures if required

FY2020 outcome

- In 2019 we implemented a regulatory structure which includes a regulated subsidiary in Luxembourg
- Limited exposure to EU/UK trading within our portfolio companies

Risk exposure has increased

No significant change in risk exposure

Risk exposure has decreased

Key risk

Volatility in capital markets and foreign exchange

Movement in risk status in FY2020

Link to strategic objectives

Potential impact

- May impact portfolio performance and realisation processes
- Increases risks with IPO exit route and bank financing
- Potential for large equity market fall to impact asset valuations
- Unhedged foreign exchange rate movements impact total return and NAV

Risk management and mitigation

- Portfolio company reviews focus on investment strategy, exit plans and refinancing strategies
- Active management of exit strategies by Investment Committee to enable us to adapt to market conditions
- Regular liquidity and currency monitoring and strategic reviews of the balance sheet
- Matching of investment and realisation currency flows and use of short-term hedging on a case-by-case basis
- Scandlines FX hedging programme

FY2020 outcome

- Increased risk due to COVID-19 pandemic
- Policy to adjust multiples to reflect longer-term trends mitigated volatility in FY2020
- £402m realised proceeds from Action
- Realised £205m from the sale of Aspen
- Realised £76m of cash proceeds from the partial sale of Basic-Fit
- Quoted asset exposure of 9% of portfolio value with 8% being 3iN which has displayed limited volatility
- Foreign exchange exposures at the portfolio company level monitored and hedged where appropriate

Key risk

Competitive M&A markets and high pricing in 3i's core sectors

Movement in risk status in FY2020

Link to strategic objectives

Potential impact

- Availability of significant private capital less impacted by public market volatility
- Reduced investment rates in Private Equity and Infrastructure
- Increased risk of overpaying for investments impacting potential returns
- Potential for higher cash realisations on exits in due course

Risk management and mitigation

- Central oversight and disciplined approach to investment pipeline
- Active management of investments and exit strategies by Investment Committee
- Our local teams and networks facilitate the origination of off-market transactions

FY2020 outcome

- Invested in three new Private Equity companies and completed 13 bolt-on acquisitions to support buy-and-build strategies
- Our North American infrastructure team completed its second investment, Regional Rail, followed by two bolt-on acquisitions for a total of £175m
- As 3iN's Investment Manager, we completed investments in Joulz and Ionisos and one bolt-on acquisition for an existing portfolio company

Investment

Key risk

Exposure of specific portfolio assets (eg retail and travel) to COVID-19 disruption

Added as a new principal risk in March 2020

Link to strategic objectives

Potential impact

- Impact on NAV through contraction of PE portfolio earnings or changes in valuation multiples
- Reduces realisation potential, impacting shareholder returns
- Potential impact and profile of specific cases of underperformance, including reputational risks to 3i as an investor
- Increases the need to provide liquidity support to portfolio companies

Risk management and mitigation

- Detailed scenario and contingency planning at the portfolio company monitoring level
- Steps taken by portfolio companies to manage and fund operating costs through an extended period of disruption
- Monitoring the health and safety of our portfolio company's employees
- Regular assessment of portfolio company liquidity requirements

FY2020 outcome

- Working with portfolio companies to manage operational and liquidity issues
- Close monitoring of portfolio performance and future forecasts with regular updates provided to 3i Investment Committee and then to 3i Group Board

Key risk

Investment rate or quality is lower than expected because we pay the wrong price

Movement in risk status in FY2020

Link to strategic objectives

Potential impact

- Impacts longer-term returns and capital management and therefore ability to deliver strategic plan
- May impact progress with specific strategic initiatives
- Reduces staff morale and confidence
- Cost base may not be sustainable
- Poor investment impacts Group's reputation as an investor of proprietary capital and as a manager of 3iN and other funds

Risk management and mitigation

- Regular monitoring of investment and divestment pipeline
- Close oversight by management and early involvement of Investment Committee when key targets are identified
- Disciplined approach to sourcing investment opportunities and pricing
- Regular review of asset allocation
- Focus on bolt-on acquisition opportunities, which can be more attractively priced and offer synergy benefits

FY2020 outcome

- Investment Committee maintained a cautious stance, declining a number of investment proposals where price and risk and reward failed to meet Group requirements
- Invested in three new Private Equity companies and completed 13 bolt-on acquisitions to support buy-and-build strategies
- Our North American infrastructure team completed its second investment, Regional Rail, followed by two bolt-on acquisitions for a total of £175m
- As 3iN's Investment Manager, we completed investments in Joulz and Ionisos and one bolt-on acquisition for an existing portfolio company

Risk exposure has increased

No significant change in risk exposure

Risk exposure has decreased

Key risk

Underperformance of portfolio companies

Movement in risk status in FY2020

Link to strategic objectives

Potential impact

- Reduction in NAV and realisation potential impacting shareholder returns
- Greater portfolio concentration increases the potential impact and profile of specific cases of underperformance
- Underperformance impacts reputation as an investor of proprietary capital, and as a manager of third-party funds, and may set back specific strategic initiatives

Risk management and mitigation

- Rigorous initial assessment of new investment opportunities to maintain quality of our investment pipeline
- Monthly portfolio monitoring of all investments to review operating performance, identify weaknesses and opportunities early and take action as appropriate
- Additional monitoring of Action, including 3i Chief Executive membership of the Action board
- Semi-annual ESG assessments of each portfolio company

FY2020 outcome

- Increased risk due to COVID-19 pandemic
- 93% of the assets valued on an earnings basis grew their earnings over the last 12 months to 31 December 2019
- Rapid response to monitoring impact of COVID-19 pandemic on portfolio companies
- Responsible Investment/ESG risk evaluation reviewed semi-annually at the portfolio company reviews and GRC
- Early identification of problem assets such as Schlemmer

Sustainability

We run our business sustainably with regard to the interests of all the stakeholders that we serve. We are committed to achieving our strategic and investment objectives while behaving responsibly as an investor, an employer and as an international corporate citizen.

We take responsibility for our actions, carefully consider how others will be affected by our choices and ensure that our values and ethics are integrated into our formal business policies, practices and plans. We believe that encouraging this approach in our portfolio companies is a driver of long-term outperformance.

This section aims to provide a brief summary of our approach to sustainability. For the full picture, please read it in conjunction with our Sustainability report, available on our website. Further information on our approach to corporate responsibility, including summaries of relevant policies, can also be found on our website.

For more information, visit www.3i.com/sustainability

Our values

Ambition

Focus on generating value for all our stakeholders

Strive for excellence and continuous improvement

Rigour and energy

Clarity of vision supported by practical execution

Thorough analysis leading to clear decision making and effective implementation

High levels of energy, a strong work ethic and effective team working

Accountability

Personal collective responsibility for protecting and enhancing 3i's assets and reputation

An ownership mentality in managing costs, resources and investments

An aversion to building hierarchy

Integrity

Doing the "right thing" even when difficult

Relationships built on trust, candour and respect

Our sustainability strategy is defined by three key priorities:

1	Invest responsibly	We believe that a responsible approach to investment will add value to our portfolio. Our Responsible Investment policy is embedded within our investment and portfolio management processes. It informs our investment decisions and our behaviours as a responsible manager of our assets. We are rigorous in assessing and managing sustainability-related risks in our portfolio. Equally, we are keen to invest in opportunities arising from the development of solutions to global sustainability challenges and to contribute to making the world more sustainable.
2	Recruit and develop a diverse pool of talent	Our people are our main asset and recruiting, retaining and developing our talent is one of our most important priorities. We promote an open communication culture and provide an inclusive and supportive working environment with opportunities for training and career development. We value diversity and our employees are recruited, promoted and rewarded on the basis of merit, ability and performance. We are an equal opportunities employer and prohibit all forms of unlawful or unfair discrimination.
3	Act as a good corporate citizen	We strive to embed responsible business practices throughout our organisation. We do this by having robust policies and processes in place and by promoting the right culture among our staff. We expect our employees to act with integrity, to be accountable for their behaviour, and to approach their roles with ambition, rigour and energy. All employees are evaluated annually against our values as part of our formal appraisal process.

We are committed to communicating both financial and non-financial performance in a clear, open and comprehensive manner and to maintaining an open dialogue with stakeholders. For the third year since the Recommendations of the Taskforce on Climate-Related Financial Disclosures ("TCFD") were first published we are making disclosures under that framework. These are available on pages 68 and 69 of this report.

A responsible investor

With 240 employees across eight office locations, as a company we have a relatively small direct impact in terms of the environment and other sustainability issues. However, with assets under management of £13.6 billion we have the opportunity to have a greater positive impact through the decisions we make with respect to our portfolio. In our experience, there is a strong link between companies that have high ESG standards and those that are able to achieve sustainable business growth.

We are committed to investing responsibly and believe that:

- it is vital that we seek to identify all material ESG risks and opportunities through our due diligence at the point we invest and manage those risks and opportunities effectively during the period of 3i's investment;
- the effective assessment and management of ESG risks and opportunities has a positive effect on the value of our investee companies and of 3i Group itself; and
- compliance with local laws and regulations may not be enough to meet global expectations, deliver value and enhance our reputation and licence to operate.

We are uniquely well positioned to make a difference as a responsible investor:

- for more than a decade we have carried out our investment activities under our comprehensive Responsible Investment policy, which is considered rigorous by industry standards. We have been signatories of the UN Principles for Responsible Investment since 2011;
- we have a medium to long-term investment horizon, typically buying majority stakes in our portfolio companies and being represented on their boards. We are therefore well placed to drive sustainable growth in our portfolio; and
- we make a limited number of investments each year, allowing us to be selective in our approach to new investment.

Our Responsible Investment policy

We have a clear and comprehensive Responsible Investment ("RI") policy, which has been integrated into our investment and portfolio management processes, as described in the Risk management section on page 48. This policy sets out the businesses in which 3i will not invest, as well as minimum standards in relation to ESG matters which we expect new portfolio companies to meet, or to commit to meeting over a reasonable time period. The policy applies to all our investments, irrespective of their country or sector and is supported by detailed guidance notes, a global network of specialist external advisers and dedicated internal resource.

The Board of Directors is responsible for the RI policy, including regular reviews and the approval of any material changes. The Investment Committee is responsible for the implementation of the RI policy, and for ensuring that it is executed in a meaningful way by 3i's investment teams in all investment and portfolio management processes.

3i's objectives as set out in the RI policy are to invest only in businesses which are committed to:

The environment	A cautious and responsible approach to the environmental management of their business operations by making efficient use of natural resources and mitigating environmental risks and damage.
Fair and safe working conditions	Respecting the human rights of their workers; maintaining safe and healthy working conditions for their employees, contractors and suppliers; treating their employees fairly; upholding the right to freedom of association and collective bargaining; and respecting the health, safety and well-being of those affected by their business activities.
Business integrity	Upholding high standards of business integrity, avoiding corruption in all its forms, and which comply with applicable anti-bribery, anti-fraud and anti-money laundering laws and regulations.
Good governance	Establishing clearly defined responsibilities, procedures and controls with appropriate checks and balances in company management structures.

Every six months, the Private Equity and Infrastructure businesses carry out detailed reviews of each of their material portfolio companies. These reviews are typically attended by members of the Investment Committee, which includes the Group Finance Director and Group Strategy Director and is chaired by the Chief Executive, as well as by senior members of the investment teams. Non-executive Directors are also invited to attend. The reviews in March of each year include a detailed ESG assessment which seeks to track progress in relation to existing, identified ESG risks as well as identifying potentially new and emerging risks and opportunities. The content of the assessment is refined and improved on a regular basis as we identify new risks and opportunities and broader themes emerge over time. Any material ESG issues are discussed at the six-monthly review meeting and relevant action points are minuted, followed up by the investment teams and reviewed at the following six-monthly meeting.

As a result of these granular reviews, we have identified a number of over-arching themes and opportunities which we are managing synergistically across the portfolio. Among these is the opportunity arising from the development of a circular economy for plastics, which we explored in June 2019 during a Plastics Roundtable involving a range of our portfolio companies active at all stages of the plastics lifecycle and representatives from leading fast-moving consumer goods companies. More detail on this event is included in our Sustainability report.

Our RI policy and the UN's Sustainable Development Goals

Our RI policy pre-dates the publication of the United Nation's Sustainable Development Goals ("SDGs") and was therefore not designed to align with that framework. In practice, however, we believe our approach aligns with the achievement of the goals through:

- the systematic pre-investment screening of opportunities, which ensures that we only invest in companies that commit to adopting a responsible approach to the environment, to respecting the rights of their workers and to engaging fairly with all stakeholders;
- our emphasis on generating returns by driving long-term, sustainable growth in our portfolio companies, creating value through investment in innovation, international expansion and buy-and-build acquisitions, while considering the interests of all stakeholders; and
- our engaged management of portfolio companies through active participation on their boards and in strategy-setting. This is supported by our influence as majority or significant minority shareholders, combined with our emphasis on upholding the highest levels of governance at 3i itself and in the companies that we invest in.

For more information on our approach to responsible investing, please see our Sustainability report. A summary of our Responsible Investment policy is available on www.3i.com

Opportunities from sustainability-related challenges

We believe that investing responsibly and screening potential and existing investments for ESG indicators can help us to manage risks, but importantly also to bring about opportunities for new or further investment in our portfolio. We invest in businesses that benefit from sustainable growth trends, and many of our businesses already make significant contributions towards finding solutions to sustainability-related challenges, or to making a positive impact on some of the themes highlighted by some of the UN SDGs. More information on how we are supporting our portfolio companies to invest in the long-term sustainability of their business can be found in our Sustainability report.

Our approach to investment and portfolio management during the COVID-19 outbreak

Our key focus since the start of the outbreak has been on supporting our portfolio operationally and financially. Our investment teams have been working with our portfolio companies in order to manage a range of operational issues and problems that have arisen as a result of COVID-19, including making sure that their employees remain safe and healthy and that they are able to comply with evolving regulations in this area in all the regions they operate in.

The other key area of focus has, of course, been the liquidity and financial health of our portfolio companies. Because of the prudent management of our own balance sheet, we have the resources necessary to support the portfolio financially in this crisis should the need arise. For example, in April 2020 we provided an equity injection of €22.5 million to support Hans Anders, a value-for-money optical retailer with shops across the Benelux and Germany, which has been impacted significantly by the closure of all its stores as a result of the pandemic. Ensuring that our portfolio companies remain financially sustainable through the crisis is the right thing to do over the long term for all stakeholders involved, including portfolio company employees, those of their supply chains, the communities in which they operate, as well as our own shareholders.

A responsible employer

The skills, capabilities and expertise of our employees are vital to our success. Recruiting, retaining and developing our talent are therefore among our key priorities. We communicate openly and consistently with our employees, provide training and opportunities for career advancement, reward our employees fairly and encourage direct feedback to senior management. We are a meritocracy and our employees are recruited, promoted and remunerated strictly on the basis of merit, ability and performance.

We recognise the importance of providing a supportive working environment and of providing a healthy work/life balance for all our employees. 3i has a suite of human resources policies and procedures covering areas including recruitment, vetting and performance management, equal opportunities and diversity, family-friendly policies, medical insurance and health checks, health and safety and flexible working, and appropriate processes to monitor their application. 3i takes the health and well-being of its employees and contractors seriously, and has taken a precautionary approach in its response to the COVID-19 pandemic, adhering strictly to the advice given and restrictions imposed by governmental and health authorities in the countries in which we operate. Further details of our human resources policies and procedures are available in our Sustainability report, and summaries of a number of these policies can be found on our website.

Human rights

Whilst 3i does not have, nor need, a formal human rights policy, our policies are consistent with internationally recognised human rights principles such as the UN Global Compact. We comply fully with applicable human rights legislation in the countries in which we operate, for example covering areas such as freedom of association and the right to collective bargaining, equal remuneration and protection against discrimination. 3i is an equal opportunities employer and has clear grievance and disciplinary procedures, an employee assistance programme and an independent, external "whistle blowing" hotline service which allows employees to report concerns anonymously.

We also encourage our business partners and suppliers to adopt the same standards with respect to human rights.

Our commitments on modern slavery are set out on page 66.

For more information on our approach to responsible employment, please see our Sustainability report. Summaries of a number of our human resources policies are available on www.3i.com

Performance, risk and sustainability

Equal opportunity and diversity

3i is fully committed to being an equal opportunities employer, and prohibits unlawful and unfair discrimination. We believe that a diverse and varied workforce is a great benefit to the organisation. Although we do not set specific diversity targets, we seek to ensure that our corporate culture and policies create an inclusive work environment that helps to bring out the best in our employees.

3i's Equal Opportunities and Diversity policy establishes that all 3i employees (temporary and permanent), contract workers and job applicants are treated fairly and are offered equal opportunity in selection, training, career development, promotion and remuneration. During the year, we recorded no incidents of discrimination. To reinforce our commitment to equal opportunities, we rolled out a training programme with managers across the organisation to guard against unconscious bias, which is being followed up with specific diversity training as required.

Achieving better gender diversity is important to 3i, and we believe we are making reasonable progress in that respect, within the constraints imposed by being a small organisation with limited staff turnover. Of the new hires we made during the year, 43% were female and 57% were male. At 31 March 2020, 3i had a total of 240 employees of whom 151 were employed in the UK. The breakdown by gender was as shown at the bottom of the page.

In line with our objective of promoting equality and diversity, our policy is to support employees before and after the birth or adoption of a child. Maternity, adoption, paternity and shared parental leave are available to all eligible full and part-time employees and meet at least the statutory minimum requirements.

We are committed to promoting social diversity in the workforce. In 2018, we began a partnership with Career Ready, a social mobility charity based across the UK, that connects employers with schools and colleges to provide disadvantaged young people with mentors, internships, masterclasses and employer-led activities that prepare them for the world of work. 3i takes part in the mentoring programme which supports young people aged 16 to 18 who lack the opportunities, professional networks and confidence to find their undiscovered talents. In the current 2019/2020 academic year, 11 3i employees are volunteering as mentors, meeting their mentees for an hour per month for up to 12 months.

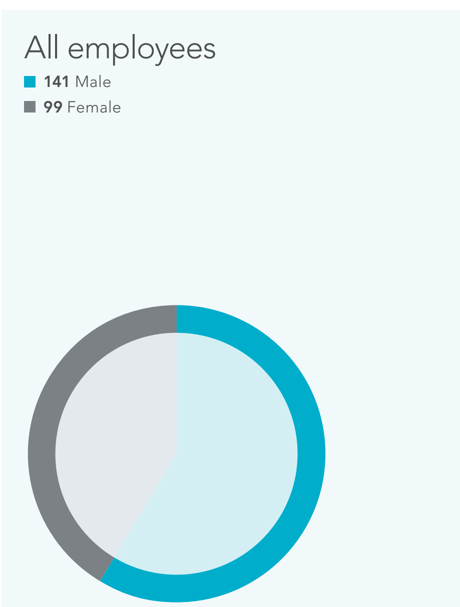
Employee engagement

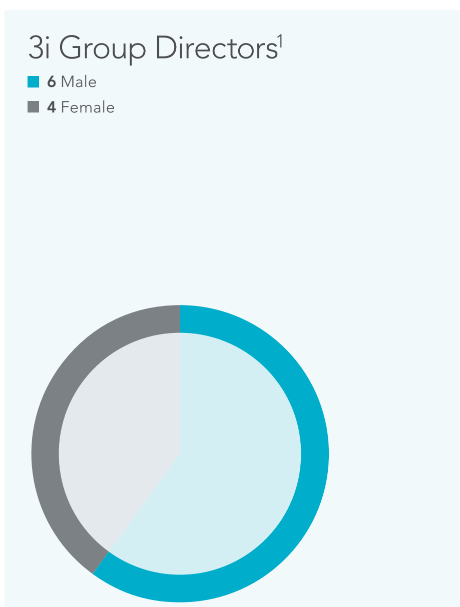
We encourage a culture of open communication between our employees and senior and executive management. We benefit from being a small organisation, operating in a relatively flat structure, with few hierarchies. The members of our Executive Committee have an open-door policy and know most employees by name.

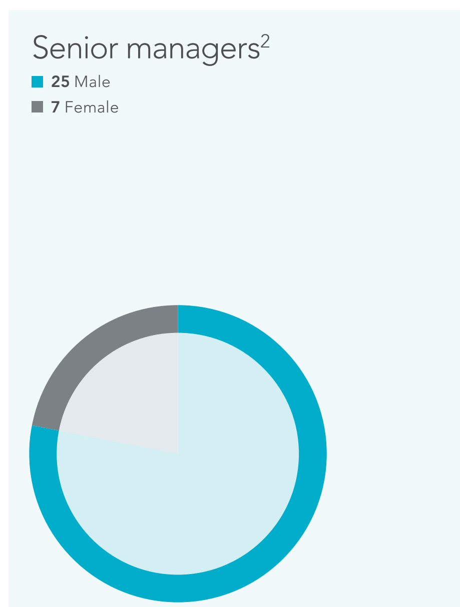
The Board of Directors typically holds one of its meetings every year in one of our offices outside London. This provides an opportunity for non-executive Directors to meet the local teams, often in a more informal setting. Non-executive Directors are also invited to attend our semi-annual portfolio company reviews. These important meetings provide the non-executive Directors with an insight into how our investment business operates and into our culture. Employees also enjoy this opportunity to interact with the Board.

The Chairman aims to visit all our major international offices on a two-year rolling cycle. He engages with all employees during these visits.

We promote and facilitate the ownership of 3i shares among employees through variable compensation or share investment plans. As a result, most of our employees are shareholders in the Company and feel invested in the success of the organisation. We pride ourselves on the engagement and the sense of ownership we have fostered over the years.







1 Includes non-executive Directors who are not 3i employees.
2 Senior managers excludes Simon Borrows and Julia Wilson, our Chief Executive and Group Finance Director, who are included as Board members. The measure includes those who have responsibility for planning, directing or controlling the activities of the Company or of a strategically significant part of the Company, or are Directors of the undertakings included in the consolidation.

Employee well-being

We recognise the importance of nurturing the well-being and satisfaction of our employees by providing a supportive working environment and a healthy work/life balance. All employees from across our office locations enjoy a broad range of formal benefits aligned with local custom and practice and often enhanced relative to the statutory minimum.

Employees across our international network are provided with the tools to work remotely and can work flexibly to manage personal or family commitments. Flexible working options include remote working, flexible hours and job sharing.

We promote the physical well-being of our employees and provide annual medical insurance and health checks. We also provide the services of a personal fitness and nutrition adviser for our London-based employees, bookable free of charge for one-on-one fitness, nutrition and broader wellness advice sessions. He also hosts twice-weekly fitness and pilates classes that are free to employees.

We have been placing increasing importance on employees' mental well-being. One of the members of the HR team is a mental health first aider, trained to identify the signs and symptoms of mental ill health and provide help on a first aid basis. Our employees have the opportunity to access individual counselling and advice should they require it, as detailed in our Sustainability report.

In recognition of the fact that one in four people experience mental health issues each year, this year 3i partnered with a specialist mental health and well-being consultancy to run a series of workshops providing a basic understanding of mental health, how to develop and strengthen it, and how to spot the early warning signs that indicate an individual may be struggling. These workshops will form the foundation of a new mental health and well-being programme at 3i, with further workshops for employees with people management responsibilities scheduled to take place in the coming months and more in-depth training for 20 employees to become "mental health champions". Mental health champions will have the knowledge, awareness and confidence to support more fully anyone who is experiencing poor mental well-being or mental ill health at work.

Participation in UK SIP[1]

87%

Voluntary employee turnover rate

9%

1 Proportion of UK-based employees who subscribe to a Share Incentive Plan available to UK employees only.

In support of our core values, we aim to establish and uphold high standards of behaviour and conduct. This means, amongst other things, that employees are to treat colleagues and others with courtesy and respect. Harassment and bullying of colleagues is unacceptable and is an issue that we take extremely seriously. In line with this commitment, this year, we ran workshops for all UK employees to ensure that as a business we are equipped with the information and skills to deal with bullying and harassment, and to ensure we have a culture where people feel comfortable raising issues and concerns in the knowledge they will be dealt with appropriately.

Graduate training scheme

Our graduate recruitment scheme, designed to develop our next generation of trusted investment professionals, was launched in 2015. It involves formal classroom-based training and a programme or rotations over a period of 30 months. The top performers on the programme are offered the opportunity to be fast-tracked directly into our business. We are a small organisation, however we believe this programme is important in fostering a distinctive 3i culture. The graduate programme continues to add value to our business and several of the participants and have joined 3i permanently and are now integral members of our investment team.

Our approach to our employees during the COVID-19 outbreak

Our focus since the start of the outbreak has been on keeping our employees safe, motivated and able to fulfil their roles effectively. All 3i offices have been closed in accordance with local restrictions and employees have been working from home. We have been able to achieve the transition to remote working seamlessly by activating existing business continuity plans. Where required, employees have been provided with additional equipment to work effectively from home. All business meetings have been held virtually and international travel has been cancelled.

Maintaining staff engagement has gained new importance while working remotely, and senior managers and team leaders have made a particular effort to keep staff informed through regular updates and virtual meetings.

In recognition of the potential mental health consequences of working remotely through a prolonged period of lockdown, we have engaged a specialist mental health and well-being consultancy to run a series of webinars and virtual workshops on how to deal with issues like sharing spaces at home, having limited opportunity to go outdoors, general anxiety, working at home with young children or while home schooling older children, worrying about elderly relatives and living and working alone. The usual bi-weekly fitness and nutrition consultations available to London-based employees have been streamed live via a video-conferencing service.

For more information on our performance as a responsible employer, please see our Sustainability report at www.3i.com

A good corporate citizen

As a company, we strive to embed responsible business practices throughout the organisation. Good corporate citizenship is achieved by having robust policies and processes in place and by promoting the right values and culture within our organisation. All employees are assessed annually against our corporate values and have a responsibility to be aware of, and abide by, 3i's compliance, behaviour, environmental, ethical and social policies and procedures.

Governance

Good corporate governance is fundamental to 3i and its activities and is critical to the delivery of value to our stakeholders. For full details of our governance structure and processes, please see the Corporate Governance section of this report.

Anti-bribery and corruption

3i does not offer, pay or accept bribes and we only work with third parties whose standards of business integrity are substantively consistent with ours. We expect the businesses we invest in to operate in compliance with all applicable laws and regulations and, where appropriate, work towards meeting relevant international standards where these are more stringent. This includes, in particular, upholding high standards of business integrity, avoiding corruption in all its forms and complying with applicable anti-bribery, anti-fraud and anti-money laundering laws and regulations.

Modern slavery

We published our statement on modern slavery for the financial year ending 31 March 2019 on our website in September 2019, and will update this statement in September 2020. 3i is committed to ensuring that:

- there is no slavery or human trafficking in any part of its business or supply chains; and
- the companies in which it invests are also committed to ensuring that there is no slavery or human trafficking in any part of their businesses or supply chains.

Data protection

3i's data protection policy reflects the requirements of the general European data protection legislation, supplemented or adapted as necessary for local regulatory requirements. 3i is committed to protecting the data of its staff, customers and contacts and using it in an appropriate manner. We recognise the rights afforded to individuals by data protection legislation and that we must notify data subjects of the fact that we process their personal data and the specific purposes for which we do so.

3i maintains an Information Security Management System that: (i) ensures that the risks to the confidentiality, integrity and availability of information are managed to an acceptable level using a standard risk management framework; (ii) seeks to protect information from accidental or intentional damage, loss, unauthorised disclosure or modification; (iii) provides secure and reliable information to enable 3i employees to conduct their job effectively; and (iv) ensures compliance with legal and statutory obligations.

Cyber security

We focus on cyber resilience both in terms of 3i's own systems and those of its portfolio companies. 3i's cyber resilience is overseen by the Group Risk Committee and managed on a day-to-day basis by the Group IT team. Non-executive governance is provided by the Group Audit and Compliance Committee and operational governance is provided by 3i's Chief Information Security Officer, Group IT team and Internal Audit team (which carries out regular reviews of 3i's cyber resilience processes and procedures).

3i runs a periodic cyber resilience e-learning course for all staff and continued its "phishing" email programme to test and monitor 3i staff's "click-rate" and to promote increased practical awareness of the risks associated with phishing emails. 3i also tested its Cyber Security Incident Response Plan and updated its overall business resilience strategy and governance framework.

In relation to its portfolio companies, 3i continues actively to promote cyber resilience as a key component of the corporate governance programme through its representatives on the boards of its portfolio companies. We continue to use an external firm of cyber security specialists to conduct non-intrusive reviews of the cyber resilience of our key portfolio companies' systems. Cyber resilience is one of the governance topics reviewed at the six-monthly business reviews of 3i's portfolio companies which are conducted as part of 3i's regular asset management and portfolio monitoring programme.

Environmental impact

Please refer to our TCFD disclosures on pages 68 and 69.

Community

We focus our charitable activities principally on the disadvantaged, on the elderly, on young people and on education. The charities we partner with are supported on the basis of their effectiveness and impact. We also support staff giving and sponsorship through matching donations.

Our latest Modern Slavery disclosure is available on our website at www.3i.com/sustainability/modern-slavery

Our community activities in response to the COVID-19 outbreak

We have increased our charity budget by approximately 35% to respond to the additional demands on the charities that we support arising as a result of the pandemic. Most of the charities that we support have played a key role in protecting a range of different vulnerable groups from the worst impacts of the pandemic and of living under lockdown. The increase in the charity budget has also been used to fund COVID-19 focused donations to local charities chosen by our overseas offices. In addition, we have encouraged our employees to volunteer their time with nationally-sponsored schemes or with local charities to provide assistance to vulnerable groups throughout the pandemic. We have also agreed to match our employees' charitable donations during the month of April.

External benchmarking

We believe that it is important to evidence our commitment to operating responsibly and to show how we are performing. Accordingly, we provide information to shareholders and other interested stakeholders.

Sustainability indices

We have been a member of the Dow Jones Sustainability Europe Index and of the FTSE4Good Index Series since 2002 and 2011 respectively. In addition, 3i became a member of the Ethibel Sustainability Index (ESI) Excellence Europe in September 2016 and was reconfirmed as a constituent of that index in May 2020.

Carbon Disclosure Project

CDP (formerly Carbon Disclosure Project) is an international, not-for-profit organisation providing a framework which enables businesses to disclose their greenhouse gas emissions and other metrics voluntarily. 3i has been making annual submissions to CDP since 2006. 3i's score in the 2019 CDP assessment was B. For more information, please see www.cdp.net

Tortoise Responsibility Index

The Responsibility100 Index is a ranking of the FTSE 100 companies on their commitment to key social, environmental and ethical objectives, inspired by the UN Sustainable Development Goals. 3i ranked 32nd in the March 2020 release of the Responsibility100 index.

UN Principles for Responsible Investment

Since 2011, we have been signatories to the UN Principles for Responsible Investment.

£700,000

Charitable giving, including

£58,000

Give-As-You-Earn

In the UK, we promote the Give-As-You-Earn scheme, administered by the Charities Aid Foundation. 3i's matching of employee donations totalled £58,000 through this scheme in the year.

CAF Charities Aid Foundation

£32,000

Matching donations

3i has a policy of matching the amount raised by staff through sponsorship by family and friends of their fundraising efforts for registered charities. 3i contributed £32,000 in matching donations in the year to 31 March 2020.

Further details of the charities we support are available in our Sustainability report 2020

Our TCFD disclosures

These disclosures reflect 3i's response to the recommendations of the TCFD, published in June 2017. They set out how we incorporate climate-related risks and opportunities into our governance, strategy, risk management and targets. What follows should be read in conjunction with the rest of the Annual report and with our Sustainability report.

Governance

The Board as a whole reviews our approach to sustainability, corporate responsibility and related policies and addresses specific issues if they arise. It is also accountable for our Responsible Investment policy, for monitoring its implementation and for approving material changes to it. It has established a committee structure to assist it in the discharge of its responsibilities. Of particular relevance to the assessment and monitoring of sustainability and climate-related risks and opportunities are:

- the Audit and Compliance Committee, which, among other areas, is also responsible for internal controls and risk management, including the assessment and management of ESG risks and opportunities, and for ensuring compliance with environmental legislation and regulation. The Audit and Compliance Committee is also responsible for reviewing and approving our disclosures under the TCFD framework; and
- the Valuations Committee, which considers the valuation impact of ESG-related risks and opportunities on our portfolio, including climate-related risks.

Day-to-day accountability for sustainability, including climate change-related issues, rests with executive management and, in particular, the Chief Executive. The Chief Executive has also established a number of committees to support him in overseeing and monitoring policies and procedures and to address issues if they arise. These include the Investment Committee and the Group Risk Committee.

The Investment Committee is responsible for overseeing the implementation of the Responsible Investment policy, and for making decisions concerning the acquisition, management, ongoing monitoring and disposal of investments, as well as making decisions concerning major investments made by our portfolio companies. In evaluating new and existing investments, the Investment Committee takes account of climate-related risks, including the impact of climate change on the markets each company serves and demand for its products; the climate change resilience of each company's assets and supply chain; and, in the case of energy-intensive industries, the feasibility and potential cost of GHG emissions abatement.

The Group Risk Committee oversees the Group's risk management framework.

Strategy

Our objective is to generate attractive returns for our shareholders and other investors, by investing in and managing private equity and infrastructure assets. We create value through disciplined investment and the responsible management of our assets, driving sustainable growth in our investee companies.

Portfolio Our investment strategy is to make a limited number of new investments each year in our Private Equity and Infrastructure businesses, selected within our target sectors and geographies on the basis of their compatibility with our return targets. We do not manage any sustainability-driven investment strategies, nor is it our intention to do so, but we have long believed that good ESG performance is an integral part of good investment performance.

However, in our experience, there is a strong link between companies that have high ESG standards and those that are able to achieve sustainable business growth. As set out earlier in this section and in our Sustainability report, for more than a decade we have carried out our investment activities under our Responsible Investment policy, which is embedded in our investment and portfolio management processes and is considered rigorous by industry standards. We have the flexibility to screen out businesses which have unsustainable environmental practices. Once invested, we use our influence to encourage the development of more environmentally sustainable behaviours in our portfolio companies, as well as investments to mitigate our portfolio companies' environmental impact.

We are committed to improve our role as a responsible investor on an ongoing basis. We will continue to develop and refine our Responsible Investment policy and ensure it is implemented through our investment and asset management activities.

3i Group 3i has a very limited direct impact on the environment and is not a significant producer of greenhouse gas emissions. We do, however, try to minimise our direct impact on the environment and have implemented initiatives across the organisation to try to achieve that objective. Our London and Luxembourg offices, which account for over 81% of our overall electricity consumption, already purchase electricity from 100% renewable sources.

Risk management

Portfolio We make a limited number of new investments every year and have the flexibility to screen out investment opportunities which are overly exposed to climate-related or other risks. Our portfolio composition changes over time as we buy and sell investments and we are able to sell investments that become or have potential to become exposed to certain risks, including climate-related risks that our Investment Committee considers are unacceptable.

We monitor all relevant portfolio risks, including climate-related risks and changing consumer preferences in response to climate change, through our rigorous investment assessment and portfolio monitoring processes. This is critical to protecting and enhancing the value of our assets and is at the core of what we do. We undertake ESG due diligence, including environmental due diligence, before making new investments, and monitor ESG risks throughout the life of our investments.

We are represented on the boards of the majority of our portfolio companies (with the exception of a small number in India), where we ensure that all climate-related risks are assessed, discussed and mitigated with the necessary rigour. We also aim to ensure that there is board-level responsibility at each of our portfolio companies for the continuous assessment and mitigation of climate-related risks.

We will continue to develop our governance and risk management framework to ensure that sustainability-related risks in our portfolio remain an important part of our agenda and are treated as a priority by our portfolio company management teams.

3i Group As a business, we are not exposed to material environmental risks. We employ fewer than 250 employees globally and our offices are leased. We have a comprehensive risk governance framework and compliance processes and procedures to ensure that all risks, including ESG risks, are monitored and managed with due care and diligence and that 3i is fully compliant with all applicable environmental legislation.

For the purpose of preparing our annual Viability statement we have carried out a number of tests which consider the impact on the Group of multiple severe, yet plausible individual and combined stress scenarios, including the impact that climate change might have on a number of our more vulnerable assets through changes in regulation, in consumer preferences, an increase in physical risks and other business risks. Because of the composition of our current portfolio and the flexibility we have in its construction, our analysis showed that a climate-change related stress scenario should not impact the viability of the Group over the medium term.

Metrics and targets

Portfolio Due to the nature of our portfolio, we have not carried out systematic portfolio-wide scenario analyses (other than the limited analysis performed for the preparation of the Group's Viability statement) nor published aggregated emissions data. As our portfolios are subject to continuous change as a result of asset rotation, our view has been that such portfolio-wide scenario analyses and data aggregation would not be meaningful or comparable year-on-year. Where appropriate and relevant, we carry out scenario analyses on an asset-by-asset basis, both before making an investment and subsequently as part of our ongoing portfolio monitoring and asset management.

While we have not published aggregated data, we monitor the environmental performance of our investee companies, and use our influence as an investor to promote a commitment in our investee companies to minimise harmful emissions and waste, invest in the mitigation of their environmental impact and implement energy efficiency measures. This is an important part not only of our portfolio risk management procedures, but also of the value creation plan for each of our investments.

3i Group This section has been prepared in accordance with our regulatory obligation to report greenhouse gas ("GHG") emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the UK Government's policy on Streamlined Energy and Carbon Reporting. During the year to 31 March 2020, our measured Scope 1 and 2 emissions (location-based) totalled 604.5 tCO_2e. This comprised:

			FY2020 (tCO_2e)			FY2019 (tCO_2e)
Scope	UK	Rest of world	Total	UK	Rest of world	Total
1	122.6	28.6	151.2	125.4	16.8	142.2
2 – location-based	327.8	125.5	453.3	360.4	123.2	483.6
2 – market-based	–	129.4	129.4	–	126.7	126.7
1 & 2 (location-based)	450.4	154.1	604.5	485.8	140.0	625.8
1 & 2 (market-based)	122.6	158.0	280.6	125.4	143.5	268.9
3	n/a	n/a	6,045	n/a	n/a	3,545

Our approach to responsible investment: Sustainability report: p10-23
Environment: Sustainability report p41-44
Governance framework: Annual report p75-117; Sustainability report p8
Investment assessment and portfolio monitoring processes:
Sustainability report p14-15
Risk management: Annual report p48-59
Viability statement: Annual report p54

This is equivalent to 2.5 tCO_2e per full time equivalent employee, based on an average of 242 employees (2019: 2.6 tCO_2e; 240 employees). Overall our Scope 1 and 2 emissions decreased by 3.4% in the year.

We have also chosen to report voluntarily on our Scope 3 indirect emissions, which totalled 6,045 tCO_2e in FY2020. The FY2020 calculation is significantly larger than FY2019 as we have chosen to include the emissions related to purchased goods and services and is therefore not comparable with last year's disclosure.

During the year to 31 March 2020, our total fuel and electricity consumption totalled 2,399 MWh, of which 81% was consumed in the UK. The split between fuel and electricity consumption is displayed below.

			FY2020 (MWh)			FY2019 (MWh)
Energy consumption	UK	Rest of world	Total	UK	Rest of world	Total
Electricity	1,282	311	1,593	1,273	294	1,567
Fuels[1]	667	139	806	763	54	817

1 Natural gas and transportation fuels (petrol and diesel).

Our emissions have been verified to a reasonable level of assurance by an external third party according to the ISO 14064-3 standard.

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. We consolidate our organisational boundary according to the operational control approach, which includes all our offices. We have adopted a materiality threshold of 5% for GHG reporting purposes. The GHG sources that constituted our operational boundary for the year to 31 March 2020 are:

- Scope 1: natural gas combustion within boilers and fuel combustion within leased vehicles;
- Scope 2: purchased electricity and heat consumption for our own use; and
- Scope 3: purchased goods and services, fuel-and-energy related activities, waste generated in operations, business travel and employee commuting.

In some cases, where data is missing, values have been estimated using either extrapolation of available data or data from the previous year as a proxy.

The Scope 2 Guidance requires that we quantify and report Scope 2 emissions according to two different methodologies ("dual reporting"): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

Whilst we have a relatively low footprint on the environment, we are committed to reducing it further. As noted earlier, in our London and Luxembourg offices, which account for over 81% of our overall electricity consumption, we purchase our electricity from 100% renewable sources. Although the options for energy efficiency improvements for our offices are limited, we are assessing whether it is possible to switch to renewable tariffs in our remaining offices where we do not currently purchase all of our electricity from 100% renewable sources.

Directors' duties under Section 172

Engaging with stakeholders and Board decisions

The Directors' duties are to promote the success of the Company for the benefit of its members. In taking decisions the Board acts in accordance with its legal duties but also has regard to the interests of its stakeholders and the wider community. Board decisions often involve complex interactions of factors and require Directors to understand and take account of stakeholder interests and concerns.

This statement contains an explanation of how during the year the Directors had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when performing their duty under section 172; a description of how the interests of the Company's key stakeholders as well as the matters set out in section 172 were considered in Board discussions and decision making in the year; and a statement summarising how during the year the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the year.

The duties of the directors – section 172

Under section 172 of the Companies Act 2006 a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term
- The interests of the company's employees

See pages 15, 63 to 65 and 116 within this Annual report

- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment

See pages 62, 66 and 67 within this Annual report

- The desirability of the company maintaining a reputation for high standards of business conduct

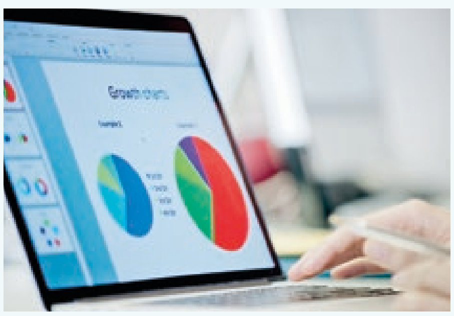
See the section under Culture on page 48 of this Annual report

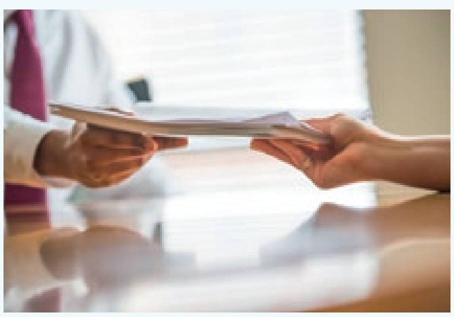
- The need to act fairly towards all members of the Company

See page 11 within this Annual report

The Board is committed to effective engagement with the Company's stakeholders and adopted a Stakeholder Engagement Strategy in March 2019. Effective communication is integral to building stakeholder relationships. Understanding the Company's stakeholders and how they and their interests will impact on the success of the Company over the long term is a key part of the Board decision making.

Engaging with our stakeholders

Who are our stakeholders?	Why are they important?	How do we engage with them and foster business relationships?
Shareholders	A strong relationship with shareholders is essential for the long-term success of the business. They provide our permanent capital and it is for their benefit that the Directors are required to promote the success of the Company.	See Relationships with our shareholders on pages 79 and 80
Employees	Our people are critical to the success of the Company. 	Our approach as a responsible employer is described in the Sustainability report on pages 60 to 69. The Directors' report on page 116 includes details on their engagement with our people.
Fund investors	Fund Investors provide capital which we invest as part of our investment management activities and are customers to whom we owe regulatory duties. 	The Company has a Fund Investor Relations team which coordinates and maintains relationships with Fund investors, and potential investors. There is extensive engagement through regular and ad hoc meetings with Fund Investors and Co-Investors, supported by comprehensive reporting and access to a web-based Investor portal for fund investors. The Chief Executive and relevant investment professionals participate in some of these meetings, as appropriate.
Investee companies	The companies in which we invest are the source of returns to our shareholders and fund investors. 	We take a long-term responsible approach to investment, working with the management teams of investee companies to create value for our shareholders. Our business model is described on pages 10 and 11. The Action case study on pages 16 and 17 and details of investments made in the year on pages 20 and 21 provide examples of this business model in practice. The principal engagement with portfolio companies is through the Company's investment teams. One or more of our investment professionals usually sit on the board of each investee company. Engagement with investee companies takes place both formally at board level and informally by the Private Equity and Infrastructure investment teams on an ongoing basis. In addition, regular chairman, CEO and CFO forums share best practice and experience.

Who are our stakeholders?	Why are they important?	How do we engage with them and foster business relationships?
Bondholders and lenders	Access to bank borrowing and the ability to issue bonds and other debt provides important flexibility and resilience to the Company's financial structure.	Together with the Group Finance Director, the Group Treasurer manages engagement with the holders of the Company's bonds and the lenders in the Company's revolving credit facility. This includes the maintenance of a dedicated section on 3i.com. Lending banks are regularly invited to the Group's results presentation.
Rating agencies	A credit rating is important for the Company to be able to borrow from banks and to issue bonds or other debt.	The Group Treasurer manages engagement with credit rating agencies through regular reviews and updates on the Company's activities and performance and annual meetings with the Group Finance Director and the Treasury team, and senior management from the business lines if necessary.
Members of the 3i Group Pension Plan	Members of the 3i Group Pension Plan are former and current employees to whom the Group has provided commitments regarding their pension provision. 	The Group Finance Director meets regularly with the Trustees of the 3i Group Pension Plan and also updates the Trustees on the Group strategy and financial performance. The Group provides support to the Trustees through the provision of a pension manager and company secretarial services, and practical support through the provision of facilities to meet and communicate.
Government and regulatory bodies	The Company works in a regulated environment and can only continue to operate in compliance with relevant regulation. 	Our Group Compliance team and local professionals lead our relationships with regulators in the UK, Luxembourg and elsewhere. The Company actively participates in policy forums, engages on regulatory matters and is a member of a number of industry consultative bodies, including, for example, the British Venture Capital Association and Invest Europe.
Suppliers	The Company depends on its suppliers to enable it to carry out its office based investment activities.	A central procurement team manages the Company's relationships with its suppliers through standardised procedures, regular engagement and careful management of costs. The Group adheres to the UK Prompt Payment Code.
Communities	The Company is committed to contributing positively to the communities in which it operates.	See the Sustainability report on pages 60 to 69

How stakeholder interests have influenced decision making

The Board takes account of the interests of stakeholders as well as the other factors mentioned in section 172 of the Companies Act 2006 in deciding on actions that would likely promote the success of the Company for the benefit of its members as a whole. Each Board meeting receives a reminder of the Directors' duties under section 172. Examples of key decisions taken by the Board in the year together with details of how the interest of stakeholders were taken into account are given below.

The Action Transaction

The Action Transaction, which is described on page 19, had to take into account the interests of numerous stakeholders. These included 3i shareholders, EFV investors, new investors, Action management, and former and current 3i employees as beneficiaries of related carry arrangements. The Board gave consideration to all these factors in deciding not to sell its investment and to increase its stake in the company.

See also the transaction involving Action on page 19

Response to the COVID-19 pandemic

Decisions in relation to the COVID-19 pandemic have been focused on ensuring the safety and well-being of the Company's staff and contractors, whilst enabling them to continue to fulfil their roles effectively through remote working. At the same time, the Company's investment teams have been working with investee companies to assist them in managing operational and financial issues, including ensuring employee health and safety in accordance with government regulations, and liquidity and supply chain issues.

Further details are given on page 15

FY2019 second dividend and FY2020 first dividend

In deciding on the level of the dividends paid in July 2019 and January 2020 the Directors took account of shareholders' desire for income distributions balanced against the need of the Company to retain sufficient resources to meet operating expenses and new investment, given the market circumstances and the Group's risk appetite.

See also the Company's Viability statement on page 54

For the purposes of the UK Companies Act 2006, the Strategic report of 3i Group plc comprises pages 4 to 73.

By order of the Board

Simon Borrows
Chief Executive

13 May 2020

Governance

Chairman's introduction

Effective corporate governance is fundamental to the way 3i, and its portfolio companies, conduct business. By encouraging entrepreneurial and responsible management, it supports the creation of long-term, sustainable value for shareholders and contributes to wider society.

In the current uncertain environment, the Board is more than ever aware of its responsibility to have regard to the interests of a wide group of stakeholders, as it seeks to promote the long-term success of the Group. As discussed elsewhere in this Report, the Board is focused on ensuring the health and safety of our employees, and providing support to our portfolio companies, who are managing the impact of COVID-19 on their employees, customers and other stakeholders. Despite remote working and other changes to the way we work as result of the pandemic, we remain committed to upholding our values and culture and ensuring that we have both the financial and human resources to manage through the current crisis and deliver our long-term strategy.

Simon Thompson
Chairman

13 May 2020

CORPORATE GOVERNANCE STATEMENT

The Company seeks to comply with established best practice in the field of corporate governance. The Board has defined the Company's purpose (which is set out on page 1) and determined its values and strategy (which are further described on pages 10 to 12). In support of these and to ensure the Company's culture is aligned with them the Board has adopted core values and global policies which set out the behaviour expected of staff in their dealings with shareholders, customers, colleagues, suppliers and others who engage with the Company.

Throughout the year, the Company complied with the provisions of the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council ("FRC") in July 2018 which is available on the FRC website. This Governance section of the Annual report and accounts outlines how we have applied the Code's principles and provisions throughout the year.

Board of Directors

The Board looks to encourage a culture of strong governance across the business, and continues to adopt the principles of good governance by adhering to the requirements of the UK Corporate Governance Code.

Simon Thompson
Chairman

Non-executive Director since 2015 and appointed non-executive Chairman with effect from close of the 2015 AGM. Chairman of Rio Tinto plc.

Previous experience

Non-executive Chairman of Tullow Oil plc. Formerly an executive director of Anglo American plc and chairman of the Tarmac Group. Non-executive director of AngloGold Ashanti Ltd, Newmont Mining Corporation and Sandvik AB. Senior Independent Director of Amec Foster Wheeler plc. Previous career in investment banking with N M Rothschild and S.G. Warburg.

Simon Borrows
Chief Executive

Chief Executive since 2012, and an Executive Director since he joined 3i in 2011. Chairman of the Group's Risk Committee, Executive Committee and Investment Committee. Member of the Supervisory Board of Peer Holding I B.V., the Dutch holding company for the Group's investment in Action.

Previous experience

Formerly Chairman of Greenhill & Co International LLP, having previously been Co-Chief Executive Officer of Greenhill & Co, Inc. Before founding the European operations of Greenhill & Co in 1998 he was the Managing Director of Baring Brothers International Limited. Formerly a non-executive Director of the British Land Company PLC and Inchcape plc.

Jonathan Asquith
Deputy Chairman and Senior Independent Director

Deputy Chairman since 2015 and Senior Independent Director since 2014. Non-executive Director since 2011. Senior Independent Director of Standard Life Aberdeen plc, non-executive Director of Northill Capital Services Limited and of CiCap Limited, the parent company of Coller Capital.

Previous experience

Formerly Chairman of Citigroup Global Markets Limited, Dexion Capital plc and AXA Investment Managers. Non-executive director of Ashmore Group plc and Tilney Group Limited. Director of Schroders plc from 2002 to 2008, during which time he was Chief Financial Officer and later Vice Chairman. Previously spent 18 years in investment banking with Morgan Grenfell and Deutsche Bank.

Caroline Banszky
Independent non-executive Director

Non-executive Director since 2014. Also a non-executive Director of Gore Street Energy Storage Fund plc and IntegraFin Holdings plc.

Previous experience

Formerly the Chief Executive of the Law Debenture Corporation p.l.c. from 2002 to 2016. Chief Operating Officer of SVB Holdings PLC, now Novae Group plc, a Lloyd's listed integrated vehicle, from 1997 to 2002. Previously, Finance Director of N M Rothschild & Sons Limited from 1995 to 1997, having joined the bank in 1981. She originally trained at what is now KPMG.

Julia Wilson
Group Finance Director

Group Finance Director and member of the Executive Committee since 2008. A member of the Investment Committee since 2012. Joined 3i in 2006 as Deputy Finance Director. Also a non-executive director of Legal & General Group Plc.

Previous experience

Formerly Group Director of Corporate Finance at Cable & Wireless plc, having previously held a variety of tax and finance roles at Cable & Wireless plc, Hanson plc and Tomkins plc.

Peter Grosch
Non-executive Director

Non-executive Director since 2015. Chairman of Kinolt, a 3i investee company, and Innio Jenbacher GmbH & Co OG.

Previous experience

Formerly Deputy Chairman of SLM Solutions AG, CEO and President of Diehl Aerospace and Defence Systems, Executive Vice President DaimlerChrysler Off-Highway and Managing Director and Board Member of MTU Friedrichhafen (now Rolls-Royce Power Systems).

David Hutchison
Independent non-executive Director

Non-executive Director since 2013. Chief Executive of Social Finance Limited.

Previous experience

Until 2009 Head of UK Investment Banking at Dresdner Kleinwort Limited and a member of its Global Banking Operating Committee. From 2012 to 2017, a non-executive director of the Start-Up Loans Company.

Stephen Daintith
Independent non-executive Director

Non-executive Director since 2016. Chief Financial Officer and an executive director of Rolls-Royce Holdings plc.

Previous experience

Formerly Finance Director of Daily Mail and General Trust plc ("DMGT") from 2011 to 2017. Non-executive director of ZPG Plc. Prior to joining DMGT he was Chief Operating Officer and Chief Financial Officer of Dow Jones and prior to that Chief Financial Officer of News International. He originally qualified as a chartered accountant with Price Waterhouse (now part of PwC).

Coline McConville
Independent non-executive Director

Non-executive Director since 2018. Also a non-executive Director of Fevertree Drinks plc and Travis Perkins plc and a member of the Supervisory Board of Tui AG.

Previous experience

Formerly a non-executive Director of Tui Travel plc, UTV Media plc, Wembley National Stadium Limited, Shed Media plc, HBOS plc and Inchcape plc. Prior to that was Chief Operating Officer and Chief Executive Officer Europe of Clear Channel International Limited and had previously worked for McKinsey.

Alexandra Schaapveld
Independent non-executive Director

Non-executive Director since January 2020. Non-executive director of Société Générale, France and non-executive director of Bumi Armada Berhad, Malaysia.

Previous experience

Formerly on the boards of Vallourec S.A., FMO N.V., Stage Entertainment N.V., Holland Casino N.V., VU University and VU Medical Center and Duin & Kruidberg. Prior to that many years of Corporate and Investment Banking at RBS and ABN AMRO.

Executive Committee

Simon Borrows
Chief Executive
See profile on page 76

Julia Wilson
Group Finance Director
See profile on page 77

Rob Collins
Managing Partner, Head of North American Infrastructure
Joined 3i in 2017 as the Managing Partner for North American Infrastructure. A member of the Executive Committee since 2018.

Previous experience
Prior to joining 3i, led Hastings' infrastructure investment team in North America and Europe. Founded the infrastructure M&A practice at Morgan Stanley and Greenhill where he was a Managing Director at both firms. Started his infrastructure career at Goldman Sachs after serving as a nuclear-power officer in the US Navy. Holds an MBA from The Wharton School, a masters equivalent in nuclear engineering from BRES, and a B.E. in chemical engineering from Vanderbilt University.

Phil White
Managing Partner, Head of Infrastructure
Joined 3i in 2007. A member of the Executive Committee since 2014. Also a non-executive director of Ionisos.

Previous experience
Prior to joining 3i, experience in infrastructure investment, advisory and financing, including roles at Macquarie, WestLB and Barclays. Holds an MBA from London Business School.

Pieter de Jong
Co-Head Private Equity
Joined 3i in 2004, has been Managing Director of 3i Benelux since 2011, and a member of the Executive Committee since 2019. Also a non-executive director of Basic-Fit, Royal Sanders and WP.

Previous experience
Started his career at Stork in the USA, before joining Van Den Boom Group, a corporate finance consulting firm in Benelux, where he became partner/owner responsible for M&A. After selling the firm to NIBC in 2000, he headed the M&A department until 2003.

Peter Wirtz
Co-Head Private Equity
Joined 3i in 1998. Served as 3i Germany Co-Head between 2009 and 2019. A member of the Executive Committee since April 2019. Also non-executive director of Christ, Scandlines, ICE and Lampenwelt.

Previous experience
Prior to joining 3i, worked for Deutsche Bank and spent four years with Procter & Gamble in various finance functions.

Kevin Dunn
General Counsel and Company Secretary
Responsible for 3i's legal, compliance, internal audit, human resources and company secretarial functions. A member of the Executive Committee since joining 3i in 2007.

Previous experience
Prior to joining 3i, was a Senior Managing Director, running GE's European Leveraged Finance business after serving as European General Counsel for GE. Prior to GE, was a partner at the law firms Travers Smith and Latham & Watkins.

Relationships with our shareholders

Approach to Investor Relations and Board oversight

The Board recognises the importance of maintaining an engaged and purposeful relationship with existing and potential shareholders. The Group has a comprehensive Investor Relations programme to help existing and potential investors to understand its activities, strategy and financial performance. The Chief Executive, the Group Finance Director and the Investor Relations team meet with the Company's principal shareholders to discuss relevant issues as they arise. The Chairman seeks to engage with major shareholders on corporate governance, strategy and management once a year, and is available more often as required. Non-executive Directors are also available to meet shareholders, as required.

The Executive Directors brief the Board on a regular basis on the implementation of the Investor Relations programme and on feedback received from analysts and investors. Any significant concern raised by shareholders in relation to the Group is communicated to the Board. The Board also receives periodic feedback from existing shareholders and potential investors through 3i's corporate brokers, Bank of America, Barclays and Numis Securities.

Investor Relations programme

We engage our market audiences through a full programme of events.

Our FY2020 Investor Relations programme is set out below.

May	Annual results and UK investor roadshow Swiss investor roadshow
June	US investor roadshow Dutch investor roadshow
July	Q1 performance update
Aug	US investor roadshow
Sept	Private Equity capital markets seminar London shareholder dinner Paris, Frankfurt and Brussels investor roadshows Bank of America financials conference
Nov	Interim results and investor roadshow
Dec	IR reception
Jan	Q3 performance update US investor roadshow
March	Action capital markets seminar Morgan Stanley financials conference

Institutional investors

The Executive Directors meet with the Group's principal shareholders on a twice-yearly basis, generally following the publication of annual and half-yearly results, but also as required during the year. The Chairman and Senior Independent Director are also available to meet with shareholders as required.

The Executive Directors and Investor Relations team also meet with smaller shareholders and potential investors on a regular basis throughout the year, as part of arranged UK and international roadshows and as required.

Throughout the year, the Executive Directors and Investor Relations team also participated in conferences for institutional investors organised by Bank of America and Morgan Stanley. During the year, the Executive Directors and Investor Relations team held c.175 meetings with institutional investors.

Annual and half-yearly results presentations

The Executive Directors present the annual and half-yearly results to institutional investors and financial analysts. These presentations are webcast live on 3i's website, and the on-demand webcast remains available on the website for a period of 12 months.

As a result of the COVID-19 pandemic and social distancing measures imposed by the UK Government, the annual results presentation for FY2020 will be held virtually via a webcast. The presentation materials and webcast will be made available on 3i's website.

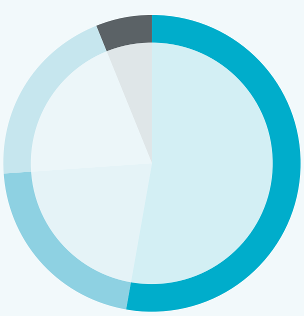
Capital markets seminars

3i held two capital markets seminars in London in FY2020, including one on Action, 3i's largest investment, and one on three other assets in the Private Equity portfolio.

The Action capital markets seminar, held in March 2020, consisted of presentations to significant shareholders and analysts by the 3i Chief Executive and the management team of Action. This event focused on Action's business model and strategy and on its financial performance. The event was also held via conference call and the full transcript and presentation materials used were made available on 3i's website.

Meetings with institutional investors

- **53%** UK
- **21%** US
- **20%** Continental Europe
- **6%** Rest of World



The Private Equity capital markets seminar, held in September 2019, involved presentations on three of our most recent Private Equity investments: Royal Sanders, ICE and Hans Anders. The presentations were delivered by the Private Equity investment partners responsible for those investments. The presentation materials used during the seminar were made available on 3i's website.

Individual investors

Individual investors are encouraged to engage with the Group and provide feedback through the Investor Relations team and the Company Secretary, whose contact details are available on the website.

Annual General Meeting

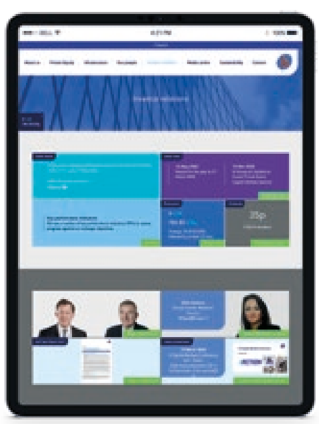
The Company uses its AGM as an important opportunity to communicate with its retail shareholders, who are encouraged to ask questions during the meeting, and have an opportunity to meet Directors before and after the formal proceedings.

At the Meeting, business presentations are generally made by the Chairman and the Chief Executive. The Chairmen of the Remuneration, Audit and Compliance and Nominations Committees are generally available to answer shareholders' questions. Business to be discussed at the Meeting is notified to shareholders in advance through the Notice of Meeting and covers matters such as the annual election of Directors, the appointment of the Auditor and the dividend declaration. During the Meeting, shareholders are also asked to approve the financial statements and reports of the Directors and the Auditor. In addition, shareholders are asked to approve the Directors' remuneration report.

The 2019 Notice of AGM was dispatched to shareholders not less than 20 working days before the Meeting. At that Meeting, voting on each resolution was taken on a poll and the poll results were made available on the Company's website. At the 2019 AGM, all resolutions were passed with at least 90% of the votes in favour.

Website

3i's website provides a brief description of 3i's history, current operations and strategy, as well as an archive of over 10 years of news and historical financial information on the Group and details of forthcoming events for shareholders and analysts.



Visit our website for more information about 3i and regular updates **www.3i.com/investor-relations**

The role of the Board

The role of the Board and how the Board operates

The role of the Board is to lead the Company in promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board establishes the Company's purpose and values and satisfies itself that these and its culture are aligned. All Directors are required to act with integrity, lead by example, and promote the Company's desired culture.

The Board approves the Group's strategic objectives, ensures the necessary resources are in place for the Company to meet these objectives and measures performance against those objectives.

The Board ensures that employee policies and practices are consistent with the Company's values and support the Company's long-term sustainable success. The Board, through Audit and Compliance Committee, assesses and monitors culture and adherence to the Company's values. Regular reports from the Internal Audit and Group Compliance teams consider and comment on culture within the business and its consistency with the Company's culture.

The Board ensures that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Board meets formally on a regular basis and, at each meeting, considers business performance. There is a clearly defined schedule of matters reserved for the Board. Meetings are usually held in London, except for one meeting a year which is held in one of our other offices, providing a chance for non-executive Directors to meet our local teams and visit or meet the management of some of our portfolio companies.

The Board is assisted by various Principal Committees of the Board, which report to it regularly and details of their activity in the year are provided on pages 84 to 105.

Matters delegated by the Board to the Chief Executive include implementation of the Board approved strategy, most investment decisions, day-to-day management and operation of the business, the appointment and most remuneration of staff below the Executive Committee and risk management. The Board receives regular reports on potential conflicts of interests involving Directors and any actual conflicts of interest identified are managed appropriately. This may involve excluding the Director concerned from relevant information and discussions.

Day-to-day management of the Group is the responsibility of the Chief Executive. To assist him in this role, the Chief Executive has established a number of additional management committees, including the Investment Committee, which are outlined in the Risk management section of the Strategic report on page 48.

Role of the Chairman

- Leads the Board and is responsible for its overall effectiveness in directing the Company.
- Leads the Board in establishing the purpose, values and culture of the Company.
- Leads the Board in setting its agenda, approving strategy, monitoring financial and operational performance, and establishing the Group's risk appetite.
- Organises the business of the Board, ensuring its effectiveness, and maintains an effective system of internal controls.
- Ensures that Directors receive accurate, timely and clear information. This includes ensuring that the non-executive Directors receive regular reports on shareholders' views on the Group.
- Responsible for the composition of the Board, facilitates constructive Board relations and the effective contribution of all non-executive Directors.

Role of the Chief Executive

- Direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.
- Chairs the Investment Committee to review the acquisition, management and disposal of investments.
- Leads the Executive management team to develop and implement the Group's strategy and manage the risk and internal control framework.
- Reports to the Board on financial and operational performance, risk management and progress in delivering the strategic objectives.
- Regularly engages with shareholders and other key stakeholders on the Group's activities and progress.

Role of non-executive Directors

- Provide constructive challenge, strategic guidance and hold management to account.
- Scrutinise the performance of management and individual Executive Directors in meeting agreed objectives and monitor the reporting of performance.
- Seek assurance on the integrity of the financial information and that financial controls and systems of risk management are robust and defensible.
- Determine appropriate levels of remuneration for Executive Directors and Executive Committee and together with the Chairman, have a prime role in appointing Directors and in succession planning for the Board.
- Constructively challenge and help develop proposals on strategy; this occurs at meetings of the Board, and in particular at the annual review meeting to discuss ongoing strategy, the most recent of which took place in December 2019.
- Ensure that they have sufficient time to meet their Board responsibilities.

Role of the Senior non-executive Director

- The Senior non-executive Director provides a sounding Board for the Chairman and serves as an intermediary for the other Directors and the shareholders, and has a prime role in succession planning for the Chairman.

Performance and risk management

What the Board did in FY2020

The Board met for seven scheduled meetings during FY2020 together with an additional ad hoc meeting to consider matters relating to the Action Transaction described in more detail on page 19. The Board also held a strategy day in December 2019. A table of individual Board member attendance at the scheduled Board and Committee meetings is provided on page 83. This shows the number of scheduled meetings of the Board and its Committees attended by each Director in the year together with (in brackets) the number of such meetings they were eligible to attend.

The Board's agenda is set by the Chairman. Board members and, as appropriate, executives from the relevant business areas are invited to present on key items allowing the Board the opportunity to debate and challenge initiatives directly with the senior management team.

The principal matters considered by the Board during the year (in addition to matters formally reserved to the Board) included:

- the Group's strategic plan, related KPIs and annual budget;
- regular reports from the Chief Executive;
- reviews of and updates on the Group's Private Equity and Infrastructure businesses as well as reports and updates on the investment portfolio and specific investments;
- the Action Transaction described on page 19;
- the Group's response to the COVID-19 pandemic including consideration of its liquidity position;
- regular reports from the Board's Committees;
- remuneration matters including remuneration philosophy and strategy;
- diversity policy;
- the Company's modern slavery report;
- consideration of a potential insurance transaction in relation to the 3i Group Pension Plan;
- the renegotiation of the Company's Revolving Credit Facility;
- the recommendations of the Valuations Committee on valuations of investments;
- the Annual report and accounts, Half-yearly report and quarterly performance updates together with the Notice of AGM;
- dividend policy and dividends;
- the annual Board and Chairman performance evaluation, independence of non-executive Directors, and non-executive Director fees; and
- organisational capability and succession plans.

Training and advice

The Company has a training policy which provides a framework within which training for Directors is planned with the objective of ensuring Directors understand the duties and responsibilities of being a director of a listed company. All Directors are required to keep their skills up-to-date and maintain their familiarity with the Company and its business.

On appointment, all non-executive Directors have discussions with the Chairman and the Chief Executive following which appropriate briefings on the responsibilities of Directors, the Company's business and the Company's procedures are arranged. The Company provides opportunities for non-executive Directors to obtain a thorough understanding of the Company's business by meeting members of the senior management team who in turn arrange, as required, visits to investment or support teams.

The Company has procedures for Directors to take independent legal or other professional advice in relation to the performance of their duties. In addition, Directors have access to the advice and services of the General Counsel and Company Secretary, who advises the Board, through the Chairman, on governance matters.

Performance and evaluation

During the year, the Board conducted its annual evaluation of its own performance and that of its committees and individual Directors. The evaluation had been externally facilitated by Lintstock Limited in the previous year and on this occasion the process was conducted internally by the Chairman with support from Lintstock Limited in the form of a questionnaire and results report. The Chairman held one-to-one interviews with Directors informed by the results of the questionnaire which had been completed by all Board members and the Company Secretary. The Chairman reported the results of the evaluation to the Board. Overall, the evaluation concluded that the Board continued to perform strongly.

The evaluation noted that there was broad agreement among Board members on the principal challenges to be addressed by the Board in the coming year. These included: the Group's strategy in relation to Action; maximising the value of the rest of the Private Equity portfolio; new business development while maintaining investment discipline; management retention and development; and improving gender diversity in the business.

The evaluation identified a number of additional Board agenda items for discussion in the coming year including: digital/IT threats and opportunities within the investment portfolio; ESG risks and opportunities within the investment portfolio; the further development of asset management skills within the business; and lessons learnt from underperforming assets.

In his role as Senior Independent Director, Jonathan Asquith led a review by the Directors of the performance of the Chairman, which was also facilitated with a questionnaire and results report prepared by Lintstock Limited. Mr Asquith subsequently reported back to the Board and provided feedback to the Chairman.

The topics covered by the annual Board evaluation included:

- Board composition and expertise;
- Board dynamics;
- Board support;
- the performance of the Board's Committees;
- management and focus of Board meetings;
- the Board's strategic and operational oversight;
- risk management and internal control;
- succession planning and people management; and
- priorities for change.

Risk management and internal control

The Board has overall responsibility for risk management and internal control, including the determination of the nature and extent of the principal risks it is willing to take to achieve its strategic objectives and ensuring that an appropriate culture has been embedded throughout the organisation.

The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. Details of the risk management framework can be found in the Risk management section of the Strategic report on pages 48 to 51. The framework includes the Group Risk Committee, a management committee formed by the Chief Executive.

The overall risk management and internal control process is regularly reviewed by the Board and the Audit and Compliance Committee and complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. The Audit and Compliance Committee performed its annual review of the system's effectiveness and reported its conclusions to the Board. The process has been in place for the year under review and up to the date of approval of this Annual report and accounts 2020.

Financial reporting

In the context of the Group's internal control and risk management systems, there are specific processes in place in relation to financial reporting, including:

- a comprehensive system of key control and oversight processes, including regular reconciliations, line manager reviews and systems' access controls;
- updates for consideration by the Audit and Compliance Committee of accounting developments, including draft and new accounting standards and legislation;
- a separate Valuations Committee which considers the Group's investment valuation policies, application and outcome;
- approval of the Group's budget by the Board and a comprehensive system of financial reporting to the Board, based on the annual budget with monthly reporting of actual results, analysis of variances, scrutiny of key performance indicators and regular re-forecasting;
- reports from Internal Audit on matters relevant to the financial reporting process, including periodic assessments of internal controls, processes and fraud risk;
- independent updates and reports from the external Auditor on accounting developments, application of accounting standards, key accounting judgements and observations on systems and controls;
- appointment of experienced and professional staff, both by recruitment and promotion, of the necessary calibre to fulfil their allotted responsibilities; and
- appropriate Board oversight of external reporting.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Independence	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Valuations Committee
Total meetings held[1]		7	6	2	7	4
Number attended:						
S R Thompson	Independent on appointment	7(7)	–	2(2)	–	4(4)
S A Borrows	Executive Director	7(7)	–	–	–	4(4)
J S Wilson	Executive Director	7(7)	–	–	–	4(4)
J P Asquith	Senior Independent Director	7(7)	6(6)	2(2)	7(7)	–
C J Banszky	Independent	7(7)	6(6)	2(2)	7(7)	–
S W Daintith	Independent	7(7)	6(6)	2(2)	–	4(4)
P Grosch	Not independent[2]	6(7)	–	1(2)	–	2(4)
D A M Hutchison	Independent	7(7)	–	2(2)	7(7)	4(4)
C McConville	Independent	6(7)	5(6)	2(2)	7(7)	–
A Schaapveld	Independent	2(2)	2(2)	1(1)	–	1(1)

1 This table shows the number of scheduled meetings of the Board and its Committees attended by each Director in the year, together with (in brackets) the number of meetings they were eligible to attend.
2 Mr P Grosch is not considered independent because of his links with the Group's Private Equity business including his position as chairman of Kinolt (formerly Euro-Diesel), a company in which the Group is invested. Mr P Grosch receives directors' fees from and is a shareholder in Kinolt.

Non-executive Directors also attended a number of other Company meetings to increase their understanding of the principal risks in the business and the strength and depth of our people.

Nominations Committee report

Simon Thompson
Committee Chair

MEMBERSHIP DURING THE YEAR

Name	Membership status	Total meetings held
Simon Thompson	Member since April 2015 and Chairman since June 2015	2(2)
Jonathan Asquith	Member since March 2011	2(2)
Caroline Banszky	Member since July 2014	2(2)
Stephen Daintith	Member since October 2016	2(2)
Peter Grosch	Member since November 2015	1(2)
David Hutchison	Member since November 2013	2(2)
Coline McConville	Member since November 2018	2(2)
Alexandra Schaapveld	Member since January 2020	1(1)

Read more about the Composition of the Board on pages 76 and 77. Further information on the Nominations Committee's terms of reference can be found on www.3i.com

Dear Shareholder

I am pleased to present the Nominations Committee report for the year ended 31 March 2020. My report explains the role of the Committee as well as its work this year.

The Committee's principal role is to ensure that the Board has the necessary skills and experience to enable the Group to deliver its current and future strategic objectives. We regularly review the balance and composition of the Board, and develop appropriate succession plans, including contingency plans.

Directors

Directors' biographical details are set out on pages 76 and 77.

All Directors are subject to re-appointment every year. Accordingly, at the AGM to be held on 25 June 2020, all the Directors will retire from office. All the Directors are eligible for re-appointment.

At the date of the AGM Jonathan Asquith, who became a Director of the Company in March 2011, will have been a Director for over nine years. He had previously intended to retire as a Director at the AGM and not seek re-appointment. However in light of the current COVID-19 pandemic the Board has asked Jonathan Asquith to delay his retirement until December 2020 so that the benefit of his long experience and specific skills will remain available to the Company. I am pleased to be able to report that Jonathan Asquith has agreed to this and will seek re-appointment at the AGM. He will, however, cease to serve as Senior Independent Director and Remuneration Committee Chairman at the conclusion of the AGM. David Hutchison will be appointed as Senior Independent Director and Coline McConville will be appointed as Remuneration Committee Chairman at the same time.

Accordingly, all the Directors will seek re-appointment at the AGM. The Board's recommendation for the re-appointment of Directors is set out in the 2020 Notice of the AGM.

Jonathan Asquith served as Senior Independent Director ("SID") throughout the year. The SID supports me and I meet him regularly. He is also available to the Company's shareholders to address any concerns that they have not been able to resolve through me, Simon Borrows or Julia Wilson, or where they consider these channels to be inappropriate.

Appointment process and diversity

Further to the publication of the Davies Report on Women on Boards, the subsequent Hampton-Alexander Review and Principle J of the UK Corporate Governance Code, the Board strongly supports the principle of boardroom diversity, of which gender is one important aspect. The Board's aim is to have a diverse Board in terms of gender, industry experience, skills and educational background, and nationality, and makes appointments on merit and against objective criteria.

We have a formal, rigorous and transparent process for the appointment of Directors, with the objective of identifying the skills and experience required of new Directors, and identifying and appraising suitable candidates. In the case of non-executive Directors, the appraisal includes an assessment of whether potential candidates have sufficient time available to fulfil their roles. Specialist recruitment consultants assist the Committee with this process. Our recommendations for appointment are put to the full Board for approval. The external search consultancies we engage are instructed to put forward for all Board positions a diversity of candidates.

Activities

This year, having considered the size, balance and composition of the Board, we worked with external search consultants Egon Zehnder which led to the appointment of Alexandra Schaapveld as a non-executive Director from 1 January 2020. As set out in her biography on page 77, Alexandra brings significant executive and non-executive experience, including extensive financial services expertise in a number of important markets for 3i as well as board experience in a variety of sectors.

In the year the Committee also reviewed executive succession.

Egon Zehnder performed no other services for 3i in the year although it did perform work for certain of 3i's portfolio companies.

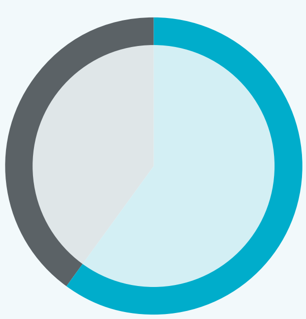
Simon Thompson
Chairman, Nominations Committee

13 May 2020

COMPOSITION OF THE BOARD

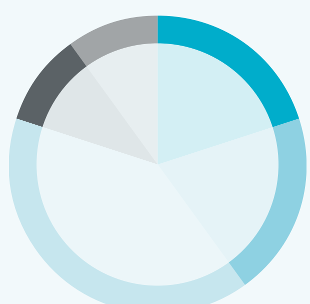
Sector experience

60% Financial services
40% Other



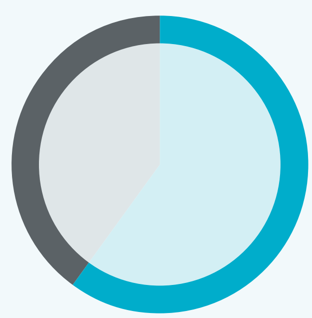
Tenure

20% >9 years
20% 6–9 years
40% 3–6 years
10% 1–3 years
10% 0–1 years



Gender diversity

60% Male
40% Female



Audit and Compliance Committee report

Caroline Banszky
Committee Chair

MEMBERSHIP DURING THE YEAR

Name	Membership status	Total meetings held
Caroline Banszky	Member since July 2014 and Chairman since January 2015	6(6)
Jonathan Asquith	Member since March 2011	6(6)
Stephen Daintith	Member since October 2016	6(6)
Coline McConville	Member since November 2018	5(6)
Alexandra Schaapveld	Member since January 2020	2(2)

Other regular attendees at the Committee meetings include the following: Group Chairman; Chief Executive; Group Finance Director; Group General Counsel; Group Financial Controller; the Head of Internal Audit; the Head of Compliance; and the external Auditor, EY and KPMG, due to replace EY as external Auditor effective from 1 April 2020.

Further information on the Audit and Compliance Committee's terms of reference can be found on **www.3i.com**

Dear Shareholder

I am pleased to present the Audit and Compliance Committee report for the year ended 31 March 2020. My report explains the Committee's work this year.

We held six regular scheduled meetings this year, four of which were coordinated with 3i's external reporting timetable. In addition to the Committee's usual focus on internal controls and the integrity of the Group's financial reporting, this year we spent time reviewing the Action Transaction, the implementation of IFRS 16 and management's approach to cyber security and IT resilience. The committee also received two updates on tax compliance and reporting.

As discussed in last year's report, the Committee conducted an audit tender process and in July 2018 recommended to the Board the appointment of KPMG LLP ("KPMG") as the Group's new external auditor for the year ending 31 March 2021, replacing Ernst & Young LLP ("EY"). A resolution will be proposed at the 2020 AGM for shareholders to approve the appointment of KPMG. During the year the Committee received updates from KPMG on their independence and transition processes, and approved a non-audit services policy for KPMG.

The committee and KPMG worked closely to ensure that there is a smooth transition and that a high level of audit quality will be retained in their first year of appointment. This required a detailed review of independence, which was obtained in December. Additionally, management introduced effective controls to ensure that EY, until the completion of their audit responsibilities, maintain their independence.

In advance of each Committee meeting, I met the Group Finance Director, the Group Financial Controller and the Heads of Compliance and Internal Audit to discuss their reports as well as any relevant issues. I also met privately with the external Auditor and, periodically, with other members of the 3i senior management team.

Due to the COVID-19 pandemic, I have also had regular discussions and planning meetings with management, EY and KPMG on delivering the Annual report and accounts. Particular effort has been made to keep everyone involved in the year end process informed and engaged through regular updates from management and team leaders. 3i has a detailed business continuity plan for the whole organisation and remote working has allowed 3i to continue to operate with no material disruption to deliverables, and there has been limited impact on 3i's continued ability to facilitate discussion and enable informed decision making. Also in response to the economic uncertainty created by the pandemic, the Committee decided to enhance its consideration of the analysis supporting the Going concern and Viability statements on which the reporting is based.

I regularly meet with the EY audit team as part of my ongoing review of their effectiveness and also met KPMG regularly to ensure effective onboarding. As part of my year-end review, I also met EY's Head of Audit Quality for UK Financial Services to discuss their approach to audit quality and what assurance had been taken in connection with their audit of 3i.

The rest of the report sets out in detail the Committee's activities in the year. It is structured into five parts:

- Governance
- Report on the year
- Internal audit
- External audit
- Appointment of KPMG

I look forward to engaging with you on the work of the Committee. I would like to sincerely thank the entire EY team for their audit work since my time as Audit Committee chair and for all their work over the last five decades as Auditor for the Group.

Caroline Banszky
Chairman, Audit and Compliance Committee

13 May 2020

Governance

All members of the Committee are independent non-executive Directors. The Board believes members have the necessary range of financial, risk, control and commercial experience required to provide effective challenge to management. In particular, the Board is satisfied that Caroline Banszky has the recent and relevant financial experience as outlined in the FRC's Corporate Governance Code. The attendance of members at meetings is shown in the table on page 83.

The Committee meets privately for part of its meetings and also has regular private meetings with the external Auditor, the Group Finance Director, the Head of Internal Audit and the Head of Compliance in the absence of other members of the management team.

Report on the year

In addition to assessing/evaluating the areas of significant accounting judgement and monitoring the effectiveness of 3i's risk management framework, the Committee particularly focused on a number of topics, which are set out below.

Accounting policies and practices

The Committee reviewed the reporting of the Action Transaction, which took place during the year. In addition, the Committee discussed a report from management on the new accounting standard IFRS 16 (Leases), which became effective for 3i on 1 April 2019.

Financial reporting regulators

The Committee considered comment letters and papers from the FRC, including their Year End Advice Letter to Audit Committee Chairs and Finance Directors in October 2019 and their published thematic reviews. The Committee reviewed a paper prepared by management, which detailed how it had taken due account of the matters raised and the enhancements it proposed to relevant disclosures in the Half-yearly accounts 2019 and Annual report and accounts 2020. The Committee considered and incorporated the recent guidance issued by the FRC in March 2020 on COVID-19 in preparation of the Annual report and accounts.

Taxation

The Committee received two updates from the Group Tax Director on the Group's taxation status. These reports covered the upcoming EU Mandatory Disclosure Regime requirements, an update on the Group transfer pricing project and the Senior Accounting Officer regime. It was noted that the Group had stayed engaged with fiscal authorities and had no new tax audits raised in the year. In addition, the Committee was briefed on the completed transfer of tax compliance services from KPMG to PWC following KPMG's selection as the Group's new external Auditor.

Going concern and viability

The Directors are required to make a statement in the Annual report as to 3i's long-term viability. The Committee provides advice to the Board on the form and content of the statement, including the underlying assumptions. In advance of the year end the Committee reviewed the Group's proposed stress test scenarios to support the Viability statement. At the year end, the Committee evaluated a report from management setting out its view of 3i's long-term viability and content of the proposed Viability statement. This report was based on the Group's five-year strategic plan and covered forecasts for investments and realisations, liquidity and leverage, including forecast outcomes of the stress test of the plan and forecast capital and liquidity performance against an assessment of the Group's risk profile. It incorporated the 31 March 2020 valuations, and consideration of a range of COVID-19 economic outcomes. The Committee discussed whether the choice of the three-year period remained appropriate. It concluded that it remained the most appropriate period and provided more certainty on the Group's performance due to the nature of the Group's business and its risk appetite to invest in Private Equity investments for a period of four to five years.

Taking into account the assessment of the Group's stress testing results and its risk appetite statement (as disclosed on page 49), the Committee agreed to recommend the Viability statement and three-year viability period to the Board for approval.

The Directors believe the Group has sufficient financial resources and liquidity and is well placed to manage business risks in the current economic environment, having considered the potential impacts of COVID-19 and can continue operations for the foreseeable future. The Directors have also considered key dependencies set out within the Risk management section including investment and operational requirements.

What the Committee reviewed in FY2020

Financial reporting

- Annual and half-year reports
- Quarterly performance updates
- Key accounting judgements and estimates
- Update on the relevant thematic reviews from the FRC
- Update on the Group's implementation of IFRS 16
- Reporting of the Action Transaction
- Reviewed the Annual report to ensure that it is fair, balanced and understandable

Internal control and risk management

- Review of 3i's system of control and risk management
- External and internal audit reports
- Review of the Viability statement and the supporting stress test scenarios
- Update on cyber security
- IT resilience and disaster recovery
- Staff annual verification exercise
- Update on compliance with HMRC's Senior Accounting Officer Regime

External audit

- Confirmation of the external Auditor's independence
- Policy and approval for non-audit fees
- The FY2020 audit plan, including significant audit risks (being the valuation of the unquoted investment portfolio and the calculation of carried interest)
- Audit results report, including the results from testing Key Audit Matters
- Auditor performance and effectiveness
- Update on the independence and transition process of KPMG

Risk review

- Valuation reports and recommending the investment portfolio valuation to the Board
- Review of investment themes from portfolio company review process and portfolio performance including ESG issues and risks
- Regular reviews of compliance with regulatory rules and compliance monitoring findings
- Annual tax update
- Reports on approach to tax policy and strategy
- Litigation
- Liquidity and going concern

Areas of accounting judgement and control focus

The Committee pays particular attention to matters it considers to be important by virtue of their complexity, level of judgement and potential impact on the financial statements and wider business model. Significant areas of focus considered by the Committee are detailed in the table below, alongside the actions taken by the Committee (with appropriate challenge from the external Auditor) to address them.

Valuation of the proprietary capital investment portfolio

Area of significant attention

The most material area of judgement in the financial statements, and noted as a significant risk and Key Audit Matter by the external Auditor, relates to the valuation of the unquoted proprietary capital investment portfolio, which at 31 March 2020 was £7,340 million, or 95% of net assets, under the Investment basis.

In recognition of the importance of this area, the Board has a Valuations Committee to review the valuations policy, process and application to individual investments. The Valuations Committee provides quarterly oral reports to the Audit and Compliance Committee and the Board.

What the Committee reviewed and concluded

On behalf of the Board, the Committee received and evaluated quarterly reports from the Chairman of the Valuations Committee and the external Auditor, with particular focus on the assumptions supporting the valuation of unquoted asset investments, any valuation uncertainties and the proposed disclosure in the financial statements. Members of the Committee also attend the Valuations Committee meetings.

The detail on the key valuation considerations and the review and challenge undertaken in the year is included in the Valuations Committee report on pages 90 to 94.

Carried interest payable and receivable

Area of significant attention

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 2020.

We received the majority of the carried interest due from EFV during this financial year following the Action Transaction. Carried interest receivable in FY2020 was recognised in accordance with IFRS 15.

We are also through the hurdle to pay carried interest to investment teams on 3i's proprietary capital invested in the 2010-2012 vintage.

What the Committee reviewed and concluded

Internal Audit reviews the carried interest balances and carry plan distributions made to plan participants before the payments are made. Summaries of the work done are included in updates to the Committee.

The Committee reviewed the carried interest payable and receivable as part of the overall summary prepared by management to support the Annual report and accounts 2020. Following the receipt of carried interest receivable from EFV carry receivable is not expected to be material in the foreseeable future.

Going concern and Viability statement

Area of significant attention

The outbreak of the COVID-19 pandemic has cast huge uncertainty over capital markets, and the creation of an environment which for many companies may challenge or disrupt their usual management business model and governance processes. It is therefore vitally important to ensure that the Group's assessment of its going concern status and future viability remains rigorous and informed by the full scope of principal risks and uncertainties.

The full impacts of COVID-19 are not all apparent yet, and the position will remain fluid until the length and extent of the crisis become clearer. Clearly, not all industries or companies will be impacted to the same degree. However, the effects will be felt in a number of areas across 3i and its portfolio companies. 3i continues to monitor and follow closely the information released from governments, regulatory bodies and health organisations in the countries in which 3i and its portfolio companies operate.

What the Committee reviewed and concluded

The Committee reviewed the analysis to support Going concern and the Viability statement. The financial information presented within the Consolidated financial statements has been prepared on a going concern basis. The Committee has made an assessment of going concern, taking into account both the Group's current performance and the Group's outlook, which considered the potential impacts of the COVID-19 pandemic, using information available to the date of issue of the Consolidated financial statements.

Details of the assessment are included on page 54.

Fair, balanced and understandable and the presentation of 3i's reports and accounts

Area of significant attention

Under the UK Corporate Governance Code, the Board should establish arrangements to ensure the Annual report presents a fair, balanced and understandable assessment of the Group's position and prospects.

The Group prepares the non-GAAP Investment basis financial statements to ensure that its results remain understandable.

What the Committee reviewed and concluded

The Committee reviewed the Half-yearly and Annual financial statements as well as the Quarterly performance updates with management, focusing on the integrity and clarity of disclosure and enabling the Board to provide the fair, balanced and understandable confirmation to shareholders in the Annual report and accounts 2020.

A report summarising the considerations for the Annual report and accounts 2020 was reviewed by the Committee in advance of the year end and a summary of the detailed procedures undertaken was prepared alongside the Annual report and accounts 2020.

The external Auditor also confirmed that the inclusion of the Investment basis remained consistent with the prior year.

Internal audit

The Committee continued to monitor the scope, activity, and resources of the Group's Internal Audit function, including approving the internal audit plan and whether its operating model remained effective. The Committee monitors Internal Audit activity quarterly, which includes the results of its reviews of 3i's investment offices as well as other areas of identified higher risk. It also reviewed Internal Audit's self-assessment of quality in the year. The Committee concluded that the Internal Audit function remained appropriate.

Risk and internal control reviews

The Committee is responsible on behalf of the Board for overseeing the effectiveness of the Group's risk management and internal control systems. It monitors the activities of the Group Risk Committee ("GRC"), the risk management processes in place and Internal Audit's assessment of the effectiveness of controls, the use of the Group's whistleblowing facility and compliance with the UK Bribery Act.

As highlighted on page 48 in the Risk management section, a report summarising each quarterly GRC meeting, along with the risk report considered, is provided to the Committee for review and discussion. In addition, the Head of Internal Audit prepares an annual report providing an independent assessment of the effectiveness of 3i's risk management and internal control systems for presentation to the Committee. Additional information can be found on page 83 of the Corporate Governance report.

External audit

The Committee has responsibility for making recommendations to the Board on the appointment of the external Auditor, determining its independence from the Group and its management and agreeing the scope and fee for the audit.

Auditor independence

The Group has a policy for setting out what non-audit services can be purchased from the firm appointed as external Auditor. The aim of the policy is to support and safeguard the objectivity and independence of the external Auditor and to comply with the FRC's Ethical Standards for auditors. It also ensures that where fees for approved non-audit services are greater than a pre-determined limit, they are subject to the Committee Chairman's prior approval. The policy permits certain non-audit services to be procured, following approval, when the Committee continues to see benefits for the Group in engaging EY. Examples of this include work:

- that is closely related to the external audit;
- where a detailed understanding of the Group is required; and
- where EY is able to provide a higher quality and/or better value service than other potential providers.

The key principle of our policy is that permission to engage the external Auditor will always be refused when a threat to independence and/or objectivity is perceived. The Committee Chairman is asked to approve all assignments to be allocated to EY over a defined limit, other than those related to due diligence undertaken as part of the Group's investment process. Appointments in relation to the investment process are independent of the audit team and are reviewed separately by the Investment Committee. EY inform the Group of all due diligence engagements before they accept them, and all material due diligence commitments are reported to the Committee Chairman.

EY has reviewed its own independence in line with these criteria and its own ethical guideline standards. This includes the review of due diligence processes undertaken within the Group's investment activities. EY has confirmed to the Committee that following its review it is satisfied that it has acted in accordance with relevant regulatory and professional requirements.

Audit and non-audit fees

The total audit fee for the year was £1.9 million (2019: £1.9 million). Non-audit fees paid to the external Auditor were £0.6 million (2019: £0.6 million). The Committee concluded that these fees fell within its criteria for engaging Ernst & Young LLP and does not believe they pose a threat to the Auditor's independence or objectivity.

In order to safeguard independence, the Committee maintains a policy on the engagement of the auditor for non-audit services. KPMG, the Group's incoming auditor, has been subject to the policy from 1 April 2019 to ensure there are no engagements that would restrict its appointment.

Assessing external audit effectiveness

The Committee reviews the effectiveness of EY through the use of questionnaires completed by management, by considering the extent of its contribution at Committee meetings throughout the course of the year, and in one-to-one meetings.

The FY2020 evaluation also reviewed the quality of the audit process, the use of EY's valuation specialists to support the audit of the portfolio valuations, the technical knowledge of the team and staff turnover within the EY audit team. The Committee concluded that the audit was effective.

3i is in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, in the year ended 31 March 2020.

Onboarding and appointment of KPMG

EY (including its predecessor firms) has been the Group's external Auditor since November 1973. In line with the Competition and Markets Authority Statutory Audit Services Order, the Group must appoint a new Auditor for its year ending 31 March 2021. The Committee conducted an audit tender process during the summer of 2018 and in July 2018 recommended to the Board the appointment of KPMG as the Group's new external auditor for the year ending 31 March 2021. A resolution will be proposed at the 2020 AGM for shareholders to approve the appointment of KPMG.

During the year KPMG attended several Committee meetings and presented on its transition procedures and progress towards becoming independent. The most material change required was the transfer of the Group's tax compliance services to another provider. This transfer was completed in December 2019 and on 23 December 2019 KPMG formally confirmed in writing to the Committee that it considered itself independent with regard to the relevant regulatory and professional requirements.

In order to ensure a smooth transition process, KPMG have attended a number of meetings with the Directors, key members of the management team and teams who are responsible for day-to-day running of key financial reporting processes and controls. These meetings have enabled KPMG to better understand our governance framework, business structure, investment portfolios and key control environment. KPMG has shadowed the process for the 31 March 2020 year end audit process with EY.

Valuations Committee report

David Hutchison
Committee Chair

MEMBERSHIP DURING THE YEAR

Name	Membership status	Total meetings held
David Hutchison	Chairman and Member since December 2013	4(4)
Simon Thompson	Member since June 2015	4(4)
Stephen Daintith	Member since October 2016	4(4)
Peter Grosch	Member since January 2016	2(4)
Simon Borrows	Member since May 2012	4(4)
Julia Wilson	Member since December 2008	4(4)
Alexandra Schaapveld	Member since January 2020	1(1)

Other regular attendees at the Committee meetings include the following: Audit and Compliance Committee Chairman; Deputy Chairman; Group Financial Controller; Group General Counsel; Managing Partners of Private Equity; the external Auditor, EY and KPMG, due to replace EY as Auditor effective from 1 April 2020.

Further information on the Valuations Committee's terms of reference can be found on our website at **www.3i.com**

Dear Shareholder

I am pleased to present the Valuations Committee report for the year ended 31 March 2020. My report explains the role of the Committee as well as the work we reviewed this year.

The Valuations Committee plays a key role in providing the Board with assurance that the valuation process is robust and independently challenged. During the year, we met four times as part of the Group's external reporting timetable. We reviewed and challenged the assumptions behind management's proposed asset valuations and reported to the Audit and Compliance Committee and the Board.

Our principal focus was the Group's unquoted investments in Private Equity, as well as Scandlines, Smarte Carte and Regional Rail, as a high level of judgement is required to value this portfolio of assets. This portfolio accounts for 90% of 3i's proprietary capital invested.

The valuation of the Group's principal Infrastructure investment, its quoted holding in 3iN which represents 8% of 3i's proprietary capital, requires less judgement given that it is based on the share price of the listed company.

At each meeting we received a detailed report from the Group Finance Director recommending the proposed valuation of the Group's investment portfolio. This report highlights the main drivers of value movement analysed between performance (movement in earnings and net debt), multiple movements and other factors. At each meeting, we also reviewed selected assets for detailed discussion; examples of such assets covered during the year included Action, Audley Travel, ICE, Kinolt, Magnitude Software, Q Holding, Hans Anders and Schlemmer.

I met the Group Finance Director and the Group Financial Controller in advance of each meeting to discuss the key valuation assumptions and review management's paper before circulation. I also met the external Auditor privately to discuss the results of its quarterly reviews. In February 2020, the external Auditor and I discussed their approach to the year end audit and the assets that their specialist valuations team intended to select for their in-depth review.

In advance of the full-year and half-year reporting, management hold individual portfolio company reviews with the respective investment teams. Non-executive Directors, including members of the Committee, attended a significant proportion of the meetings held in September 2019 and March 2020 and were represented at the reviews of the five largest Private Equity portfolio company investments as well as Scandlines.

COVID-19 and our valuation approach at 31 March 2020

The COVID-19 pandemic has caused a global humanitarian crisis, unprecedented disruption to major economies and volatility in capital markets. As a result, many business models are under severe pressure due to the fall in the underlying demand for goods and services and lack of liquidity – in many cases as a direct consequence of restrictions on movement. The impact on the Group's investment portfolio has been varied, with assets exposed to travel, transportation, retail and automotive experiencing significant disruption, compared with those in the manufacturing or health and personal care sectors, for example experiencing better trading conditions. The onset of the COVID-19 pandemic across Europe and the US intensified through March 2020 and was the key focus for the Valuations Committee for the 31 March 2020 valuation point.

At 31 March 2020 the Group's approach to valuation was substantially consistent with its normal process and valuation policy. It valued the investment portfolio on a "fair value'' basis, in line with the IPEV guidelines and recent IPEV guidance that addressed the valuation approach during the COVID-19 pandemic. Management reported back to the Valuations Committee on 28 April 2020 their assessment of fair value of the investment portfolio and their approach.

As a result of the thorough work conducted by the 3i team, the Valuations Committee approved a fair value for the investment portfolio on 28 April 2020, noting the difficulties in judgement and estimation during such a turbulent time and that it would be necessary to continue to monitor developments until the final approval of the Group's results to 31 March 2020.

IFRS 16, ASC 842 – new lease accounting standard

The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") issued new lease accounting standards, IFRS 16 and ASC 842 during the year with the objective of presenting all lease obligations (finance and operating) as a liability on the balance sheet offset by a right of use asset. The new standard has a specific impact on important Non-GAAP measures, especially EBITDA. As part of the preparation of the proposed asset valuations, analysis was conducted by the Group to show the impact on valuation multiples both including and excluding the impact of the new lease accounting standard. Importantly, the introduction of IFRS 16 and ASC 842 should in principle have no impact on fundamental valuations, since the substance of the lease does not change the economics and cash flow generating capacity of the business. The new standards may, however, affect the reported multiples for some constituents of the comparable peer set.

Upcoming change in auditor

Effective 1 April 2020, KPMG will begin its tenure as external Auditor to 3i Group. I have met with KPMG's valuation partner and team to discuss the transition.

I would like to thank EY for its audit work since my time as Valuations Committee chair.

The rest of this report sets out in more detail what the Committee did in the year.

David Hutchison
Chairman, Valuations Committee

13 May 2020

The Committee focused on the following significant issues in FY2020:

Earnings and multiple assumptions

Area of significant attention

Of the total portfolio by value, 34% (excluding Action) is valued using a multiple of earnings at 31 March 2020. This requires judgement as the earnings of the portfolio company may be adjusted so that they are considered "maintainable". We also apply a liquidity discount to the enterprise value determined according to factors such as our alignment with management and other shareholders and our investment rights in the company.

There is also a significant degree of judgement in selecting the set of comparable quoted companies to determine the appropriate multiple to generate an enterprise value. Multiples are selected by reference to the market valuation of quoted comparable companies, M&A transactions and input in certain cases from corporate finance advisers. We also take into account growth profile, geographic location, business mix, degree of diversification and leverage/refinancing risk. The multiple implied by the quoted comparables may be adjusted if, in certain cases, the longer-term view (cycle or exit plan) supports the use of a different multiple. This continues to be an important exercise given the market volatility we have seen as a result of the COVID-19 pandemic in March 2020. Consideration was also given to the impact of the new lease accounting standard, IFRS 16 and ASC842. Adjustments were made to multiples to reflect these where necessary.

Private Equity assets are typically valued using a multiple of earnings. However, alternative valuation methodologies, such as Discounted Cash Flow ("DCF") valuations, may be considered as an alternative benchmark for potential values as a cross check relative to the earnings-based value.

31 March 2020 approach and impact of COVID-19

In addition to the normal process, the Group placed additional focus on the following areas when considering the impact of COVID-19 on portfolio companies at 31 March 2020:

- the performance of the Company prior to the COVID-19 outbreak;
- the potential impact on full-year projections for each of the portfolio companies;
- our long-term, through the cycle view on multiples against the dislocation of capital markets and the average of quoted comparable peer sets;
- the portfolio companies' liquidity; and
- the potential impact of COVID-19 on the long-term plan of the portfolio company.

What the Committee reviewed and concluded

Earnings data is received monthly from Private Equity portfolio companies and monitored closely by management. Actual earnings may then be adjusted in management's proposed valuations, for example, to reflect a full year's trading of an acquired business, removing profit from discontinued activities, any forecast uncertainty or to exclude exceptional transaction costs. Material adjustments are highlighted to the Committee in the quarterly report for review and approval.

Management continued to adjust 14 of 19 multiples used where the longer-term view (of the exit or multiple) supports the use of a different multiple. Notable changes in multiples in a quarter are presented to the Committee and adjustments are reviewed by the Committee at each meeting.

In the light of the extreme market volatility, the Committee reviewed the movement between the adjusted multiple and the comparable sets between the reporting quarter end and the Valuations Committee meeting date.

31 March 2020 (COVID-19)

The Chairman reviewed additional valuation guidelines to assist those preparing valuations produced by management prior to the 31 March 2020 valuation point.

The Committee reviewed a detailed paper prepared by management on the outcome of the valuation approach at 31 March 2020 and the judgements and estimations made.

Action

Area of significant attention

Action forms 44% of the total portfolio by value. As part of the Action Transaction (see page 19), detailed due diligence was conducted by sophisticated investors on the Action business model and its five-year business plan, and its performance to 30 September 2019, providing an independent fair value. Action's performance in 2019 and the first 11 weeks of 2020 was ahead of plan and management were expecting to take a material increase in value at 31 March 2020. However, given the short-term impact of COVID-19 on Action, management have decided that reducing Action's valuation to a level consistent with the Transaction enterprise valuation of €10.25 billion updated for the capital structure as at 31 March 2020 is appropriate.

Management also triangulated this valuation against a DCF model and considered the peer-group multiples and performance from both a forward and backward looking view.

What the Committee reviewed and concluded

The Committee considered the performance of Action prior to COVID-19 and noted the business had been outperforming the business plan on which the Transaction value had been based. They also considered the short-term impact of COVID-19 on trading which has been impacted by temporary store closures, and the longer-term impact of a potential slow down in new store openings. It was noted that the underlying business plan that the independent valuation was based on has not been materially impacted.

The Committee reviewed the work done by management on the potential use of a DCF valuation for Action and agreed with management's assessment that, while providing an informative reference point, the Transaction Value remains the most appropriate benchmark in this situation.

Assets valued using a DCF basis

Area of significant attention

For assets valued using DCF basis, which represent 11% of the portfolio, the key valuation judgements relate to longer-term assumptions that drive the underlying business plan and cash flows and the decisions on the appropriate discount rates.

What the Committee reviewed and concluded

Material assumptions in the DCF valuations and changes to these assumptions are reviewed by the Committee. Sensitivity to assumptions is also noted. Any material changes are reviewed by the Committee and external advice is sought from time to time. Scandlines, Smarte Carte, Regional Rail and Christ are the only significant investments valued using a DCF valuation.

The Committee reviewed and challenged the impact of COVID-19 on the discount rates, shorter-term cash flows and the impact, if any, on the terminal value. The assumptions were challenged with reference to other comparable companies with public data.

Imminent sale assets

Area of significant attention

At any point in time it is likely that a number of potential exit processes from the portfolio are underway. Judgement is applied by management as to the likely eventual exit proceeds and certainty of completion. This means that in some cases an asset may not be moved to an imminent sales basis until very shortly before completion; in other cases, the switch may occur on signing, even if the time to completion is a period of some months. However, as a general rule an asset moves to an imminent sale basis only when a process is materially complete and the remaining risks are estimated to be small, given the completion risk around unquoted equity transactions.

What the Committee reviewed and concluded

Active sales processes are reviewed by the Committee, including details such as the timeline to potential completion, the number and make-up of bidders for investments, execution and due diligence risks and regulatory or competition clearance issues. Management propose a treatment for each asset in a sales process, which the Committee reviews at each meeting.

The Committee focused on the disposal of Aspen Pumps in the year which was at a significant uplift to the March 2019 valuation. Aspen was acquired in 2015 and achieved a 4.1x multiple on cost. The Committee also paid particular attention to the valuation of Kinolt which has been valued on an imminent sales basis.

Although not an area of valuation judgement, the Committee actively reviews the results of the back-testing that management prepares on all assets disposed in each quarter to reconcile the price achieved with the carrying value at the last balance sheet date. Typically, differences are due to increased earnings, the unwind of the liquidity discount and the circumstances of the buyer or the competitiveness of the sales process. This review acts as an important hindsight test of the fair value applied to assets in the quarters up to disposal.

Review process

As part of its challenge and review process, the Committee:

- considered the management information provided to support the Committee's review of the valuations, including management's responses to any challenges raised by the Committee members or the external Auditor;
- sought assurance from the external Auditor as to whether and how they had considered each of these areas;
- reviewed the consistency of the views of management and the external Auditor and their valuation specialists; and
- reviewed and challenged the differential between carrying values and those implied by the floating multiple of comparable quoted companies.

The Committee was satisfied that the application of the policy and process was appropriate during the period under review, and recommended the portfolio valuation to the Audit and Compliance Committee and the Board at each quarter end for approval by the Board.

In addition, the Committee is responsible for keeping the Group's valuation policy under review and recommending any changes to the policy to the Audit and Compliance Committee and the Board. The policy is reviewed at least annually, with the last update in January 2020 incorporating IFRS 16 and ASC842.

In light of COVID-19, additional valuation guidelines were presented to the Committee. This detailed the approach management took to the March 2020 valuations. Although the Group valuation policy details the methodologies in place to provide guidance throughout the cycle, COVID-19 is an unprecedented situation and the ultimate impact is unknown. Management performed a detailed analysis on the portfolio companies considering the short, medium and long-term impacts of COVID-19 on liquidity, macro stimulus, current and forecast performance and exit considerations. Where necessary, valuation assumptions were revised. The Committee considered management's approach and findings and was satisfied with the approach.

More information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation section on pages 177 and 178.

External audit

As part of its external audit, EY reviews the proposed investment portfolio valuation to determine that the valuation policy is being complied with and that there is consistent application and support for the underlying assumptions. As part of its year-end audit, and to support its opinion on the Financial statements as a whole, EY's specialist valuations team reviews a selection of investments to provide assurance on its overall audit conclusion on the appropriateness of 3i's portfolio valuation as a separate report to the Valuations Committee.

Directors' remuneration report

Jonathan Asquith
Committee Chair

MEMBERSHIP DURING THE YEAR

Name	Membership status	Total meetings held
Jonathan Asquith	Chairman since May 2011 and Member since March 2011	7(7)
Caroline Banszky	Member since November 2015	7(7)
David Hutchison	Member since December 2013	7(7)
Coline McConville	Member since December 2018	7(7)

The Company Chairman, Chief Executive, the Remuneration Director and the General Counsel, Company Secretary and Head of Human Resources attend Committee meetings by invitation, other than when their personal remuneration is being discussed.

Further information on the Remuneration Committee's terms of reference can be found on our website **www.3i.com**

Dear Shareholder

As Remuneration Committee Chairman, I am pleased to introduce the Directors' remuneration report for financial year 1 April 2019 to 31 March 2020. This year's report contains two sections, being the annual report on remuneration and an updated Directors' remuneration policy which will be presented for approval at the 2020 AGM.

Performance in the year

Portfolio return

Up to the end of February 2020 our Private Equity and our Infrastructure businesses as well as our investment in Scandlines had performed well, and 3i was on track to generate returns consistent with our strategic objectives. However, COVID-19 has materially impacted the year-end value of our portfolios and thus our overall returns.

Notwithstanding the disruption caused by the short-term closure of many of its stores due to the pandemic, Action generated a strong return over the year. In anticipation of the successful sale of EFV's stake and the material size of our continuing investment, the balanced scorecard for executive directors in FY2020 split out our expectations for the performance of Action from the wider Private Equity portfolio and details of these are set out later in the report.

The majority of the remaining Private Equity assets put in a solid performance over the first 11 months of our financial year. The varying impacts across those investments of COVID-19 reduced the overall return for the year from them to (6%). Likewise, our investment in Scandlines was impacted significantly by the Danish and German governments' decisions to impose border controls in response to COVID-19, reducing our return on that asset to 1% for the year.

The disruption caused by the pandemic had a limited impact on the 3iN portfolio, which has delivered an 11.4% return (2019: 15%) as compared to its target total return of 8-10% over the medium term.

Investment

The investment climate for the vast majority of FY2020 was again characterised by a seller's market, with a dearth of assets available at reasonable prices. Apart from the planning and execution of the Action restructuring and reinvestment processes, the Private Equity portfolio development concentrated mainly on creating new platform assets and adding attractive bolt-on investments to existing platforms. In the light of what happened to the market at the end of the year, the team's focus on Action and restraint elsewhere was clearly justified.

During the year we sold EFV's entire investment in Action, while electing to roll-over and add to our investment: following the completion of the Action Transaction, 3i's gross equity stake increased from 45.3% to 52.6%. The Private Equity team also completed three new investments which to date have been largely unaffected by the impacts of COVID-19. Meanwhile, 13 bolt-on acquisitions were completed across the existing Private Equity portfolio, the majority of which were funded from the portfolio companies' own balance sheets. Our Private Equity team invested a total of £471 million across new, further, bolt-on and other investments, in addition to the £591 million additional investments in Action.

3iN completed the acquisition of Joulz (£190 million) in April 2019 and invested £186 million in Ionisos, while the US Infrastructure business completed its second proprietary investment when it acquired Regional Rail and then made two further bolt-on investments, taking the total investment in Regional Rail to £175 million.

Operating performance

Management have continued to manage costs in a disciplined manner and delivered a £40 million operating cash profit. Generating a cash surplus at the operating level ensures that we do not come under pressure to sell assets to cover our costs.

Strategy and people

We have successfully transitioned the leadership of the Private Equity function to two new co-heads and strengthened the team with hires across both investment groups at all levels. The strength of our IT infrastructure and business continuity and crisis management processes were demonstrated in the 3i team's robust response to COVID-19 and the rapid transition to remote working.

Management renegotiated and extended the Group's (undrawn) revolving credit facility, and the Infrastructure team also successfully managed a £223 million placing for 3iN. These provide access to further liquidity respectively for the Group and 3iN, if required.

Conclusion

While the first 11 months pointed to another year of strong performance, the implications of the pandemic at the end of the period were front of mind for the Committee when it considered performance and discretionary remuneration for FY2020. As in previous years, the Committee evaluated performance using the scorecard as a prompt and guide, but with an eye to the broader context of the current environment. After a detailed review, annual bonuses for Executive Directors for FY2020 were set at 37% of maximum (2019: 92.5%). Total shareholder returns are calculated based on the average closing share price over the first three months of the calendar year in both the year of grant and vesting. Relative shareholder returns over the last three years fell into the upper quartile against the FTSE 350, so this portion (50%) of the 2017 LTIP vested in full. Absolute shareholder returns over the last three years were 16.2% per annum, implying a vesting level for this 50% portion of the LTIP of 82%, giving an average vesting over the whole LTIP of 91%.

Principles of our Remuneration policy

Our proposed Remuneration policy remains largely unchanged since it was first presented to shareholders in 2014. It is important to note that this policy has served us well over that period, and in particular this year, where, notwithstanding the strong performance over the first 11 months of the financial year, the impact of COVID-19 has been appropriately reflected in the bonus awards being made for the year.

Our updated remuneration policy has been reviewed with the following principles in mind:

- **Clarity** – all remuneration aspects are clearly and openly communicated to employees and shareholders through comprehensive Directors' remuneration report disclosures and shareholder consultation materials.
- **Simplicity** – we pay people competitively in a way that is easy to understand. We operate a simple remuneration structure with clear measures.
- **Risk** – variable remuneration aligns with shareholder interests and avoids the potential for conflict of interest. Going forward, the Committee will have discretion to adjust both annual bonus and LTIP outcomes if necessary and all incentive awards are subject to malus and clawback provisions.
- **Predictability** – maximum opportunity and potential range of pay-outs are set out in the relevant Remuneration policy.
- **Proportionality** – historic variable incentive pay-outs have had a strong link to the Company's actual performance. Short and long-term measures are linked to the Company's strategic objectives and the creation of long-term value for all stakeholders.
- **Alignment to culture** – the variable incentive schemes, including quantum, time horizons, form of award and performance measures are all designed with the Company's culture, purpose, values and strategy in mind.

We consulted with shareholders and their advisers before updating the policy to reflect current governance standards. In addition to extending the discretions of the Remuneration Committee to adjust awards retrospectively when circumstances dictate and providing further clarification on the use of the malus provision, the new Remuneration Policy ensures that future LTIP awards will not be released before the fifth anniversary of their grant and introduces post-employment shareholding retention rules for two years following the departure of any Executive Director.

Looking forward

The Committee is committed to maintaining a remuneration framework that rewards progress in meeting the Group's strategic objectives and ensures alignment with shareholders while reflecting the risk profile of the firm. The Committee will also continue to monitor and comply with relevant guidelines and regulatory changes.

Since 3i articulated its first formal remuneration policy in 2014, thinking around executive remuneration has moved forward considerably, with clearer governance expectations and greater transparency as its guiding principles. In a market that has seen much change, we have been fortunate in being able to operate a consistent remuneration framework which has provided stable, sensible reward opportunities for directors with negligible inflation during a period in which rewards to shareholders have risen very substantially. While no system is perfect and outcomes in individual years could always be criticised depending on one's viewpoint, the consistency of its application has ensured fairness over time and the outcomes in terms of risk management, culture and shareholder returns suggest that it remains a strong template for the future.

I step down from my role as chair of the Committee at this year's AGM and leave it in the excellent hands of Coline McConville who has been a member since 2018. She and my other colleagues on the Committee remain convinced of the continued appropriateness of our existing remuneration structures and the Committee is recommending an updated Remuneration Policy for the next three years which maintains continuity with the past while incorporating important advances in corporate governance expectations since its last formulation in 2017.

Jonathan Asquith
Chairman, Remuneration Committee

13 May 2020

The Annual report of remuneration (Implementation report)

During FY2020, we continued to operate under the remuneration policy approved at the 2017 AGM, which can be found on our website at **www.3i.com**

Director remuneration for the year

Single total figure of remuneration for each Director

	FY2020						FY2019					
£'000	**Salary/ fees**	**Benefits**	**Pension**	**Annual bonus**	**LTIP**	**Total**	Salary/ fees	Benefits	Pension	Annual bonus	LTIP	Total
S A Borrows	**645**	**16**	**17**	**958**	**2,348**	**3,984**	633	16	16	2,359	4,853	7,877
J S Wilson	**469**	**19**	**49**	**435**	**1,067**	**2,039**	460	19	48	1,072	2,206	3,805
S Thompson	**310**	**–**	**–**	**–**	**–**	**310**	310	–	–	–	–	310
J P Asquith	**125**	**–**	**–**	**–**	**–**	**125**	125	–	–	–	–	125
C J Banszky	**93**	**–**	**–**	**–**	**–**	**93**	93	–	–	–	–	93
S W Daintith	**81**	**–**	**–**	**–**	**–**	**81**	81	–	–	–	–	81
P Grosch	**515**	**–**	**–**	**–**	**–**	**515**	504	–	–	–	–	504
D A M Hutchison	**93**	**–**	**–**	**–**	**–**	**93**	93	–	–	–	–	93
C McConville	**87**	**–**	**–**	**–**	**–**	**87**	28	–	–	–	–	28
A Schaapveld	**15**	**–**	**–**	**–**	**–**	**15**	–	–	–	–	–	–

- Benefits include a car allowance, provision of health insurance and, for Mrs Wilson, the value of the Share Incentive Plan matching share awards.
- Mr Borrows and Mrs Wilson received salary supplements in lieu of pension contributions of £17k and £49k respectively. These supplements were in line with pension contributions for the Group's employees generally.
- Annual bonus awards made in respect of the year are delivered as 60% payable in 3i Group plc shares deferred over four years, and the remaining 40% as a cash payment in May 2020. All annual bonus awards are subject to the malus/clawback policy. Those shares deferred over four years are released in four equal annual instalments commencing June 2021 and all share awards carry the right to receive dividends and other distributions.
- In the case of Mr P Grosch, the sum shown includes €500k of fees paid to him by Kinolt (a 3i portfolio company) for his role as Executive Chairman (2019: €500k).
- In addition to the table above, dividends or dividend equivalents on unvested deferred share awards were paid during the year (Mr Borrows: £151k, Mrs Wilson: £67k).
- The values shown in the LTIP column represent the performance shares vesting from the 2017 LTIP, together with the value of accrued dividends on those shares. The shares have been valued using the 31 March 2020 closing share price (792.2 pence). Further detail is provided on page 99.
- The fees shown for the non-executive Directors include fees used to purchase shares in the Company. Non-executive Directors receive reimbursement for their reasonable expenses for attending Board meetings. The Group meets the associated tax cost.
- In addition to the fees shown above, Mrs Wilson retained Directors' fees of £115k from Legal and General Group plc.
- Since 1 April 2018, non-executive Directors have received a fixed proportion of their base fees as shares, having previously received a fixed number of shares.

FY2020 performance

Formulaic performance measures (67.5% of total)

Area of strategic focus	Weighting	Metric	Threshold	Maximum	Performance	Pay-out
Portfolio returns (excluding Action)	35%	Private Equity Gross investment return (% of opening portfolio value)	10%	15%	(6)%	0%
Portfolio returns (Action)	20%	Gross investment return (% of opening portfolio value)	20%	30%	20.4%	23%
Portfolio returns	7.5%	3iN total return	8%[1]	10%[1]	11.4%	100%
Portfolio returns	2.5%	Scandlines return	8%	12%	1%	0%
Operating performance	2.5%	Operating Cash Profit	£8m	£12m	£40m	100%

Qualitative performance measures (32.5% of total)

Area of strategic focus	Weighting	Metric		Target/ Expectation	Performance	Comments
Portfolio returns	5%	Private Equity portfolio earnings growth	E	>10%	16.7%	93% of portfolio companies (by value) grew earnings in 2019.
Investment management	15%	New capital invested in Private Equity	E	€800m	€1,221m	In a market with high levels of dry powder, the company has continued to be selective in making investments. In addition to the investments in Magnitude Software and Evernex and the creation of the new bioprocessing platform (through the purchase of Cellon), the company has also made 13 bolt-on investments across the portfolio, the majority of which were funded from portfolio companies' own balance sheets. The £591 million re-investment into Action, following the sale of the EFV interest, has increased our gross equity stake from 45.3% to 52.6%.
		New 3iN capital committed in Core/PPP	E	£325m	£186m	3iN completed the acquisition of Joulz (£190m) in April 2019 and invested £186m in Ionisos.
Strategy and people	12.5%	Achievement of strategy and people targets is measured against a balanced scorecard of objectives set by the Remuneration Committee				The successful sale of the EFV interest in Action was the critical strategic objective in the year. The Transaction was structured to ensure fair treatment of third-party investors in the fund, whilst enabling 3i to increase its investment and, as manager of Action, retain its existing governance arrangements. The Group's risk management processes have been operated well and the response to the COVID-19 pandemic has been robust. Recent investment in our IT systems has facilitated a smooth transition from office to remote working. In advance of the pandemic the Group renegotiated and increased the size of its (undrawn) RCF which ensures access to enhanced liquidity if required. The 3iN placing of £223 million was successfully managed by the team and provided 3iN with additional liquidity for further investment. The US Infrastructure business completed its investment in Regional Rail. The new co-heads of Private Equity have taken good steps towards strengthening and retaining the existing team of investors.

1 The threshold and maximum return targets are set in line with 3iN's public return objectives.
T = Target E = Expectation

Consistent with last year, the Board did not set a threshold and maximum for all metrics and set expectations rather than targets for some. This is because the timing of investments and realisations is highly sensitive to market conditions, and a more prescriptive approach would run the risk of creating perverse incentives for executives. For example, setting a target level of realisations may result in the earlier sale of assets than would otherwise be appropriate, and setting a target level of investments may result in investing at inflated prices. In relation to operating performance, the continued tight focus on managing operating costs is emphasised by specifying a narrow range of acceptable outcomes rather than a single numerical target. Operating costs as a percentage of assets under management compares favourably with other investment groups.

Chief Executive and Group Finance Director Annual bonus outcomes

The Executive Directors had an excellent year and were on track to achieve the vast majority of their targets until the effects of the COVID-19 pandemic were felt on the portfolio and the markets in the final month of FY2020. Their delivery on the qualitative performance measures was broadly unaffected by the crisis but the effects of the pandemic caused a severe mark-down in outcomes on the formulaic performance measures which account for 67.5% of total scorecard opportunities. In the light of the performance detailed above, the Committee awarded Mr Borrows a reduced bonus in respect of FY2020 of £957,804 (being 37% of his maximum bonus opportunity), and awarded Mrs Wilson a bonus in respect of FY2020 of £435,365 (being 37% of her maximum bonus opportunity). In each case, 40% of the award will be paid in cash immediately and 60% will be deferred into the Company's shares vesting in equal instalments over four years. Annual bonus awards are subject to the malus/clawback policy.

Share awards vesting in FY2020 subject to performance conditions

2017 Long-term incentive award

The long-term incentive awards granted in June 2017 to Mr Borrows and Mrs Wilson were subject to performance conditions based on absolute and relative Total Shareholder Return over the three financial years to 31 March 2020. The table below shows the achievement against these conditions and the resulting proportion of the awards which will vest in June 2020.

	Weighting	Threshold		Maximum		Actual	
Total Shareholder Return Measure	%	Performance	% vesting	Performance	% vesting	Performance	% vesting
Absolute Total Shareholder Return	50%	10% pa	20%	18% pa	100%	16.2%	82.3%
Relative Total Shareholder Return (as measured against the FTSE 350 Index)	50%	Median	25%	Upper quartile	100%	Above upper quartile	100%

The table below shows the grants made to each Executive Director on 29 June 2017 at a share price of 835.3 pence and the resulting number of shares that will vest due to the achievement against the performance targets as set out above. The value of the shares vesting has been included in the single figure table using the 31 March 2020 closing share price of 792.2 pence. The 3 month average closing share prices used to calculate performance were 712.93p (3 months to 31 March 2017) and 1,006.14p (3 months to 31 March 2020).

	Basis of award at grant	Face value at grant	Number of shares awarded at 835.3p per share	% vesting	Number of shares vesting	Value of shares vesting at 792.2p per share
S A Borrows	Face value award of 4 times base salary of £601k	£2,404k	287,800	91.2%	262,473	£2,079k
J S Wilson	Face value award of 2.5 times base salary of £437k	£1,093k	130,818	91.2%	119,306	£945k

The proportion of the award vesting will be released 50% in June 2020, 25% in June 2021 and 25% in June 2022 together with the value of dividends that would have been received during the period from grant to the release date.

Change in the remuneration of the Chief Executive compared to other employees

The table below shows the percentage change in remuneration awarded to the Chief Executive and employees as a whole between the year to 31 March 2019 and the year to 31 March 2020.

	Salary	Benefits	Bonus
Chief Executive	1.5%	0%	(59)%
All other employees	5.3%	0%	(42)%

Details of share awards granted in the year

LTIP

Performance share awards were granted to the two Executive Directors during the year as shown in the table below.

Description of award	A performance share award, which releases shares, subject to satisfying the performance conditions, 50% on the third anniversary of grant and 25% on the fourth and fifth anniversaries.
Face value	Chief Executive – 400% of salary, being 237,268 shares. Group Finance Director – 250% of salary, being 107,849 shares. The share price used to make the award was the average mid-market closing price over the five working days starting with the day of the announcement of the 2019 annual results (1074.9p).
Performance period	1 April 2019 to 31 March 2022.
Performance targets	50% of the award is based on absolute TSR measured over the performance period, and vests: • 0% vesting below 10% pa TSR; • 20% vesting at 10% pa TSR; • straight-line vesting between 10% and 18% pa TSR; and • 100% vesting at 18% pa TSR. 50% of the award is based on relative TSR measured against the FTSE 350 Index over the performance period, and vests: • 0% vesting for below median performance against the index; • 25% vesting for median performance against the index; • 100% vesting for upper quartile performance against the index; and • straight-line vesting between median and upper quartile performance. Total shareholder returns are calculated based on the average closing share price over the first three months of the calendar year.
Remuneration Committee discretion	The Committee can reduce any award which would otherwise vest if gross debt or gearing targets are missed.

Deferred bonuses awarded in FY2020

The two Executive Directors are considered to be AIFMD Identified Staff and, for awards made during FY2020, 60% of their annual bonuses were delivered in 3i Group plc shares deferred over four years (and which vest one quarter per annum over those four years). The remaining 40% was delivered half as a cash bonus and half in 3i Group plc shares which were subject to a six-month retention period. The following awards were made on 6 June 2019 in respect of FY2019 performance:

	60% of FY2019 bonus deferred for four years			20% of FY2019 delivered as shares subject to a six-month retention period		
	Face value at grant	Number of shares awarded at 1074.9p per share	Vesting	Face value at grant	Number of shares awarded at 1074.9p per share	Released
S A Borrows	£1,415,272	131,665	Four equal instalments annually from 1 June 2020	£471,757	43,888	At the expiry of the six-month retention period
J S Wilson	£643,397	59,856		£214,465	19,952	

These face values were reported in the FY2019 single figure of remuneration for each Director. The share price used to calculate face value was the average of the mid-market closing prices over the five working days starting with the date of the announcement of the Company's results for the year ended 31 March 2019 (16 May 2019 to 22 May 2019), which was 1074.9 pence. These awards are not subject to further performance conditions.

Share Incentive Plan

During the year, Mrs Wilson participated in the HMRC approved Share Incentive Plan which allowed employees to invest up to £150 per month from pre-tax salary in ordinary shares ("partnership shares"). For each partnership share, the Company grants two free ordinary shares ("matching shares") which are forfeited if the participant resigns within three years of grant. Dividends are reinvested in further ordinary shares ("dividend shares").

During the year, Mrs Wilson purchased 170 partnership shares, and received 370 matching shares and 629 dividend shares at prices ranging between 775.53p and 1147.33p per share, with an average price of 1075.5p.

Hedging of share awards

As a matter of policy the Group ensures that it holds the maximum potential number of shares granted under the LTIP and Deferred Share Plan from the date of grant. Shares are purchased by the Employee Benefit Trust in the market as and when required to ensure that coverage is maintained.

Pension arrangements

Mr Borrows and Mrs Wilson receive pension benefits on the same percentage basis of their pensionable salaries as other employees of the Company. During the year, they received salary supplements in lieu of pension of £17k and £49k respectively.

Payments to past Directors

No payments to past Directors were made in the year.

Payments for loss of office

No payments to Directors for loss of office were made in the year.

Statement of Directors' shareholding and share interests

The Company's share ownership and retention policy requires Executive Directors to build up over time and thereafter maintain a shareholding in the Company's shares equivalent to at least 3.0 times gross salary in the case of the Chief Executive and 2.0 times gross salary for the Group Finance Director. In addition, shareholding targets have been introduced for other members of the Executive Committee at 1.5 times their gross salaries and for partners in the Group's businesses at 1.0 times their gross salaries. Since 2018 non-executive Directors and the Chairman are required to build up over time and thereafter maintain a shareholding in the Company's shares equivalent to at least 1 times their respective annual base fees (cash and shares).

From this year, Executive Directors will be expected to maintain a shareholding in the Company at the lower of their shareholding at the time they leave employment and the levels set out above, for two years post employment.

Details of Directors' interests (including interests of their connected persons) in the Company's shares as at 31 March 2020 are shown in the table below. The closing share price on 31 March 2020 was 792.2p.

	Owned outright[1]	Deferred shares[2]	Subject to performance	Shareholding requirement	Current shareholding (% salary)
S A Borrows[3]	15,037,501	971,728	483,139	300%	18,407%
J S Wilson[3,4]	1,053,778	448,596	219,608	200%	1,774%

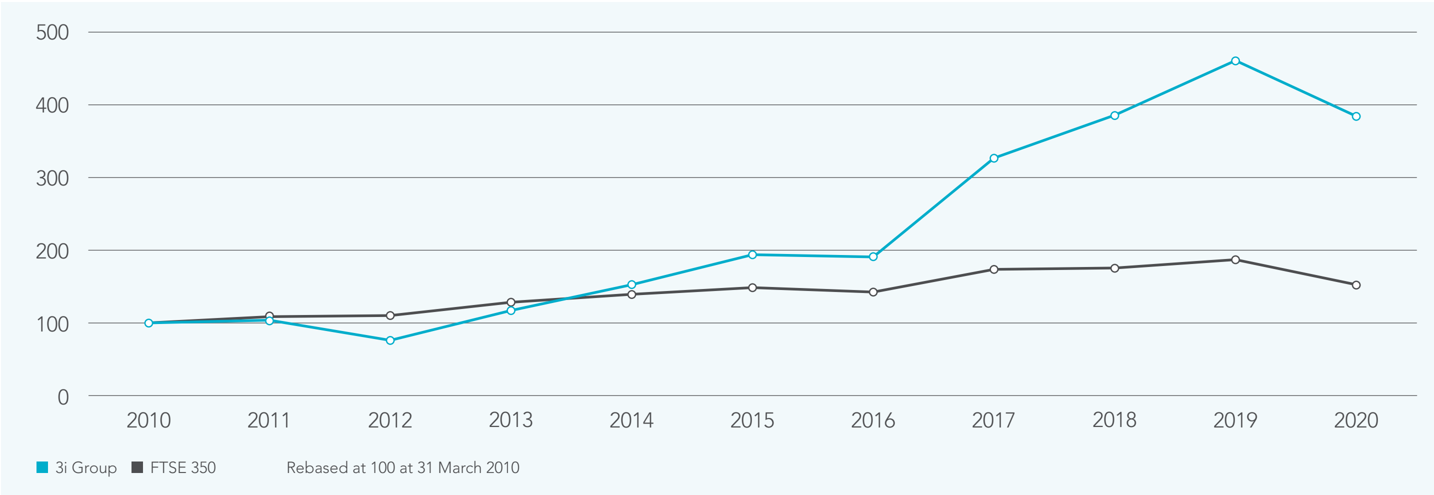
	Shares owned outright	Shareholding requirement	Current shareholding (% base fee)
S Thompson[3]	74,582	100%	191%
J P Asquith[3]	88,924	100%	1,084%
C Banszky[3]	21,918	100%	267%
S Daintith[3]	7,164	100%	87%
P Grosch[3]	10,172	100%	124%
D Hutchison[3]	79,089	100%	964%
C McConville[3]	4,998	100%	61%
A Schaapveld[3]	0	100%	0%

1 The share interests shown for Mrs Wilson include shares held in the 3i Group Share Incentive Plan. The owned outright column includes partnership and dividend shares under the SIP. The deferred shares column includes matching shares under the SIP.
2 The number of shares shown includes the 2017 Performance Share award. The performance against the performance targets results in 91.2% of the shares being released as described on page 99.
3 Directors are restricted from hedging their exposure to the 3i share price.
4 From 1 April 2020 to 1 May 2020, Mrs Wilson became interested in a further 18 shares overall outright (SIP Partnership Shares) and a further 36 deferred shares (SIP Matching Shares). There were no other changes to Directors' share interests in that period.

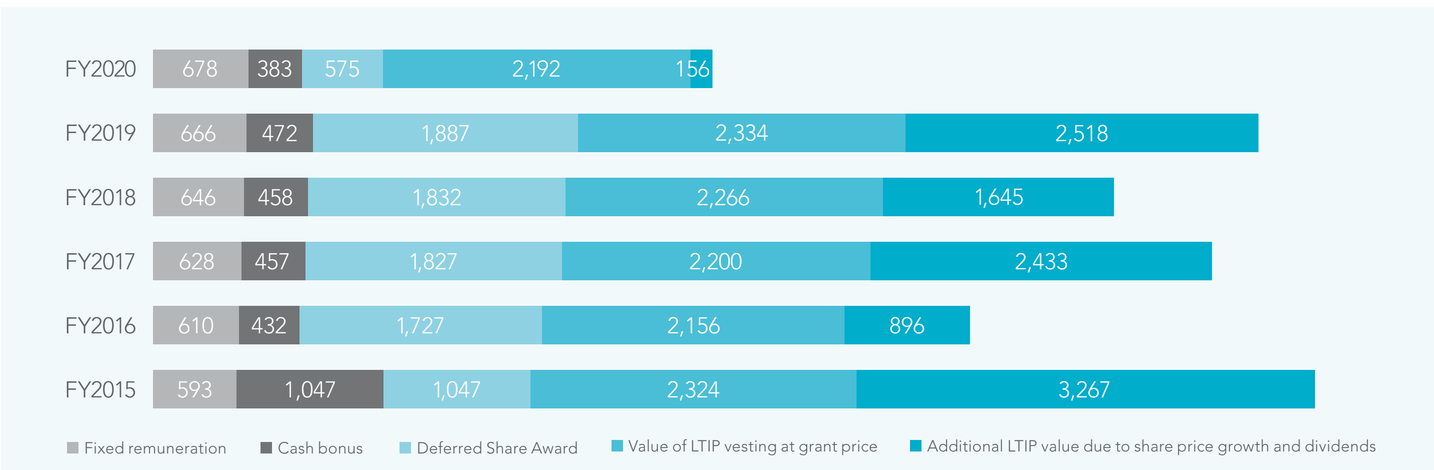
Performance graph – TSR graph

This graph compares the Company's total shareholder return for the 10 financial years to 31 March 2020 with the total shareholder return of the FTSE 350 Index. The FTSE 350 Index is considered to be an appropriate comparator as it reflects both the variety of the Company's portfolio of international investments as well as the diverse currencies in which those investments are denominated.

3i total shareholder return vs FTSE 350 total return over the 10 years to 31 March 2020



Chief Executive's single figure remuneration history (£'000)



The graph above illustrates the remuneration picture at 3i over the last six years, with much of the inter-year variation in total reward driven by differing share price performance. During this period, the Group's market capitalisation rose from £3.9 billion to £7.9 billion. The Chief Executive's fixed compensation of £678,000 was at the bottom end of the FTSE 100 as of 31 March 2020.

Performance table

Table of historic Chief Executive data

Year	Chief Executive	Single figure of total remuneration £'000	Percentage of maximum bonus paid	Percentage of maximum LTIP vesting
FY2020	S A Borrows	3,984	37%	91.2%
FY2019	S A Borrows	7,877	92.5%	100%
FY2018	S A Borrows	6,847	92.5%	100%
FY2017	S A Borrows	7,544	95%	100%
FY2016	S A Borrows	5,821	92.5%	98%
FY2015	S A Borrows	8,278	92.5%	90.85%
FY2014	S A Borrows	3,222	92.5%	0%
FY2013[1]	S A Borrows	2,932	90%	n/a
	M J Queen	429	0%	0%
FY2012	M J Queen	641	0%	0%
FY2011	M J Queen	1,305	54%	0%

1 M J Queen ceased to be a Director on 16 May 2012. Mr Borrows was appointed Chief Executive on 17 May 2012 having previously been Chief Investment Officer.

Relative importance of spend on pay

	FY2020	FY2019	Change %
Remuneration of all employees	**£71m**	£83m	(14)%
Dividends paid to shareholders	**£363m**	£358m	1%

Statement of implementation of the remuneration policy in the coming year

The table below sets out how the Committee intends to operate the remuneration policy in FY2021.

Policy element	Implementation of policy during FY2021
Base salary	Base salaries across the Group will remain unchanged for FY2021, other than to reflect promotions or changes in roles. The base salary freeze will also be applied to Executive Director salaries. Effective from 1 July 2020, salaries for the Executive Directors will therefore be as follows: • Chief Executive: £647,165 (0%) • Group Finance Director: £470,655 (0%)
Pension	No changes to the current arrangements are proposed for FY2021. The Executive Directors will continue to receive a pension contribution or salary supplement as follows: • Chief Executive: £16k • Group Finance Director: 12% of salary
Benefits	No changes to the current arrangements are proposed for FY2021. Benefits will continue to include a car allowance, provision of health insurance and any Share Incentive Plan matching share awards.
Annual bonus	The maximum annual bonus opportunities for FY2021 will remain unchanged, in line with the remuneration policy, as follows: • Chief Executive: 400% of salary • Group Finance Director: 250% of salary Any bonus will be awarded based on a balanced scorecard of both financial and strategic measures agreed by the Committee, alongside a consideration of the wider context of personal performance (including values and behaviours), risk, market and other factors. The uncertain implications of the COVID pandemic make target-setting particularly challenging for FY2021. The Committee has agreed that the scorecard for the year will be driven as to 72.5% by financial targets around portfolio returns and similar metrics, with the balance measured against a series of investment management, strategic and people goals. The Committee considers that the specific targets and expectations contained within the FY2021 scorecard are commercially sensitive and therefore will not be disclosed in advance. We will report to shareholders next year on performance and the resulting bonus out-turns. At least 50% of any bonus award will be deferred into shares vesting in equal instalments over four years. Awards are subject to the Company's malus and clawback policy.

Policy element	Implementation of policy during FY2021
Long-term Incentive Plan	Awards under the Long-term Incentive Plan in FY2021 will remain unchanged and be made as follows: • Chief Executive: 400% of salary • Group Finance Director: 250% of salary Performance will be measured over a three-year period and will be determined by the Remuneration Committee. Performance measures remain unchanged from the previous year and will be as follows: 50% of the award is based on absolute TSR measured over the performance period, and vests: • 0% vesting below 10% pa TSR; • 20% vesting at 10% pa TSR; • straight-line vesting between 10% and 18% pa TSR; and • 100% vesting at 18% pa TSR. 50% of the award is based on relative TSR measured against the FTSE 350 Index over the performance period, and vests: • 0% for below median performance against the index; • 25% for median performance against the index; • 100% for upper quartile performance against the index; and • straight-line vesting between median and upper quartile performance. Total shareholder returns are calculated based on the average closing share price over the first three months of the calendar year. Awards are subject to the Company's malus and clawback policy. To the extent that shares vest, awards are subject to a holding period whereby they are released on or around (but not earlier than) fifth anniversaries of grant. The Chief Executive and Group Finance Director are not permitted to participate in carried interest plans and similar arrangements.
Shareholding requirements	Shareholding requirements will be as follows: • Chief Executive: 300% of salary • Group Finance Director: 200% of salary • non-executive Directors (including the Company Chairman): 100% of base fee (cash and shares) • Executive Directors will be expected to maintain a shareholding in the Company at the lower of their shareholding at the time they leave employment and of the levels set out above, for two years post-employment.
Non-executive Director fees	The fees for the non-executive Directors for FY2021 will be: **Chairman fee:** £240,000 plus £70,000 in 3i shares **Non-executive Directors:** Board membership base fee: £50,000 plus £15,000 in 3i shares Deputy Chairman (including SID fee): £40,000 Senior independent director fee: £10,000 Committee chairman: £20,000 Committee member: £8,000 Committee fees are payable in respect of the Audit and Compliance Committee, Remuneration Committee and Valuations Committee.

Policy element	Implementation of policy during FY2021
Malus and clawback policy	Long-term incentive awards and deferred bonus share awards made during the year to Executive Directors, may be forfeited or reduced in exceptional circumstances on such basis as the Committee considers to be fair, reasonable and proportionate taking into account an individual's role and responsibilities. Such exceptional circumstances include: (1) a material misstatement in the financial statements of the Company or Group or any Member of the Group; or (2) where an individual has caused, wholly or in part, a material loss for the Group as a result of: (i) reckless, negligent or wilful actions or omissions; or (ii) inappropriate values or behaviour. (3) an error in assessing any applicable Performance Conditions or the number of shares; (4) the assessment of any applicable Performance Conditions and/or the number of shares to be released being based on inaccurate or misleading information; (5) misconduct on the part of the individual concerned; (6) a Member of the Group is censured by a regulatory body or suffers a significant detrimental impact on its reputation, provided that the Committee determines that the individual was responsible for, or had management oversight over, the actions, omissions or behaviour that gave rise to that censure or detrimental impact; or (7) the Company (or entities representing a material proportion of the Group) becomes insolvent or otherwise suffers a corporate failure so that ordinary shares in the Company cease to have material value, provided that the individual is responsible (in whole or in part) for that insolvency or failure. In exceptional circumstances (and on such basis as the Committee considers fair, reasonable and proportionate taking into account an individual's role and responsibilities), the Group may recover amounts that have been paid or released from awards (including cash bonus awards), as long as a written request for the recovery of such sums is made in the two-year period from the date of payment or release and in circumstances where either (a) there has been a material misstatement of Group financial statements or (b) the Group suffers a material loss. In arriving at its decision, the Committee will take into consideration such evidence as it may reasonably consider relevant including as to the impact of the affected individual's conduct, values or behaviours on the material misstatement or material loss, as the case may be.

Remuneration Committee advisers

The Committee appointed Deloitte LLP as advisers in 2013 and during the year they provided the Committee with external, independent advice.

Deloitte LLP are members of the Remuneration Consultants Group and as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. During the year, Deloitte LLP also provided 3i with certain tax advisory services. The Committee has reviewed the advice provided during the year and is satisfied that it has been objective and independent. The total fees for advice during the year were £50,850 (excluding VAT) (2019: £36,450 (excluding VAT)).

Result of voting at the 2017 and 2019 AGM

At the 2019 AGM, shareholders approved the Remuneration report that was published in the 2019 Annual report and accounts. At the 2017 AGM, shareholders approved the Directors' remuneration policy. The results for both of these votes are shown below:

Resolution	Votes for	Votes against	Total votes cast	Votes withheld
Approval of the Directors' remuneration report at the 2019 AGM	687,950,630 (92.39%)	56,679,110 (7.61%)	744,629,740	802,297
Approval of the Directors' remuneration policy at the 2017 AGM	684,177,712 (95.32%)	33,578,863 (4.68%)	717,756,575	1,094,463

The Remuneration policy is available on 3i's website **www.3i.com**.

Audit

The tables in this report (including the Notes thereto) on pages 97 to 103 have been audited by Ernst & Young LLP.

By order of the Board

Jonathan Asquith
Chairman, Remuneration Committee

13 May 2020

Directors' remuneration policy

Policy report

Remuneration policy table

The table below summarises the policy in respect of each element of the Company's remuneration for Executive and non-executive Directors effective from the date of the 2020 Annual General Meeting. This policy will be put forward for shareholder approval at the 2020 Annual General Meeting in accordance with section 439A of the Companies Act 2006.

Changes to the policy operated in FY2020

In designing the new Remuneration policy the Committee followed a robust process which included discussions on the content of the policy at four Remuneration Committee meetings. The Committee considered input from management and from its independent remuneration advisors and consulted with shareholders and their advisers before updating the policy to reflect current governance standards. In addition to extending the discretions of the Remuneration Committee to adjust awards retrospectively when circumstances dictate and providing further clarification on the use of the malus provision, the new Remuneration policy ensures that future LTIP awards will not be released before the fifth anniversary of their grant and introduces post-employment shareholding retention rules for two years following departure of any executive director. While the Committee will consider the appropriateness of the Remuneration policy annually to ensure it continues to align with the business strategy, there is no current intention to revise the policy more often than every three years, unless required by changes to regulations or legislation.

Executive Directors

Purpose and link to strategic objectives	Operation	Opportunity	Performance metrics
Base salary			
• To provide a fixed element of pay at a level that aids the recruitment, retention and motivation of high performing people. • To reflect their role, experience and importance to the business.	• Salaries are normally reviewed annually by the Committee, with any changes usually becoming effective from 1 July. • These are reviewed by taking into account a number of factors, including: – performance of the Company and individual; – wider market and economic conditions; – any changes in responsibilities; and – the level of increases made across the Company.	• Whilst there is no maximum salary level, increases are generally considered in the context of those awarded to other employees and the wider market. • Higher increases may be awarded in exceptional circumstances. For example, this may include a change in size, scope or responsibility of role, or development within the role or a specific retention issue. • The annual base salary for each Executive Director is set out in the Annual report on remuneration for the year.	• None, although the Committee considers when setting salary levels the breadth and responsibilities of the role as well as the competence and experience of the individual.
Pension			
• To provide contributions to Executive Directors to enable them to make long-term savings to provide post-retirement income. • Pension contributions are provided to both support retention and recruit people of the necessary calibre.	• Participation in the defined contribution pension scheme (3i Retirement Plan) or cash equivalent. • Prior to 2011 Executive Directors were eligible for membership of the 3i Group Pension Plan, a defined benefit contributory scheme. Pension accrual ceased for all members with effect from 5 April 2011, although a link to final salary is maintained for existing accrual up to the date of leaving the Company.	• Executive Directors receive a pension contribution or cash allowance of up to 12% of pensionable salary. The pension policy for Executive Directors is identical to the pension policy for other employees. • For those Executive Directors who were members of the 3i Group Pension Plan, their deferred pension will change to reflect the deferred pension available on leaving, payable from age 60. • Details for the current Executive Directors are set out in the Annual report of remuneration for the year.	• n/a
Benefits			
• To provide market competitive benefits at the level needed to attract and retain high performing people. • To provide health benefits to support the well-being of employees.	• Executive Directors are entitled to a combination of benefits, including a non-pensionable car allowance, private medical insurance, an annual health assessment and life assurance. • The Remuneration Committee may remove benefits that Executive Directors receive or introduce other benefits if it is appropriate to do so.	• Whilst there is no maximum level of benefits, they are generally set at an appropriate market competitive level, taking into account a number of factors including market practice for comparable roles within appropriate pay comparators. • The Remuneration Committee may review the benefits for an existing or new Executive Director at any point.	• n/a

Purpose and link to strategic objectives	Operation	Opportunity	Performance metrics
Annual bonus			
• To incentivise the achievement of the Group's strategic objectives on an annual basis. • Deferral into shares reinforces retention and enhances alignment with shareholders by encouraging longer-term focus and risk alignment.	• Bonus awards are considered annually based on performance in the relevant financial year. • All performance targets are reviewed and set by the Committee early in the year. Awards are determined by the Committee after the year end based upon the actual performance against these targets. • No more than 50% of any bonus award is paid as cash. • At least 50% of any bonus award will be deferred into shares vesting in equal instalments over four years. • Deferred bonus awards may be granted in the form of conditional share awards, options or forfeitable shares. Awards may also be settled in cash in exceptional circumstances. • Participants receive the value of dividends in cash on the shares which are subject to the award. • Awards are subject to the malus/clawback policy (as set out in the Notes on page 108).	• Maximum bonus of 400% of salary for the Chief Executive. • Maximum bonus of 250% of salary for the Group Finance Director.	• Performance is assessed against a balanced scorecard which aligns with the strategic objectives of the Group. • The targets can be a range of financial, business line specific, personal, risk and other key Group targets. • The Committee uses the scorecard as a prompt and guide to judgement and considers the performance outcomes in the wider context of personal performance (including values and behaviours), risk, market and other factors. • The Committee has discretion to adjust the annual bonus outcomes, both upwards and downwards (where significant adjustment is required), to ensure the outcome is a fair reflection of the performance of the Company and the individual. • Details of the annual performance targets/expectations (and performance against them) are shown within the Annual report of remuneration.
Long-term Incentive Plan			
• Alignment of reward with long-term, sustainable Company performance and the creation of shareholder value over the longer term. • The selection of absolute and relative return targets for shareholder returns ensures participants' and shareholders' interests remain aligned irrespective of market conditions.	• All performance targets, along with relative weightings, are reviewed and set by the Committee prior to awards being made. • The Committee may make an award in the form of forfeitable shares, conditional share awards, stock appreciation rights, or options under the plan. Awards may be settled in cash in exceptional circumstances. • Award levels are determined by reference to individual performance prior to grant. • Awards vest subject to the Group's achievements against the performance targets over a fixed three-year period. • To the extent that shares vest, awards are subject to a holding period whereby they are released on or around (but not earlier than) the fifth anniversary of grant. • The Committee may determine that participants may receive the value of dividends in cash or shares which would have been paid on the shares that vest under awards. • Performance share awards are subject to the malus/clawback policy (as set out on the next page).	• Awards granted in respect of a financial year will have a face value of up to 400% of salary for the Chief Executive. • Awards granted in respect of a financial year will have a face value of up to 250% of salary for the Group Finance Director. • Normally, no payment will be made for below threshold performance. • Between 20% and 25% of the award vests at threshold performance, depending upon the performance condition.	• The scorecard will contain at least two measures of shareholder return, including at least one absolute and one market/peer group relative measure together with any other metrics the Committee feel are applicable at the time of grant. • The achievement against these targets is measured over a three-year period and is determined by the Committee. • The Committee has discretion to adjust the formulaic LTIP outcomes, both upwards and downwards (where significant adjustment is required), to ensure the outcome is a fair reflection of the performance of the Company and the individual. • The Committee can reduce any award which would otherwise vest if gross debt or gearing limits are breached. • Details of the current performance conditions are shown within the Annual report of remuneration.

Purpose and link to strategic objectives	Operation	Opportunity	Performance metrics
Shareholding requirements			
• To create alignment with shareholders by encouraging longer-term focus.	• Executive Directors are required to build up over a reasonable period of time, and thereafter maintain, a shareholding in the Company's shares. Vested shares (net of income tax and National Insurance contributions) under the Deferred Bonus Plan and Long-term Incentive Plan should be retained until the shareholding requirement is met. • In addition, shareholding targets exist for other members of the Executive Committee and for staff designated as "partners" in the Group's businesses. • The Committee retains the ability to introduce additional retention conditions. • Post-cessation of employment, Executive Directors are also expected to remain aligned with the interests of shareholders for a period after leaving the Company, save for in exceptional circumstances. Details of this policy are set out in the Annual Report of Remuneration.	• The shareholding targets for the Executive Directors are: – Chief Executive – 3.0 times salary – Group Finance Director – 2.0 times salary • Executive Committee members have a target of 1.5 times salary and selected "partners" 1.0 times salary.	• n/a

Notes to the Remuneration policy table

Performance conditions

The Committee selected the performance conditions used for determining the annual bonus and LTIP awards as they align directly with the short and long-term strategy of the business. These conditions are set annually by the Committee at levels that take into account the Board's business plan.

Consistency with policy for all employees

All employees are eligible to receive salary, pension contributions and benefits and to be considered for a discretionary annual bonus, with the maximum opportunities reflecting the role and seniority of each employee. Other members of the Executive Committee are subject to the same bonus deferral arrangements as the Executive Directors. Higher-earning members of staff below Executive Committee have a portion of their bonus deferred into shares vesting in equal instalments over a three-year period.

Within each of the Group's businesses, senior members of staff have a significant part of their compensation linked to the long-term performance of the Group's and its clients' investments through carried interest schemes or similar arrangements.

Co-investment and carried interest plans

Executive Directors, other than the Chief Executive and Group Finance Director, are permitted to participate in carried interest plans and similar arrangements. This was approved by shareholders on 4 July 2001 and 6 July 2011 when approving the Group's Long-term Incentive Plan. No current Executive Director benefits from these arrangements.

Malus/Clawback policy

Long-term incentive awards and deferred bonus share awards made during the year to Executive Directors, may be forfeited or reduced in exceptional circumstances on such basis as the Committee considers to be fair, reasonable and proportionate taking into account an individual's role and responsibilities. Such exceptional circumstances include:

(1) a material misstatement in the financial statements of the Company or Group or any Member of the Group; or

(2) where an individual has caused, wholly or in part, a material loss for the Group as a result of:

  (i) reckless, negligent or wilful actions or omissions; or

  (ii) inappropriate values or behaviour.

(3) an error in assessing any applicable Performance Conditions or the number of shares;

(4) the assessment of any applicable Performance Conditions and/or the number of shares to be released being based on inaccurate or misleading information;

(5) misconduct on the part of the individual concerned;

(6) a Member of the Group is censured by a regulatory body or suffers a significant detrimental impact on its reputation, provided that the Committee determines that the individual was responsible for, or had management oversight over, the actions, omissions or behaviour that gave rise to that censure or detrimental impact; or

(7) the Company (or entities representing a material proportion of the Group) becomes insolvent or otherwise suffers a corporate failure so that ordinary shares in the Company cease to have material value, provided that the individual is responsible (in whole or in part) for that insolvency or failure.

The Group may recover amounts that have been paid or released from awards (including cash bonus awards), as long as a written request for the recovery of such sums is made in the two-year period from the date of payment or release and in circumstances where either (a) there has been a material misstatement of Group financial statements or (b) the Group suffers a material loss, and (in either case) the Committee considers that there is reasonable evidence to show that the misstatement or loss has been caused by the individual's reckless, negligent or wilful actions or inappropriate values or behaviours.

The Committee may make minor changes to this policy, which do not have a material advantage to Directors, to aid in its operation or implementation without seeking shareholder approval for a revised version of this Policy report.

Non-executive Directors – Fees

Purpose and link to strategy	Operation	Opportunity
• To attract and retain high performing non-executive Directors of the calibre required.	• Non-executive Directors receive a basic annual fee. • The fee is delivered in a mix of cash and shares. • The Chairman's fee is reviewed annually by the Committee. • Fees are benchmarked against other companies of comparable size and against listed financial services companies. • The Board is responsible for determining all other non-executive Director fees, which are reviewed annually to ensure they remain appropriate.	• Fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company but the Company avoids paying more than necessary for this purpose. • Additional fees are paid for the following roles/duties: – Senior Independent Director – Committee Chairman – Committee membership • Committee fees are payable in respect of the Audit and Compliance Committee, Remuneration Committee, Valuations Committee and other Committees where appropriate.

Recruitment policy

In determining remuneration arrangements for new executive appointments to the Board (including internal promotions), the Committee will take into consideration all relevant factors, including the calibre of the individual, the nature of the role, local market practice, the individual's current remuneration package, 3i remuneration policy, internal relativities and existing arrangements for other Executive Directors. For external appointments, some variation may be necessary in order to attract the successful candidate and to reflect particular skills or experience specifically required.

The maximum level of variable pay (as expressed as a multiple of base salary) which may be awarded to new Executive Directors in respect of their appointment shall be no more generous than the combined maximum limits expressed in the Remuneration policy table above in respect of the Chief Executive, with an appropriate mix between annual bonus and LTIP opportunity, excluding any awards made to compensate the Executive Director for awards forfeited by their previous employer.

It may be necessary to compensate the new Executive Director for variable pay being forfeited from their current employer. The Committee's intention is that any such award would be no more generous than the awards being forfeited and would be determined on a comparable basis at the time of grant, including the pay-out schedule and performance conditions, where appropriate.

In determining whether it is appropriate to use judgement, as set out above, the Committee will ensure that any awards made are in the best interests of both the Company and its shareholders. The Committee is at all times conscious of the need to pay no more than is necessary, particularly when determining buyout arrangements.

For both internal and external appointments, it may be deemed appropriate to buy out awards held in carried interest or other asset-related incentive arrangements. The Committee's intention is that any such buyout would be at a fair value at the time of appointment.

In the event of the appointment of a new non-executive Director, remuneration arrangements will normally be in line with those detailed in the relevant table above.

Service contracts

The main terms of the service contracts of the Executive Directors who served in the year were as follows:

Provision	Policy
Notice period	• 12 months' notice if given by the Company. • 6 months' notice if given by the Executive Director. • Company policy is that Executive Directors' notice periods should not normally exceed one year. Save for these notice periods the contracts have no unexpired terms.
Dates of contracts	• Mr S A Borrows – 17 May 2012 • Mrs J S Wilson – 1 October 2008
Termination payments	• Mr Borrows' contract entitles the Company to terminate employment without notice subject to making 12 monthly payments thereafter equivalent to monthly basic pay and benefits less any amounts earned from alternative employment. • All Directors' contracts entitle the Company to give pay in lieu of notice.
Remuneration and benefits	• The operation of all incentive plans, including being eligible to be considered for an annual bonus and Long-term Incentive Plan awards, is non-contractual. • On termination of employment outstanding awards will be treated in accordance with the relevant plan rules.

The Chairman and the non-executive Directors do not have service contracts or contracts for services. Their appointment letters provide for no entitlement to compensation or other benefits on ceasing to be a Director. Service contracts are available for inspection at the Company's headquarters in business hours.

Payment for loss of office

As outlined above, the Committee must satisfy any contractual obligations agreed with the Executive Directors. Details of the Directors' notice periods are shown alongside the service contract information.

An Executive Director may be eligible to receive a time pro-rated annual bonus in respect of the year up until he or she ceased employment. In determining whether to award any bonus, the Committee will assess performance during the financial year up to the date of cessation of active involvement in their management role. The Committee may also make a payment in respect of outplacement costs and legal fees where appropriate.

The treatment of outstanding share awards is governed by the relevant share plan rules. The following table and the Note below it summarise the leaver categories and the impact on the share awards which employees (including Executive Directors) may hold.

For the avoidance of doubt, the Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the policy set out above, where the terms of that payment were agreed (i) before the 2014 policy came into effect or (ii) before this policy came into effect, provided that the terms of payment were consistent with the shareholder approved Directors' remuneration policy in force at the time they were agreed or were otherwise approved by shareholders; or (iii) at a time when the relevant individual was not a Director of the Company (or other person to whom this policy applied) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award or option over shares, the terms of the payment are "agreed" at the time the award is granted. This policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

Plan	Good leaver categories	Good leaver treatment[1]	Bad leaver treatment[1]
Deferred share awards	• Death • Retirement • Ill health, injury, disability • Redundancy • Employing company/business ceasing to be part of 3i Group • "Scheduled Departure" (ie a participant leaving on such a basis and/or within a specified timeframe as agreed by the Committee)	Awards vest in full on the normal vesting date. On death, awards vest in full immediately.	Unvested awards lapse in full. Vested awards structured as options may be exercised for three months following the participant's cessation of employment.
Long-term Incentive Plan	• Death • Retirement • Ill health, injury, disability • Redundancy • Employing company/business ceasing to be part of 3i Group • "Scheduled Departure" (ie a participant leaving on such a basis and/or within a specified timeframe as agreed by the Committee)	Awards vest on the normal vesting date subject to performance. Pro rating for time will apply. If a participant dies, the Committee will determine the extent to which awards should vest as soon as practicable following the participant's death.	Awards normally lapse in full. If the Committee decides in exceptional circumstances that the awards should vest after the participant's cessation of employment, awards will vest subject to performance and pro rating for time and other conditions may be imposed.

1 The treatments set out in the table above apply to all employees and are expected to operate in the vast majority of cases. The Plan rules retain discretion for the Committee to reduce awards in exceptional circumstances to Good Leavers or permit vesting (in whole or in part) of awards which would otherwise lapse to Bad Leavers. The Committee will report on the use of this discretion if it is exercised in relation to any Executive Director.

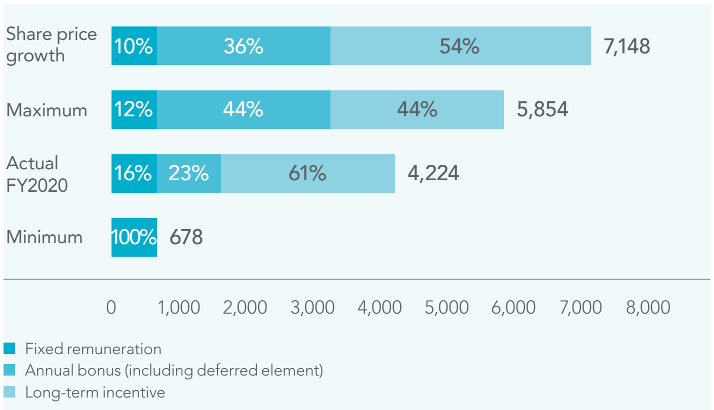
Change of control

Deferred share awards will generally vest early on a takeover, merger or other corporate reorganisation. Alternatively, participants may be allowed or required to exchange their awards for new awards.

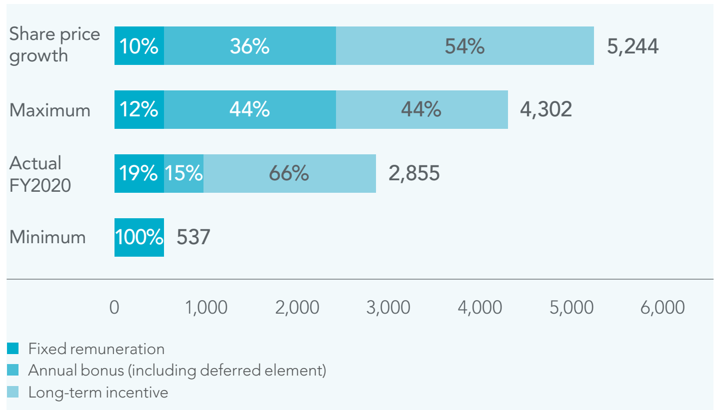
Long-term Incentive Plan awards will generally vest early on a takeover, merger or other corporate reorganisation. Alternatively, participants may be allowed or required to exchange their awards for new awards. Where an award vests early in these circumstances, the Committee will determine the level of vesting based on performance to that date and the proportion of the performance period that has passed.

Scenarios

Chief Executive (£'000)



Finance Director (£'000)



The assumptions made in preparing these graphs are that:

- Minimum – this includes only the fixed elements of pay, being base salary, benefits and pension;
- Actual – this represents the remuneration received by each Executive Director for their performance in the year;
- Maximum – this is calculated as the fixed elements and the maximum Annual Bonus and Long-term Incentive Plan awards; and
- Share price growth – this is calculated as the fixed elements and the maximum Annual Bonus and Long-term Incentive Plan awards (assuming a 50% share price appreciation).

Consideration of wider employee pay

As part of the annual Committee agenda, the Committee reviews the overall pay and bonus decisions in aggregate for the Group. This ensures that the pay and conditions in the wider Group are taken into account when determining Directors' pay. In particular:

- salary increases awarded over time to other employees are taken into account when considering salary increases for the Executive Directors; and
- the bonus awards made to Directors are considered and made in the context of discretionary bonus awards made within the business. These are based upon Company performance, and are closely correlated to the Executive Director bonus awards.

The Company does not consult with employees when preparing the Executive Director remuneration policy. However, a number of our employees are shareholders and so are able to express their views in the same way as other shareholders.

Consideration of shareholder views

The Committee has remained engaged with shareholders during the period since 2017, and will continue to be mindful of shareholder views when evaluating and setting ongoing remuneration strategy, and commits to consulting with shareholders prior to any significant changes to remuneration policy.

By Order of the Board

Jonathan Asquith
Chairman, Remuneration Committee

13 May 2020

Additional statutory and corporate governance information

This section of the Directors' report contains the corporate governance statement required by FCA Disclosure Guidance and Transparency Rule 7.2.

Corporate governance

Throughout the year, the Company complied with the provisions of the UK Corporate Governance Code (the "Code") published by the FRC in July 2018 and which is available on the FRC website.

The Group's internal control and risk management systems including those in relation to the financial reporting process are described on page 83.

Directors and independence

Directors' biographical details are set out on pages 76 and 77. The Board currently comprises the Chairman, seven non-executive Directors and two Executive Directors. Mr S R Thompson, Mr J P Asquith, Ms C J Banszky, Mr S A Borrows, Mr S W Daintith, Mr P Grosch, Mr D A M Hutchison, Ms C L McConville and Mrs J S Wilson served as Directors throughout the year under review. Ms A Schaapveld served as a Director during the year from 1 January 2020.

The Board regularly considers the independence of non-executive Directors. The Board considers all of the Company's non-executive Directors to be independent save for Mr Grosch because of his links with the Group's Private Equity business including his position as chairman of Kinolt (formerly Euro-Diesel), a company in which the Group is invested. The Chairman was independent on appointment.

At the date of the AGM Jonathan Asquith, who became a Director of the Company in March 2011, will have been a Director for over nine years. He had previously intended to retire as a Director at the AGM and not seek reappointment. However in light of the current COVID-19 pandemic the Board has asked Mr Asquith to delay his retirement until December 2020 so that the benefit of his deep knowledge and experience of the Company and its business, as well as his specific skills and industry experience will remain available to the Company during this turbulent period. Accordingly he will seek reappointment as a Director at the 2020 AGM. He will, however, cease to serve as Deputy Chairman, Senior Independent Director and Remuneration Committee Chairman at the conclusion of the AGM. The Board has considered Mr Asquith's independence in light of the provisions of the UK Corporate Governance Code and concluded that his continuing as a Director for a relatively short period of time following the ninth anniversary of his appointment in the current exceptional circumstances will not impair his independence. Accordingly the Board continues to regard Mr Asquith as an independent non-executive Director.

Investment policy

The UK Listing Authority's Listing Rules require 3i, as a closed-ended investment fund, to publish an investment policy. Shareholder approval is required for material changes to this policy. Non-material changes can be made by the Board. The current policy is set out below. No changes have been made to the policy since it was published in the Company's 2018 Report and Accounts.

- 3i is an investment company which aims to provide its shareholders with quoted access to private equity and infrastructure returns. Currently, its main focus is on making quoted and unquoted equity and/or debt investments in businesses and funds in Europe, Asia and the Americas. The geographies, economic sectors, funds and asset classes in which 3i invests continue to evolve as opportunities are identified. Proposed investments are assessed individually and all significant investments require approval from the Group's Investment Committee. Overall investment targets are subject to periodic reviews and the investment portfolio is also reviewed to monitor exposure to specific geographies, economic sectors and asset classes.
- 3i seeks to diversify risk through significant dispersion of investments by geography, economic sector, asset class and size as well as through the maturity profile of its investment portfolio.
- Although 3i does not set maximum exposure limits for asset allocations, it does have a maximum exposure limit that, save as mentioned below, no investment will be made unless its cost[1] does not exceed 15% of the investment portfolio value as shown in the last published valuation. A further investment may be made in an existing portfolio business provided the aggregate cost of that investment and of all other unrealised investments in that portfolio business does not exceed 15% of the investment portfolio value as shown in the last published valuation. A higher limit of 30% will apply to the Company's investment in 3i Infrastructure plc. For the avoidance of doubt, 3i may retain an investment, even if its carrying value is greater than 15% or 30% (as the case may be) of the portfolio value at the time of an updated valuation.
- Investments are generally funded with a mixture of debt and shareholders' funds with a view to maximising returns to shareholders, whilst maintaining a strong capital base. 3i's gearing depends not only on its level of debt, but also on the impact of market movements and other factors on the value of its investments. The Board takes this into account when, as required, it sets a precise maximum level of gearing. The Board has therefore set the maximum level of gearing at 150% and has set no minimum level of gearing. If the gearing ratio should exceed the 150% maximum limit, the Board will take steps to reduce the gearing ratio to below that limit as soon as practicable thereafter. 3i is committed to achieving balance sheet efficiency.

1 Where 3i makes an investment in an existing portfolio business as part of a restructuring or reorganisation of its investment in that existing portfolio business (which restructuring or reorganisation may involve, without limitation, 3i disposing of all or part of its existing investment in the relevant portfolio business and reinvesting all or part of the proceeds into a different entity which acquires or holds the relevant portfolio business or a substantial part thereof), the cost of that investment, for the purposes of determining the maximum exposure limit under this policy, shall, to the extent that the investment does not increase 3i's exposure to the relevant portfolio business, be deemed to be the cost of 3i's existing investment in the relevant portfolio business (or, in the case of a partial reinvestment, the pro-rated cost of 3i's existing investment in the relevant portfolio business) immediately prior to the restructuring or reorganisation. If 3i's investment includes a further investment, such that 3i increases its overall exposure to the relevant portfolio business as part of the restructuring or reorganisation, the cost of any such further investment at the date of such investment shall be added to the cost of the investment in the existing portfolio business as determined pursuant to the previous sentence.

Appointment and re-election of Directors

Subject to the Company's Articles of Association, the Companies Acts and satisfactory performance evaluation, non-executive Directors are appointed for an initial three-year term. Before the third and sixth anniversaries of first appointment, the Director discusses with the Board whether it is appropriate for a further three-year term to be served.

Under the Company's Articles of Association, the minimum number of Directors is two and the maximum is 20, unless otherwise determined by the Company by ordinary resolution. Directors are appointed by ordinary resolution of shareholders or by the Board. The Company's Articles of Association provide for Directors to retire by rotation at an AGM if they were appointed by the Board since the preceding AGM, they held office during the two preceding AGMs but did not retire at either of them, they held non-executive office for a continuous period of nine years or more at the date of that AGM, or they choose to retire from office.

Shareholders can remove any Director by special resolution and appoint another person to be a Director in their place by ordinary resolution. Shareholders can also remove any Director by ordinary resolution of which special notice has been given.

Subject to the Company's Articles of Association, retiring Directors are eligible for re-appointment. The office of Director is vacated if the Director resigns, becomes bankrupt or is prohibited by law from being a Director or where the Board so resolves following the Director suffering from ill health or being absent from Board meetings for 12 months without the Board's permission.

The Board's responsibilities and processes

The composition of the Board and its Committees as well as the Board's key responsibilities and the way in which it and its Committees work are described on pages 76 to 105. The Board is responsible to shareholders for the overall management of the Group and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Articles of Association and any directions given by special resolution of the shareholders. The Articles of Association empower the Board to offer, allot, grant options over or otherwise deal with or dispose of the Company's shares as the Board may decide.

The Companies Act 2006 authorises the Company to make market purchases of its own shares if the purchase has first been authorised by a resolution of the Company.

The Board's diversity policies in relation to Directors are described in the Nominations Committee report on page 84 and such policies in relation to staff are described on page 116.

At the AGM in June 2019, shareholders renewed the Board's authority to allot ordinary shares and to repurchase ordinary shares on behalf of the Company subject to certain limits. Details of the authorities which the Board will be seeking at the 2020 AGM are set out in the 2020 Notice of AGM.

Matters reserved for the Board

The Board has approved a formal schedule of matters reserved to it and its duly authorised Committees for decision. These include matters such as the Group's overall strategy, strategic plan and annual operating budget; approval of the Company's financial statements and changes to accounting policies or practices; changes to the capital structure or regulated status of the Company; major capital projects or changes to business operations; investments and divestments above certain limits; policy on borrowing, gearing, hedging and treasury matters; and adequacy of internal control systems.

Rights and restrictions attaching to shares

A summary of the rights and restrictions attaching to shares as at 31 March 2020 is set out below.

The Company's Articles of Association may be amended by special resolution of the shareholders in a general meeting. Holders of ordinary shares enjoy the rights set out in the Articles of Association of the Company and under the laws of England and Wales. Any share may be issued with or have attached to it such rights and restrictions as the Company by ordinary resolution or, failing such resolution, the Board may decide.

Holders of ordinary shares are entitled to attend, speak and vote at general meetings and to appoint proxies and, in the case of corporations, corporate representatives to attend, speak and vote at such meetings on their behalf. To attend and vote at a general meeting a shareholder must be entered on the register of members at such time (not being earlier than 48 hours before the meeting) as stated in the Notice of general meeting. On a poll, holders of ordinary shares are entitled to one vote for each share held.

Holders of ordinary shares are entitled to receive the Company's Annual report and accounts, to receive such dividends and other distributions as may lawfully be paid or declared on such shares and, on any liquidation of the Company, to share in the surplus assets of the Company after satisfaction of the entitlements of the holders of any shares with preferred rights as may then be in issue.

There are no restrictions on the transfer of fully paid shares in the Company, save as follows. The Board may decline to register: a transfer of uncertificated shares in the circumstances set out in the Uncertificated Securities Regulations 2001; a transfer to more than four joint holders; a transfer of certificated shares which is not in respect of only one class of share; a transfer which is not accompanied by the certificate for the shares to which it relates; a transfer which is not duly stamped in circumstances where a duly stamped instrument is required; or a transfer where in accordance with section 794 of the Companies Act 2006 a notice (under section 793 of that Act) has been served by the Company on a shareholder who has then failed to give the information required within the specified time.

In the latter circumstances the Company may make the relevant shares subject to certain restrictions (including in respect of the ability to exercise voting rights, to transfer the shares validly and, except in the case of a liquidation, to receive the payment of sums due from the Company).

There are no shares carrying special rights with regard to control of the Company. There are no restrictions placed on voting rights of fully paid shares, save where in accordance with Article 12 of the Company's Articles of Association a restriction notice has been served by the Company in respect of shares for failure to comply with statutory notices or where a transfer notice (as described below) has been served in respect of shares and has not yet been complied with. Where shares are held on behalf of former or current employees under employee share schemes, those participants can give instructions to the holder of such shares as to how votes attached to such shares should be exercised.

In the circumstances specified in Article 38 of the Company's Articles of Association the Company may serve a transfer notice on holders of shares. The relevant circumstances relate to: (a) potential tax disadvantage to the Company, (b) the number of "United States Residents" who own or hold shares being 75 or more, or (c) the Company being required to be registered as an investment company under relevant US legislation. The notice would require the transfer of relevant shares and, pending such transfer, the rights and privileges attaching to those shares would be suspended.

The Company is not aware of any agreements between holders of its securities that may restrict the transfer of shares or exercise of voting rights.

Share capital and debentures

The issued ordinary share capital of the Company as at 1 April 2019 was 973,000,665 ordinary shares and at 31 March 2020 was 973,074,585 ordinary shares of $73^{19}/_{22}$ pence each. It increased over the year by 73,920 ordinary shares on the issue of shares to the Trustee of the 3i Group Share Incentive Plan.

At the Annual General Meeting ("AGM") on 27 June 2019, the Directors were authorised to repurchase up to 97,000,000 ordinary shares in the Company (representing approximately 10% of the Company's issued ordinary share capital as at 13 May 2019) until the Company's AGM in 2020 or 26 September 2020, if earlier. This authority was not exercised in the year. Details of the authorities which the Board will be seeking at the 2020 AGM are set out in the 2020 Notice of AGM.

As detailed in Note 17 to the Accounts, as at 31 March 2020 the Company had in issue Notes issued under the 3i Group plc £2,000 million Note Issuance Programme.

The Articles of Association also specifically empower the Board to exercise the Company's powers to borrow money and to mortgage or charge the Company's assets and any uncalled capital and to issue debentures and other securities.

Major interests in ordinary shares

The table below shows notifications of major voting interests in the Company's ordinary share capital (notifiable in accordance with Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules or section 793 Companies Act 2006) which had been received by the Company as at 31 March 2020 and 1 May 2020.

Portfolio management and voting policy

In relation to unquoted investments, the Group's approach is to seek to add value to the businesses in which the Group invests through the Group's extensive experience, resources and contacts and through active engagement with the Boards of those companies. In relation to quoted investments, the Group's policy is to exercise voting rights on all matters affecting its interests.

Tax and investment company status

The Company is an investment company under section 833 of the Companies Act 2006. HM Revenue & Customs has approved the Company as an Investment Trust under section 1158 of the Corporation Tax Act 2010 and the Company directs its affairs to enable it to continue to remain so approved.

Where appropriate, the Company looks to the provisions included within the Association of Investment Companies SORP.

MAJOR INTERESTS IN ORDINARY SHARES

	As at 31 March 2020	% of issued share capital	As at 1 May 2020	% of issued share capital
BlackRock, Inc	83,259,891	8.56%	82,751,674	8.50%
Artemis Investment Management LLP	52,726,359	5.42%	53,954,386	5.54%
Legal & General Investment Management Limited	33,664,042	3.46%	34,308,719	3.53%
Threadneedle Asset Management Ltd	35,090,656	3.61%	35,087,799	3.61%
Vanguard Group, Inc	36,640,600	3.77%	36,640,600	3.77%

3i Investments plc

3i Investments plc acts as investment manager to the Company and certain of its subsidiaries. Contracts for these investment management and other services, for which regulatory authorisation is required, provide for fees based on the work done and costs incurred in providing such services. These contracts may be terminated by either party on reasonable notice.

3i Investments plc also acts as investment manager to 3iN under a contract which provides for the services to be provided and the related fees which are payable.

3i Investments plc is authorised by the FCA to, among other things, manage Alternative Investment Funds ("AIFs"). It is currently the Alternative Investment Fund Manager ('AIFM') of five AIFs, including the Company and 3iN. In compliance with regulatory requirements, 3i Investments plc has ensured that a depository has been appointed for each AIF. This is Citibank Europe plc, UK Branch.

The Annual report and accounts meet certain investor disclosure requirements as set out in FUND 3.2.2R, 3.2.3R, 3.2.5R and 3.2.6R of the FCA's Investment Funds sourcebook ("FUND Disclosures") for the Company as a standalone entity. The Company's profit for the year is stated in its Statement of changes in equity and its Financial position is shown on page 123. The Company performs substantially all of its investment related activities through its subsidiaries and therefore the Group's Consolidated statement of comprehensive income is considered to be more useful to investors than a Company statement.

Furthermore, in some instances the relevant FUND Disclosures have been made in relation to the Group on a consolidated basis rather than in respect of the Company on a solo basis. This is because the Company operates through its group subsidiaries and therefore reporting on the Group's activities provides more relevant information on the Company and its position. There have been no material changes to the disclosures required to be made under FUND 3.2.2R in the past year.

Although certain FUND Disclosures are made in this Annual report, full disclosures are summarised on the 3i website at **www.3i.com**. This will be updated as required and changes noted in future Annual reports.

For the purposes of the FUND Disclosures set out in FUND 3.3.5(R) (5) and (6), the total amount of remuneration paid by 3i to its staff for the year was £71 million, of which £41 million was fixed remuneration and £30 million was variable remuneration. The aggregate total remuneration paid to AIFM Identified Staff for the year was £9.4 million, of which £6.8 million was paid to Senior Management and £2.6 million was paid to other AIFM Identified Staff. A summary of the remuneration policy of 3i can be found on the Company's website.

Dividends

A first FY2020 dividend of 17.5 pence per ordinary share in respect of the year to 31 March 2020 was paid on 8 January 2020. The Directors recommend a second FY2020 dividend of 17.5 pence per ordinary share be paid in respect of the year to 31 March 2020 to shareholders on the Register at the close of business on 12 June 2020.

The trustee of The 3i Group Employee Trust and the trustee of the 2010 Carry Trust have each waived (subject to certain minor exceptions) dividends declared on shares in the Company held by those trusts and the Trustee of The 3i Group Share Incentive Plan has waived dividends on unallocated shares in the Company held by it.

Directors' conflicts of interests, external appointments and indemnities

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association enable Directors to approve conflicts of interest and include other conflict of interest provisions. The Company has implemented processes to identify potential and actual conflicts of interest. Such conflicts are then considered for approval by the Board, subject, if necessary, to appropriate conditions.

The Board has adopted a policy on Directors' other appointments under which additional external appointments should not be undertaken without prior approval of the Board. Executive Directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.

As permitted by the Company's Articles of Association during the year and as at the date of this Directors' report, there were in place Qualifying Third-Party Indemnity Provisions (as defined under relevant legislation) for the benefit of the Company's Directors and for the benefit of directors of one associated company and Qualifying Pension Scheme Indemnity Provisions for the benefit of the directors of one associated company.

Directors' employment contracts

Mr S A Borrows and Mrs J S Wilson each have employment contracts with the Group with notice periods of 12 months where notice is given by the Group and six months where notice is given by the Director. Save for these notice periods their employment contracts have no unexpired terms. None of the other Directors has a service contract with the Company.

Employment

The employment policy of the Group is one of equal opportunity in the selection, training, career development and promotion of employees, regardless of age, gender, sexual orientation, ethnic origin, religion and whether disabled or otherwise.

3i treats applicants and employees with disabilities fairly and provides facilities, equipment and training to assist disabled employees to do their jobs. Arrangements are made as necessary to ensure support to job applicants who happen to be disabled and who respond to requests to inform the Company of any requirements. Should an employee become disabled during their employment, efforts would be made to retain them in their current employment or to explore the opportunities for their retraining or redeployment within 3i. Financial support is also provided by 3i to support disabled employees who are unable to work, as appropriate to local market conditions.

3i's principal means of keeping in touch with the views of its employees is through employee appraisals, informal consultations, team briefings and staff conferences. Managers throughout 3i have a continuing responsibility to keep their staff informed of developments and to communicate financial results and other matters of interest. This is achieved by structured communication including regular meetings of employees. Members of the Board have regular formal and informal interaction with a significant number of 3i employees, including through office visits and one to one meetings.

3i is an equal opportunities employer and has clear grievance and disciplinary procedures in place. 3i also has an employee assistance programme which provides a confidential, free and independent counselling service and is available to all UK staff and their families in the UK.

3i's employment policies are designed to provide a competitive reward package which will attract and retain high quality staff, whilst ensuring that the relevant costs remain at an appropriate level.

3i's remuneration policy is influenced by 3i's financial and other performance conditions and market practices in the countries in which it operates. All employees receive a base salary and are also eligible to be considered for a performance-related annual variable incentive award. For those members of staff receiving higher levels of annual variable incentive awards, a proportion of such awards is delivered in 3i shares, vesting over a number of years. Remuneration policy is reviewed by the 3i Group plc Remuneration Committee, comprising 3i Group plc non-executive Directors.

Where appropriate, employees are eligible to participate in 3i share schemes to encourage employees' involvement in 3i's performance. Investment executives in the Private Equity business line may also participate in carried interest schemes, which allow executives to share directly in future profits on investments. Similarly, investment executives in the Infrastructure business line may participate in asset-linked and/or fee-linked incentive arrangements. Employees participate in local state or company pension schemes as appropriate to local market conditions.

Employees are able to raise in confidence with the Company any matters of concern. Issues can be raised with line management, the Internal Audit team, the Human Resources team as appropriate. Employees can also raise matters with an externally run confidential telephone reporting line, and can do so anonymously if they wish. Matters raised are investigated and followed up as appropriate. The Board monitors any matters reported to the externally run telephone reporting line through an annual report to Audit and Compliance Committee from Internal Audit.

Workforce engagement

The Company has a Staff Engagement Strategy to document and promote staff engagement. This has been adopted by the Board in preference to adopting one of the three workforce engagement methods specifically mentioned in the UK Corporate Governance Code. The Board believes this Strategy is appropriate and proportionate in the context of an office based workforce of fewer than 250 people worldwide, all of whom are known personally by and engage regularly with members of senior management. Senior management and members of the Board meet formally and informally with staff in a variety of contexts including office visits, investment reviews, Board and Committee presentations and Board dinners with investment teams. A general open door policy adopted by senior management encourages interaction with staff. The Human Resources team are a point of contact for all members of staff and they as well as line managers report issues requiring management attention to senior management as they occur. The Internal Audit team considers employee matters including culture, compliance with the Company's values and staff turnover in their reports to senior management. The formal annual appraisal process, provides a further opportunity for engagement.

During the year the Board visited the New York office and met the team both formally and informally. The Chairman and the Chief Executive each also visited two of the Company's other non-UK offices meeting the local teams in each location for a variety of events. Non-executive Directors met with members of the investment teams at the twice yearly Portfolio Company Review meetings. Committee Chairmen hold a number of private and other meetings with function heads during the year. The Group Finance Director and Group General Counsel also engaged widely with staff in their own teams and others both in the UK and non-UK locations, visiting during the year the Company's offices in Luxembourg, Amsterdam and New York and meeting with staff from other offices when they visited the UK office.

Political donations

In line with Group policy, during the year to 31 March 2020 no donations were made to political parties or organisations, or independent election candidates, and no political expenditure was incurred.

Significant agreements

As at 31 March 2020, the Company was party to one agreement subject to a renegotiation period on a change of control of the Company following a takeover bid. This agreement is a £400 million multi-currency Revolving Credit Facility Agreement dated 13 March 2020, between the Company, Barclays Bank PLC and a number of other banks. The Company is required to promptly notify Barclays Bank PLC, as agent bank, of a change of control. This opens a 20-day negotiation period to determine if each Lender is willing to continue participating in the facility. For any Lender with whom no agreement is reached, amounts outstanding to that Lender would be repayable and their Commitment cancelled, with no less than 10 business days' notice after the end of the negotiation period.

Going concern

The Directors have acknowledged their responsibilities in relation to the financial statements for the year to 31 March 2020.

After making enquiries, the Directors considered it appropriate to prepare the financial statements of the Company, and the Group, on a going concern basis.

The Viability statement is included on page 54.

Audit information

Pursuant to section 418(2) of the Companies Act 2006, each of the Directors confirms that:

a) so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and

b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of such information.

Appointment of Auditor

In accordance with section 489 of the Companies Act 2006, a resolution proposing the appointment of KPMG LLP as the Company's Auditor will be put to members at the forthcoming AGM.

Information required by Listing Rule 9.8.4

Information required by Listing Rule 9.8.4 not included in this section of the Directors' report may be found as set out below:

Topic	Location
Capitalised interest	Portfolio income on page 36
Share allotments	Note 20 on page 148

Information included in Strategic report

In accordance with section 414 C (11) of the Companies Act 2006, the following information otherwise required to be set out in the Directors' report has been included in the Strategic report: risk management objectives and policies; post balance sheet events; likely future developments in the business; and greenhouse gas emissions.

The Directors' Viability statement is also shown in the Strategic report on page 54.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and accounts in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRSs") which have been adopted by the European Union.

Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. The Directors consider that this Annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In preparing the Group financial statements the Directors:

a) select suitable accounting policies in accordance with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;

b) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

c) provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the EU is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;

d) state that the Group has complied with IFRSs as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and

e) make judgements and estimates that are reasonable.

The Directors have a responsibility for ensuring that proper accounting records are kept which are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006.

They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In accordance with the FCA's Disclosure and Transparency Rules, the Directors confirm to the best of their knowledge that:

a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

b) the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

The Directors of the Company and their functions are listed on pages 76 and 77.

3i Group plc is registered in England with company number 1142830.

Directors' report

For the purposes of the UK Companies Act 2006, the Directors' report of 3i Group plc comprises the Governance section on pages 74 to 117 other than the Directors' remuneration report on pages 95 to 111.

The Strategic report, Directors' report and Directors' remuneration report have been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by that law.

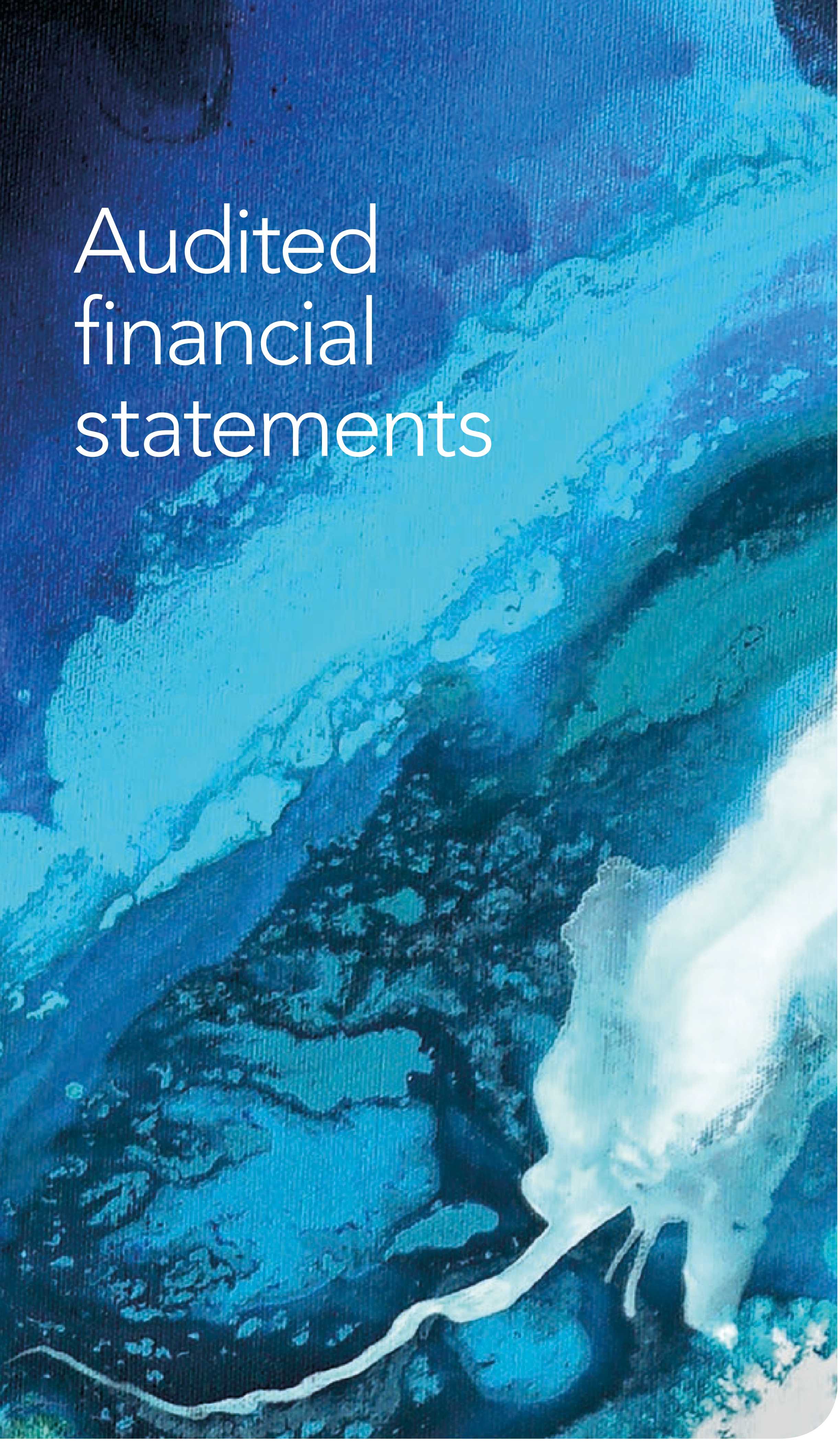
By order of the Board

K J Dunn
Company Secretary

13 May 2020

Registered office:
16 Palace Street
London SW1E 5JD

Audited financial statements



Consolidated statement of comprehensive income

for the year to 31 March

	Notes	2020 £m	2019 £m
Realised (losses)/profits over value on the disposal of investments	2	**(29)**	33
Unrealised (losses)/profits on the revaluation of investments	3	**(28)**	168
Fair value movements on investment entity subsidiaries	12	**191**	827
Portfolio income			
Dividends		**22**	26
Interest income from investment portfolio		**37**	33
Fees receivable	4	**11**	11
Foreign exchange on investments		**36**	17
Movement in the fair value of derivatives	18	**(9)**	21
Gross investment return		**231**	1,136
Fees receivable from external funds	4	**44**	53
Operating expenses	5	**(116)**	(126)
Interest received		**2**	3
Interest paid		**(38)**	(36)
Exchange movements		**26**	(27)
Income from investment entity subsidiaries		**19**	66
Other income/(expense)		**3**	(2)
Carried interest			
Carried interest and performance fees receivable	4,14	**67**	163
Carried interest and performance fees payable	15	**(23)**	–
Operating profit before tax		**215**	1,230
Income taxes	8	**(1)**	12
Profit for the year		**214**	1,242
Other comprehensive (expense)/income that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**1**	5
Other comprehensive income that will not be reclassified to the income statement			
Re-measurements of defined benefit plans	26	**38**	5
Other comprehensive income for the year		**39**	10
Total comprehensive income for the year ("Total return")		**253**	1,252
Earnings per share			
Basic (pence)	9	**22.1**	128.3
Diluted (pence)	9	**22.1**	127.8

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

Audited financial statements

Consolidated statement of financial position

as at 31 March

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Investments			
Quoted investments	11	**418**	469
Unquoted investments	11	**3,036**	1,193
Investments in investment entity subsidiaries	12	**3,936**	5,159
Investment portfolio		**7,390**	6,821
Carried interest and performance fees receivable	14	**11**	605
Other non-current assets	16	**23**	24
Intangible assets		**9**	11
Retirement benefit surplus	26	**173**	134
Property, plant and equipment		**5**	4
Right of use asset		**19**	–
Derivative financial instruments	18	**7**	11
Total non-current assets		**7,637**	7,610
Current assets			
Carried interest and performance fees receivable	14	**7**	35
Other current assets	16	**144**	24
Current income taxes		**2**	12
Derivative financial instruments	18	**6**	7
Deposits		**–**	50
Cash and cash equivalents		**771**	983
Total current assets		**930**	1,111
Total assets		**8,567**	8,721
Liabilities			
Non-current liabilities			
Trade and other payables	19	**–**	(1)
Carried interest and performance fees payable	15	**(66)**	(86)
Loans and borrowings	17	**(575)**	(575)
Retirement benefit deficit	26	**(25)**	(27)
Lease liability		**(16)**	–
Derivative financial instruments	18	**(2)**	–
Deferred income taxes	8	**(1)**	(1)
Provisions		**(3)**	(1)
Total non-current liabilities		**(688)**	(691)
Current liabilities			
Trade and other payables	19	**(73)**	(94)
Carried interest and performance fees payable	15	**(41)**	(25)
Lease liability		**(4)**	–
Derivative financial instruments	18	**(2)**	–
Current income taxes		**(2)**	(1)
Provisions		**–**	(1)
Total current liabilities		**(122)**	(121)
Total liabilities		**(810)**	(812)
Net assets		**7,757**	7,909
Equity			
Issued capital	20	**719**	719
Share premium		**788**	787
Capital redemption reserve		**43**	43
Share-based payment reserve		**33**	36
Translation reserve		**(2)**	(3)
Capital reserve		**5,432**	5,590
Revenue reserve		**822**	779
Own shares	21	**(78)**	(42)
Total equity		**7,757**	7,909

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

Simon Thompson
Chairman

13 May 2020

Consolidated statement of changes in equity

for the year to 31 March

2020	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Total equity at the start of the year[1]	**719**	**787**	**43**	**36**	**(3)**	**5,590**	**779**	**(42)**	**7,909**
Profit for the year	–	–	–	–	–	**21**	**193**	–	**214**
Exchange differences on translation of foreign operations	–	–	–	–	**1**	–	–	–	**1**
Re-measurements of defined benefit plans	–	–	–	–	–	**38**	–	–	**38**
Total comprehensive income for the year	–	–	–	–	**1**	**59**	**193**	–	**253**
Share-based payments	–	–	–	**16**	–	–	–	–	**16**
Release on exercise/forfeiture of share awards	–	–	–	**(19)**	–	–	**19**	–	–
Exercise of share awards	–	–	–	–	–	**(23)**	–	**23**	–
Ordinary dividends	–	–	–	–	–	**(194)**	**(169)**	–	**(363)**
Purchase of own shares	–	–	–	–	–	–	–	**(59)**	**(59)**
Issue of ordinary shares	–	**1**	–	–	–	–	–	–	**1**
Total equity at the end of the year	**719**	**788**	**43**	**33**	**(2)**	**5,432**	**822**	**(78)**	**7,757**

1 The adoption of IFRS 16 on 1 April 2019 resulted in the recognition of a right of use asset of £23 million and lease liability of £23 million, with nil impact on retained earnings. See page 127 for further details.

2019	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	786	43	32	(8)	4,700	778	(26)	7,024
Profit for the year	–	–	–	–	–	1,096	146	–	1,242
Exchange differences on translation of foreign operations	–	–	–	–	5	–	–	–	5
Re-measurements of defined benefit plans	–	–	–	–	–	5	–	–	5
Total comprehensive income for the year	–	–	–	–	5	1,101	146	–	1,252
Share-based payments	–	–	–	19	–	–	–	–	19
Release on exercise/forfeiture of share awards	–	–	–	(15)	–	–	15	–	–
Exercise of share awards	–	–	–	–	–	(13)	–	13	–
Ordinary dividends	–	–	–	–	–	(198)	(160)	–	(358)
Purchase of own shares	–	–	–	–	–	–	–	(29)	(29)
Issue of ordinary shares	–	1	–	–	–	–	–	–	1
Total equity at the end of the year	719	787	43	36	(3)	5,590	779	(42)	7,909

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	2020 £m	2019 £m
Cash flow from operating activities			
Purchase of investments		**(650)**	(125)
Proceeds from investments		**9**	826
Cash inflow/(outflow) from investment entity subsidiaries	12	**186**	(264)
Net cash flow from derivatives		**–**	3
Portfolio interest received		**10**	6
Portfolio dividends received		**24**	24
Portfolio fees received		**11**	12
Fees received from external funds		**44**	57
Carried interest and performance fees received	14	**678**	102
Carried interest and performance fees paid	15	**(31)**	(38)
Operating expenses paid		**(116)**	(109)
Co-investment loans (paid)/received		**(8)**	4
Income taxes received/(paid)		**10**	(10)
Other cash income		**2**	–
Net cash flow from operating activities		**169**	488
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares	21	**(59)**	(29)
Dividend paid	10	**(363)**	(358)
Lease payments		**(4)**	–
Interest received		**2**	2
Interest paid		**(42)**	(39)
Net cash flow from financing activities		**(465)**	(423)
Cash flow from investing activities			
Purchases of property, plant and equipment		**(3)**	(3)
Net cash flow from deposits		**50**	(50)
Net cash flow from investing activities		**47**	(53)
Change in cash and cash equivalents		**(249)**	12
Cash and cash equivalents at the start of the year		**983**	972
Effect of exchange rate fluctuations		**37**	(1)
Cash and cash equivalents at the end of the year		**771**	983

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

Company statement of financial position

as at 31 March

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Investments			
Quoted investments	11	**418**	469
Unquoted investments	11	**3,036**	1,193
Investment portfolio		**3,454**	1,662
Carried interest and performance fees receivable	14	**22**	655
Interests in Group entities	23	**4,023**	5,221
Other non-current assets	16	**14**	17
Derivative financial instruments	18	**7**	11
Total non-current assets		**7,520**	7,566
Current assets			
Carried interest and performance fees receivable	14	**46**	7
Other current assets	16	**122**	3
Derivative financial instruments	18	**6**	7
Deposits		**–**	50
Cash and cash equivalents		**742**	958
Total current assets		**916**	1,025
Total assets		**8,436**	8,591
Liabilities			
Non-current liabilities			
Loans and borrowings	17	**(575)**	(575)
Derivative financial instruments	18	**(2)**	–
Total non-current liabilities		**(577)**	(575)
Current liabilities			
Trade and other payables	19	**(483)**	(483)
Derivative financial instruments	18	**(2)**	–
Total current liabilities		**(485)**	(483)
Total liabilities		**(1,062)**	(1,058)
Net assets		**7,374**	7,533
Equity			
Issued capital	20	**719**	719
Share premium		**788**	787
Capital redemption reserve		**43**	43
Share-based payment reserve		**33**	36
Capital reserve		**5,812**	5,979
Revenue reserve		**57**	11
Own shares	21	**(78)**	(42)
Total equity		**7,374**	7,533

The Company profit for the year to 31 March 2020 is £246 million (2019: £1,291 million).

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

Simon Thompson
Chairman

13 May 2020

Company statement of changes in equity

for the year to 31 March

2020	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Total equity at the start of the year	**719**	**787**	**43**	**36**	**5,979**	**11**	**(42)**	**7,533**
Profit for the year	**–**	**–**	**–**	**–**	**50**	**196**	**–**	**246**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**50**	**196**	**–**	**246**
Share-based payments	**–**	**–**	**–**	**16**	**–**	**–**	**–**	**16**
Release on exercise/forfeiture of share awards	**–**	**–**	**–**	**(19)**	**–**	**19**	**–**	**–**
Exercise of share awards	**–**	**–**	**–**	**–**	**(23)**	**–**	**23**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**(194)**	**(169)**	**–**	**(363)**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**(59)**	**(59)**
Issue of ordinary shares	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Total equity at the end of the year	**719**	**788**	**43**	**33**	**5,812**	**57**	**(78)**	**7,374**

2019	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	786	43	32	5,015	40	(26)	6,609
Profit for the year	–	–	–	–	1,175	116	–	1,291
Total comprehensive income for the year	–	–	–	–	1,175	116	–	1,291
Share-based payments	–	–	–	19	–	–	–	19
Release on exercise/forfeiture of share awards	–	–	–	(15)	–	15	–	–
Exercise of share awards	–	–	–	–	(13)	–	13	–
Ordinary dividends	–	–	–	–	(198)	(160)	–	(358)
Purchase of own shares	–	–	–	–	–	–	(29)	(29)
Issue of ordinary shares	–	1	–	–	–	–	–	1
Total equity at the end of the year	719	787	43	36	5,979	11	(42)	7,533

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

Company cash flow statement

for the year to 31 March

	Notes	2020 £m	2019 £m
Cash flow from operating activities			
Purchase of investments		**(650)**	(125)
Proceeds from investments		**9**	826
Distributions from subsidiaries		**1,009**	753
Drawdowns by subsidiaries		**(925)**	(1,023)
Net cash flow from derivatives		**–**	3
Portfolio interest received		**10**	6
Portfolio dividends received		**24**	24
Portfolio fees paid		**(1)**	(1)
Carried interest and performance fees received	14	**685**	26
Co-investment loans (paid)/received		**(8)**	4
Other cash income		**2**	–
Net cash flow from operating activities		**155**	493
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares	21	**(59)**	(29)
Dividend paid	10	**(363)**	(358)
Interest received		**2**	2
Interest paid		**(38)**	(36)
Net cash flow from financing activities		**(457)**	(420)
Cash flow from investing activities			
Net cash flow from deposits		**50**	(50)
Net cash flow from investing activities		**50**	(50)
Change in cash and cash equivalents		**(252)**	23
Cash and cash equivalents at the start of the year		**958**	939
Effect of exchange rate fluctuations		**36**	(4)
Cash and cash equivalents at the end of the year		**742**	958

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 2020 comprise the financial statements of the Company and its consolidated subsidiaries (collectively, "the Group").

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

A Basis of preparation

The Group and Company accounts have been prepared and approved by the Directors in accordance with all relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee for the year ended 31 March 2020, endorsed by the European Union ("EU").

The Group did not implement the requirements of any other standards or interpretations that were in issue; these were not required to be adopted by the Group for the year ended 31 March 2020. 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 as indicated below.

Going concern

The financial information presented within these financial statements has been prepared on a going concern basis as disclosed in the Directors' report and presented to the nearest million sterling (£m), the functional currency of the Company and the Group.

On 30 January 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. COVID-19 presents the biggest risk to the global economy and to individual companies since the 2008 financial crisis and has had a severe impact on economic growth forecasts worldwide. The impacts of COVID-19 are not all apparent already, and the position will remain fluid until the length and extent of the crisis becomes clearer. Clearly, however not all industries or companies will be impacted to the same degree. However, the effects will be felt in a number of areas across 3i and its portfolio companies. 3i continues to monitor and follow closely the information released from governments, regulatory bodies and health organisations in the countries in which 3i and its portfolio companies operate.

The full extent to which the COVID-19 pandemic may impact the Group's results, operations and liquidity is uncertain. Management continues to monitor the impact that the COVID-19 pandemic has on the Group and its portfolio companies.

The Directors have made an assessment of going concern, taking into account both the Group's current performance and the Group's outlook, which considered the impact of the COVID-19 pandemic, using information available to the date of issue of these financial statements. As part of this assessment the Directors considered:

- an analysis of the adequacy of the Group's liquidity, solvency and regulatory capital position. The analysis used has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Group's operations and portfolio companies, as well as other scenarios detailed in the Viability statement on page 54. The Group manages and monitors liquidity regularly ensuring it is adequate and sufficient and is underpinned by its monitoring of investments, realisations, operating expenses and receipt of portfolio cash income. At 31 March 2020, liquidity remained strong at £1,245 million (31 March 2019: £1,420 million). Liquidity comprised cash and deposits of £845 million (31 March 2019: £1,070 million) and undrawn facilities of £400 million (31 March 2019: £350 million);
- any potential valuation concerns with respect to the Group's assets as set out in the financial statements. The approach to valuations was consistent with the normal process and valuation policy. A key focus of the portfolio valuations at 31 March 2020 was an assessment of the impact of the COVID-19 pandemic on each portfolio company, considering the performance before the outbreak of COVID-19, as well as the projected short-term impact on the ability to generate earnings and cash flows, and also the longer-term view of their ability to recover;
- the operational resilience of the Group's critical functions includes the well-being of 3i's staff and the resilience of IT systems. COVID-19 has emphasised the importance of 3i and its portfolio companies' focus on keeping employees safe, motivated and able to continue to fulfil their roles effectively where possible; and
- a detailed assessment of the Group's supplier base, considering any single points of failure and focus on suppliers experiencing financial stress. The assessment also includes the consideration of contingency plans should suppliers be deemed at risk.

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. The Group has sufficient financial resources and liquidity and 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.

Accounting developments

On 1 April 2019, the Group adopted IFRS 16 Leases, which replaces IAS 17 Leases.

The only impact on the Group relates to leases for use of office space. These were previously classified as operating leases under IAS 17, with lease rentals charged to operating expenses on a straight-line basis over the lease term. IFRS 16 requires lessees to recognise a lease liability, representing the present value of the obligation to make lease payments, and a related right of use ("ROU") asset. The lease liability is calculated based on expected future lease payments, discounted using the relevant incremental borrowing rate. The ROU asset is recognised at cost less accumulated depreciation and impairment losses, with depreciation charged on a straight-line basis over the life of the lease. In determining the value of the ROU asset and lease liabilities, the Group considers whether any leases contain lease extensions or termination options that the Group is reasonably certain to exercise.

The Group has applied the simplified retrospective approach to IFRS 16 and therefore comparative information has not been restated. On adoption of IFRS 16, the Group recognised an additional £23 million ROU asset and £23 million lease liability, with nil impact on retained earnings at 1 April 2019. When measuring the lease liability at 1 April 2019, future lease payments were discounted using a range of incremental borrowing rates between 0.75% and 3.35%, with a weighted average incremental borrowing rate of 2.04%. A reconciliation of the operating lease commitment as at 31 March 2019 (Note 24 in our Annual report and accounts 2019) to the opening lease liability at 1 April 2019 is presented below:

	£m
Operating lease commitments at 31 March 2019[1]	24
Impact of discounting using incremental borrowing rate at 1 April 2019	(1)
Opening lease liability at 1 April 2019	23

1 Included in Note 24 of our Annual report and accounts 2019.

During the year, £4 million was recognised in operating expenses relating to depreciation of the ROU asset and nil was recognised in interest paid relating to effective interest on the lease liability, these amounts are not materially different to the amounts which would have been recognised under IAS 17.

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 they are deemed 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. The Group reassesses the function performed by each type of subsidiary to determine its treatment under the IFRS 10 exception from consolidation on an annual basis. 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 the Consolidated statement of comprehensive income.

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 asset 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. Further information can be found in Portfolio valuation – an explanation on pages 177 and 178. 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 on pages 90 and 94.

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 the comparative period, in addition to the above critical judgements and estimates, there was a critical judgement around carried interest receivable and a critical estimate around carried interest receivable. Following the receipt of the £678 million carried interest receivable this year, the majority due from EFV, which has met its performance conditions and is in liquidation, these items are no longer considered critical judgements or estimates for the year to 31 March 2020. With only one portfolio company remaining, which could give rise to carried interest received, the carried interest receivable balance is £18 million and is no longer material and is not expected to be so in the foreseeable future.

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 the Consolidated statement of comprehensive income when the shareholders' rights to receive payment have been established.
    - 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.
    - The accounting policy for fee income is included in Note 4.
v. Foreign exchange on investments arises on investments made in currencies that are different from the functional currency of the Group entity. 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 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 the Consolidated statement of comprehensive income.

The statements of financial position of subsidiaries and associates, 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 the Consolidated statement of comprehensive income 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 products and services offered 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. This is not regarded as a new reported segment.

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, which was previously reported as Corporate Assets.

The segmental analysis is prepared on the Investment basis to provide the most meaningful information to the reader of the accounts. For more information on the Investment basis and a reconciliation between the Investment basis and IFRS see pages 43 to 46.

Investment basis Year to 31 March 2020	Private Equity £m	Of which Action £m	Infrastructure £m	Scandlines £m	Total[5] £m
Realised profits over value on the disposal of investments	**90**	15	**–**	**–**	**90**
Unrealised (losses)/profits on the revaluation of investments	**(34)**	461	**(92)**	**(46)**	**(172)**
Portfolio income					
Dividends	**5**	–	**26**	**37**	**68**
Interest income from investment portfolio	**106**	–	**12**	**–**	**118**
Fees receivable	**9**	2	**–**	**–**	**9**
Foreign exchange on investments	**176**	79	**21**	**17**	**214**
Movement in the fair value of derivatives	**–**	–	**(6)**	**(3)**	**(9)**
Gross investment return	**352**	557	**(39)**	**5**	**318**
Fees receivable from external funds	**2**		**42**	**–**	**44**
Operating expenses	**(72)**		**(41)**	**(3)**	**(116)**
Interest receivable					**1**
Interest payable					**(38)**
Exchange movements					**1**
Other income					**5**
Operating profit before carry					**215**
Carried interest					
Carried interest and performance fees receivable	**79**		**6**	**–**	**85**
Carried interest and performance fees payable	**(63)**		**(21)**	**–**	**(84)**
Operating profit					**216**
Income taxes					**(1)**
Other comprehensive income					
Re-measurement of defined benefit plans					**38**
Total return					**253**
Net divestment/(investment)					
Realisations[1]	**848**	402	**–**	**70**	**918**
Cash investment[2]	**(1,062)**	(651)[6]	**(186)**	**–**	**(1,248)**
	(214)	(249)	**(186)**	**70**	**(330)**
Balance sheet					
Opening portfolio value at 1 April 2019	**6,023**	2,731	**1,001**	**529**	**7,553**
Investment[3]	**1,155**	651	**186**	**–**	**1,341**
Value disposed	**(759)**	(387)	**–**	**(70)**	**(829)**
Unrealised value movement	**(34)**	461	**(92)**	**(46)**	**(172)**
Other movement[4]	**167**	80	**22**	**16**	**205**
Closing portfolio value at 31 March 2020	**6,552**	3,536	**1,117**	**429**	**8,098**

1 Realised proceeds may differ from cash proceeds due to timing of cash receipts. In FY2020 we have recognised £117 million of realised proceeds in Private Equity which are to be received in FY2021.
2 Cash investment includes a £31 million syndication of cash investment in Private Equity, which is to be received in FY2021. This differs to the cash flow due to the timing of the syndication to be received.
3 Includes capitalised interest and other non-cash investment.
4 Other movement relates to foreign exchange and the provisioning of capitalised interest.
5 The total is the sum of Private Equity, Infrastructure and Scandlines, "Of which Action" is part of Private Equity.
6 Cash investment includes £60 million of purchased LP stakes in EFV prior to the Action Transaction and £591 million of reinvestment as part of the Action Transaction see page 19.

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 Year to 31 March 2019	Private Equity £m	*Of which Action £m*	Infrastructure £m	Scandlines[4] £m	Total[5] £m
Realised profits over value on the disposal of investments	131	*–*	1	–	132
Unrealised profits on the revaluation of investments	916	*701*	162	9	1,087
Portfolio income					
Dividends	12	*–*	23	28	63
Interest income from investment portfolio	103	*–*	10	–	113
Fees receivable	10	*1*	(1)	–	9
Foreign exchange on investments	(24)	*(50)*	15	(9)	(18)
Movement in the fair value of derivatives	–	*–*	–	21	21
Gross investment return	1,148	*652*	210	49	1,407
Fees receivable from external funds	4		49	–	53
Operating expenses	(77)		(48)	(1)	(126)
Interest receivable					2
Interest payable					(36)
Exchange movements					(3)
Other expense					(2)
Operating profit before carry					1,295
Carried interest					
Carried interest and performance fees receivable	128		31	–	159
Carried interest and performance fees payable	(206)		(14)	–	(220)
Operating profit					1,234
Income taxes					13
Other comprehensive income					
Re-measurements of defined benefit plans					5
Total return					1,252
Net divestment/(investment)					
Realisations[1]	1,235	*–*	7	–	1,242
Cash investment	(332)	*(16)*	2	(529)	(859)
	903	*(16)*	9	(529)	383
Balance sheet					
Opening portfolio value at 1 April 2018	5,825	*2,064*	832	–	6,657
Investment[2]	426	*16*	(2)	529	953
Value disposed	(1,103)	*–*	(6)	–	(1,109)
Unrealised value movement	916	*701*	162	9	1,087
Other movement[3]	(41)	*(50)*	15	(9)	(35)
Closing portfolio value at 31 March 2019	6,023	*2,731*	1,001	529	7,553

1 Private Equity does not include £19 million received during the year which was recognised as realised proceeds in FY2018.
2 Includes capitalised interest and other non-cash investment.
3 Other movement relates to foreign exchange and the provisioning of capitalised interest.
4 During the year Corporate Assets was renamed to Scandlines.
5 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 Year to 31 March 2020	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Gross investment return					
Realised profits/(losses) over value on the disposal of investments	**102**	**17**	**–**	**(29)**	**90**
Unrealised (losses)/profits on the revaluation of investments	**(109)**	**112**	**(167)**	**(8)**	**(172)**
Portfolio income	**49**	**133**	**17**	**(4)**	**195**
Foreign exchange on investments	**–**	**142**	**65**	**7**	**214**
Movement in fair value of derivatives	**–**	**(3)**	**(6)**	**–**	**(9)**
	42	**401**	**(91)**	**(34)**	**318**
Net divestment/(investment)					
Realisations	**252**	**560**	**–**	**106**	**918**
Cash investment	**–**	**(928)**	**(320)**	**–**	**(1,248)**
	252	**(368)**	**(320)**	**106**	**(330)**
Balance sheet					
Closing portfolio value at 31 March 2020	**1,190**	**5,698**	**1,153**	**57**	**8,098**

Investment basis Year to 31 March 2019	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Gross investment return					
Realised profits over value on the disposal of investments	2	126	–	4	132
Unrealised profits/(losses) on the revaluation of investments	289	745	85	(32)	1,087
Portfolio income	60	111	15	(1)	185
Foreign exchange on investments	–	(85)	54	13	(18)
Movement in fair value of derivatives	–	21	–	–	21
	351	918	154	(16)	1,407
Net divestment/(investment)					
Realisations	88	1,116	6	32	1,242
Cash investment	–	(730)	(129)	–	(859)
	88	386	(123)	32	383
Balance sheet					
Closing portfolio value at 31 March 2019	1,453	4,976	931	193	7,553

2 Realised (losses)/profits over value on the disposal of investments

	2020 Unquoted investments £m	Total £m
Realisations	**113**	**113**
Valuation of disposed investments	**(142)**	**(142)**
	(29)	**(29)**
Of which:		
– profits recognised on realisations	**–**	**–**
– losses recognised on realisations	**(29)**	**(29)**
	(29)	**(29)**

	2019 Unquoted investments £m	Total £m
Realisations	826	826
Valuation of disposed investments	(793)	(793)
	33	33
Of which:		
– profits recognised on realisations	33	33
– losses recognised on realisations	–	–
	33	33

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

	2020 Unquoted investments £m	2020 Quoted investments £m	Total £m
Movement in the fair value of investments	**20**	**(48)**	**(28)**
Of which:			
– unrealised gains	**182**	**–**	**182**
– unrealised losses	**(162)**	**(48)**	**(210)**
	20	**(48)**	**(28)**

	2019 Unquoted investments £m	2019 Quoted investments £m	Total £m
Movement in the fair value of investments	66	102	168
Of which:			
– unrealised gains	105	102	207
– unrealised losses	(39)	–	(39)
	66	102	168

4 Revenue

Accounting policy:

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

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

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

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

Fees receivable from external funds are earned for providing management and advisory services to a variety of fund partnerships and other entities. Fees are typically calculated as a percentage of the cost or value of the assets managed during the year and are paid quarterly, based on the assets under management at that date. The revenue is recognised evenly over the period, in line with the services provided.

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

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

Year to 31 March 2020	Private Equity £m	Infrastructure £m	Total £m
Total revenue by geography[1]			
UK	**63**	**44**	**107**
Northern Europe	**9**	**3**	**12**
North America	**5**	**–**	**5**
Other	**(3)**	**1**	**(2)**
Total	**74**	**48**	**122**
Revenue by type			
Fees receivable[2] from portfolio	**11**	**–**	**11**
Fees receivable from external funds	**2**	**42**	**44**
Carried interest and performance fees receivable[2]	**61**	**6**	**67**
Total	**74**	**48**	**122**

Year to 31 March 2019	Private Equity £m	Infrastructure £m	Total £m
Total revenue by geography[1]			
UK	136	62	198
Northern Europe	6	17	23
North America	6	(1)	5
Other	–	1	1
Total	148	79	227
Revenue by type			
Fees receivable[2] from portfolio	12	(1)	11
Fees receivable from external funds	4	49	53
Carried interest and performance fees receivable[2]	132	31	163
Total	148	79	227

1 For fees receivable from external funds and carried interest and performance fees receivable the geography is based on the domicile of the fund.

2 Fees receivable and carried interest receivable above are different to the Investment basis figures included in Note 1. This is due to the fact that Note 1 is disclosed on the Investment basis and the table above is shown on the IFRS basis. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 43 to 46.

Consolidated statement of financial position

As at 31 March 2020, other current assets in the Consolidated statement of financial position includes balances relating to fees receivable from portfolio and fees receivable from external funds of £2 million and £1 million respectively (31 March 2019: £1 million and £1 million respectively). As at 31 March 2020, other non-current assets in the Consolidated statement of financial position includes balances relating to fees receivable from external funds of £1 million (31 March 2019: nil). Details of the carried interest and performance fees receivable included in the Consolidated statement of financial position are shown in Note 14. These are different to the balances included in the Investment basis consolidated statement of financial position. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 43 to 46.

5 Operating expenses

Operating expenses of £116 million (2019: £126 million) recognised in the IFRS Consolidated statement of comprehensive income, which are consistent with the Investment basis, include the following amounts:

	2020 £m	2019 £m
Depreciation of property, plant and equipment	**2**	2
Depreciation of right of use assets	**4**	–
Amortisation of intangible assets	**1**	1
Audit fees (Note 7)	**2**	2
Staff costs (Note 6)	**71**	83
Redundancy costs	**1**	4

6 Staff costs

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

	2020 £m	2019 £m
Wages and salaries	**52**	62
Social security costs	**7**	10
Share-based payment costs (Note 27)	**8**	8
Pension costs	**4**	3
Total staff costs	**71**	83

The average number of employees during the year was 242 (2019: 240), of which 156 (2019: 156) were employed in the UK.

Wages and salaries shown above include salaries paid in the year, as well as bonuses and portfolio incentive schemes relating to the year ended 31 March 2020. These costs are included in operating expenses. The table below analyses these costs between fixed and variable elements.

	2020 £m	2019 £m
Fixed staff costs	**41**	40
Variable staff costs[1]	**30**	43
Total staff costs	**71**	83

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

More detail on this information is included in the Directors' remuneration report on pages 95 to 105.

7 Information regarding the Group's Auditor

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

		2020 £m	2019 £m
Audit services			
Statutory audit	– Company	**1.3**	1.3
	– UK subsidiaries	**0.5**	0.5
	– Overseas subsidiaries	**0.1**	0.1
Total audit services		**1.9**	1.9
Non-audit services			
Other assurance services		**0.2**	0.2
Investment due diligence		**0.4**	0.4
Total audit and non-audit services		**2.5**	2.5

8 Income taxes

Accounting policy:

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

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

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

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

IFRIC 23 has been adopted and applied to the recognition and measurement of uncertain tax provisions during the year. However, it is noted that the adoption of IFRIC 23 has had no material impact on the provisions held as at the year end.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the main rate of UK corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. This rate has been used to calculate the deferred tax assets and liabilities as at the year end, and will affect the future corporation tax liability of the Group.

	2020 £m	2019 £m
Current taxes		
Current year:		
UK	**–**	1
Overseas	**1**	3
Prior year:		
UK	**–**	(14)
Deferred taxes		
Prior year	**–**	(2)
Total income tax charge/(credit) in the Consolidated statement of comprehensive income	**1**	(12)

8 Income taxes continued

Reconciliation of income taxes in the Consolidated statement of comprehensive income

The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 19% (2019: 19%), and the differences are explained below:

	2020 £m	2019 £m
Profit before tax	**215**	1,230
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2019: 19%)	**41**	234
Effects of:		
Non-taxable capital profits due to UK approved investment trust company status	**(31)**	(213)
Non-taxable dividend income	**(11)**	(12)
	(1)	9
Other differences between accounting and tax profits:		
Permanent differences – non-deductible items	**1**	(4)
Temporary differences on which deferred tax is not recognised	**–**	(3)
Overseas countries' taxes	**1**	3
Prior year adjustments	**–**	(16)
Utilisation of brought forward losses	**–**	(1)
Total income tax charge/(credit) in the Consolidated statement of comprehensive income	**1**	(12)

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

Including a net tax charge of nil (2019: £1 million credit) in investment entity subsidiaries, the Group recognised a total tax charge of £1 million (2019: £13 million credit) under the investment basis.

Deferred income taxes

	2020 £m	2019 £m
Opening deferred income tax liability		
Tax losses	**–**	3
Income in accounts taxable in the future	**(1)**	(6)
	(1)	(3)
Recognised through Consolidated statement of comprehensive income		
Tax losses recognised	**–**	(3)
Income in accounts taxable in the future	**–**	5
	–	2
Closing deferred income tax liability		
Income in accounts taxable in the future	**(1)**	(1)
	(1)	(1)

At 31 March 2020, the Group had carried forward tax losses of £1,358 million (31 March 2019: £1,419 million), capital losses of £87 million (31 March 2019: £87 million) and other temporary differences of £44 million (31 March 2019: £64 million). With the additional restrictions on utilising brought forward losses introduced from 1 April 2017, and the uncertainty that the Group will generate sufficient or relevant taxable profits in the foreseeable future to utilise these amounts, no deferred tax asset has been recognised in respect of these losses. Deferred income taxes are calculated using an expected rate of corporation tax in the UK of 19% (2019: 19%).

9 Per share information

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

	2020	2019
Net assets per share (£)		
Basic	**8.06**	8.19
Diluted	**8.04**	8.15
Net assets (£m)		
Net assets attributable to equity holders of the Company	**7,757**	7,909

	2020	2019
Number of shares in issue		
Ordinary shares	**973,074,585**	973,000,665
Own shares	**(10,398,032)**	(7,014,008)
	962,676,553	965,986,657
Effect of dilutive potential ordinary shares		
Share awards	**1,649,348**	3,994,492
Diluted shares	**964,325,901**	969,981,149

The calculation of basic earnings per share is based on the profit attributable to shareholders and the weighted average number of shares in issue. 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.

	2020	2019
Earnings per share (pence)		
Basic earnings per share	**22.1**	128.3
Diluted earnings per share	**22.1**	127.8
Earnings (£m)		
Profit for the year attributable to equity holders of the Company	**214**	1,242

Basic earnings per share is calculated on weighted average shares in issue of 968,001,540 for the year to 31 March 2020 (2019: 967,932,072). Diluted earnings per share is calculated on diluted weighted average shares of 969,674,941 for the year to 31 March 2020 (2019: 971,792,591).

10 Dividends

	2020 pence per share	2020 £m	2019 pence per share	2019 £m
Declared and paid during the year				
Ordinary shares				
Second dividend	**20.0**	**194**	22.0	213
First dividend	**17.5**	**169**	15.0	145
	37.5	**363**	37.0	358
Proposed dividend	**17.5**	**168**	20.0	193

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.

The distributable reserves of the parent company are £3,863 million (31 March 2019: £2,226 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.

11 Investment portfolio

Accounting policy:

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

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

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

Unquoted investments, including both equity and loans, are accounted for at fair value through profit and loss. Fair value is determined in line with 3i's valuation policy, which is compliant with the fair value guidelines under IFRS and the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines, details of which are available in "Portfolio valuation – an explanation" on pages 177 and 178.

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

In accordance with IFRS 10, the proportion of the investment portfolio held by the Group's unconsolidated subsidiaries is presented as part of the fair value of investment entity subsidiaries, along with the fair value of their other assets and liabilities. A reconciliation of the fair value of Investments in investment entities is included in Note 12.

	Group 2020 £m	Group 2019 £m	**Company 2020 £m**	Company 2019 £m
Opening book value	**1,662**	2,096	**1,662**	2,096
Additions	**1,929**	150	**1,929**	150
– of which loan notes with nil value	**(6)**	(5)	**(6)**	(5)
Disposals, repayments and write-offs	**(142)**	(793)	**(142)**	(793)
Fair value movement[1]	**(28)**	168	**(28)**	168
Other movements and net cash movements[2]	**39**	46	**39**	46
Closing book value	**3,454**	1,662	**3,454**	1,662
Quoted investments	**418**	469	**418**	469
Unquoted investments	**3,036**	1,193	**3,036**	1,193
Closing book value	**3,454**	1,662	**3,454**	1,662

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

The holding period of 3i's investment portfolio is on average greater than one year. For this reason the portfolio is classified as non-current. It is not possible to identify with certainty investments that will be sold within one year.

Additions in the year included cash investment of £650 million (2019: £125 million), and the transfer of assets of £1,251 million (2019: nil) from the Buyouts 10-12 partnerships, which are classified as investment entity subsidiaries, related to Action and £28 million (2019: £25 million) in capitalised interest received by way of loan notes, of which £6 million (2019: £5 million) was written down to nil.

Included within the Consolidated statement of comprehensive income is £37 million (2019: £33 million) of interest income. This comprised the £22 million of capitalised interest noted above, £10 million (2019: £6 million) of cash income and the capitalisation of prior year accrued income and non-capitalised accrued income of £5 million (2019: £7 million).

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

12 Investments in investment entity subsidiaries

Accounting policy:

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

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

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

We determine that, in the ordinary course of business, the net asset value of investment entity subsidiaries is considered to be the most appropriate to determine fair value. At each reporting period, we consider whether any additional fair value adjustments need to be made to the net asset value of the investment entity subsidiaries. These adjustments may be required to reflect market participants' considerations about fair value that may include, but are not limited to, liquidity and the portfolio effect of holding multiple investments within the investment entity subsidiary. There was no particular circumstance to indicate that a fair value adjustment was required (31 March 2019: no adjustment required) and, after due consideration, we concluded that the net asset values were the most appropriate reflection of fair value at 31 March 2020.

Non-current	**Group 2020 £m**	Group 2019 £m
Opening fair value	**5,159**	4,034
Net cash flow (from)/to investment entity subsidiaries	**(186)**	264
Fair value movements on investment entity subsidiaries	**191**	827
Transfer of assets (from)/to investment entity subsidiaries[1]	**(1,228)**	34
Closing fair value	**3,936**	5,159

1 During the year as part of the Action Transaction on page 19 the Company received a transfer of assets of £1,251 million from the Buyouts 10-12 partnerships, which are classified as investment entity subsidiaries.

All investment entity subsidiaries are classified as Level 3 in the fair value hierarchy, see Note 13 for details.

A 5% movement in the closing book value of investments in investment entities would have an impact of £197 million (31 March 2019: £258 million).

Restrictions

3i Group plc, the ultimate parent company, receives dividend income from its subsidiaries. There are no restrictions on the ability to transfer funds from these subsidiaries to the Group, except for a cash balance of £109 million (31 March 2019: £93 million) held in escrow in investment entity subsidiaries for carried interest payable due to be paid in May 2020.

Support

3i Group plc continues to provide, where necessary, ongoing support to its investment entity subsidiaries for the purchase of portfolio investments. During the year, there were net cash flows from the Group to investment entity subsidiaries as noted in the table above. The Group's current commitments are disclosed in Note 24.

13 Fair values of assets and liabilities

Accounting policy:

Financial instruments, other than those held at amortised cost, are held at fair value. In particular, 3i classifies groups of financial instruments at fair value through profit and loss when they are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis.

(A) Classification

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

	Group 2020 Classified at fair value through profit and loss £m	Group 2020 Other financial instruments at amortised cost £m	Group 2020 Total £m	Group 2019 Classified at fair value through profit and loss £m	Group 2019 Other financial instruments at amortised cost £m	Group 2019 Total £m
Assets						
Quoted investments	**418**	**–**	**418**	469	–	469
Unquoted investments	**3,036**	**–**	**3,036**	1,193	–	1,193
Investments in investment entities	**3,936**	**–**	**3,936**	5,159	–	5,159
Other financial assets	**57**	**141**	**198**	52	654	706
Total	**7,447**	**141**	**7,588**	6,873	654	7,527
Liabilities						
Loans and borrowings	**–**	**575**	**575**	–	575	575
Other financial liabilities	**4**	**200**	**204**	–	206	206
Total	**4**	**775**	**779**	–	781	781

	Company 2020 Classified at fair value through profit and loss £m	Company 2020 Other financial instruments at amortised cost £m	Company 2020 Total £m	Company 2019 Classified at fair value through profit and loss £m	Company 2019 Other financial instruments at amortised cost £m	Company 2019 Total £m
Assets						
Quoted investments	**418**	**–**	**418**	469	–	469
Unquoted investments	**3,036**	**–**	**3,036**	1,193	–	1,193
Other financial assets	**38**	**179**	**217**	34	666	700
Total	**3,492**	**179**	**3,671**	1,696	666	2,362
Liabilities						
Loans and borrowings	**–**	**575**	**575**	–	575	575
Other financial liabilities	**4**	**483**	**487**	–	483	483
Total	**4**	**1,058**	**1,062**	–	1,058	1,058

Within the Company, £3,938 million (31 March 2019: £5,163 million) of the Interest in Group entities is held at fair value.

(B) Valuation

The fair values of the Group's financial assets and liabilities not held at fair value, are not materially different from their carrying values, with the exception of loans and borrowings. The fair value of the loans and borrowings is £671 million (31 March 2019: £709 million), determined with reference to their published market prices. The carrying value of the loans and borrowings is £575 million (31 March 2019: £575 million) and accrued interest payable (included within trade and other payables) is £8 million (31 March 2019: £8 million).

13 Fair values of assets and liabilities continued

Valuation hierarchy

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

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

Unquoted equity instruments and debt instruments are measured in accordance with the IPEV Guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted equity instruments can be found in the section Portfolio valuation – an explanation on pages 177 and 178.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 31 March 2020:

	Group 2020 Level 1 £m	Group 2020 Level 2 £m	Group 2020 Level 3 £m	Group 2020 Total £m	Group 2019 Level 1 £m	Group 2019 Level 2 £m	Group 2019 Level 3 £m	Group 2019 Total £m
Assets								
Quoted investments	**418**	**–**	**–**	**418**	469	–	–	469
Unquoted investments	**–**	**–**	**3,036**	**3,036**	–	–	1,193	1,193
Investments in investment entity subsidiaries	**–**	**–**	**3,936**	**3,936**	–	–	5,159	5,159
Other financial assets	**–**	**13**	**44**	**57**	–	18	34	52
Liabilities								
Other financial liabilities	**–**	**(4)**	**–**	**(4)**	–	–	–	–
Total	**418**	**9**	**7,016**	**7,443**	469	18	6,386	6,873

We determine that, in the ordinary course of business, the net asset value of an investment entity subsidiary is considered to be the most appropriate to determine fair value. The underlying portfolio is valued under the same methodology as directly held investments, with any other assets or liabilities within investment entity subsidiaries fair valued in accordance with the Group's accounting policies. Note 12 details the Directors' considerations about the fair value of the underlying investment entity subsidiaries.

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

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Opening book value	**1,193**	1,751	**1,193**	1,751
Additions	**1,929**	150	**1,929**	150
– of which loan notes with nil value	**(6)**	(5)	**(6)**	(5)
Disposals, repayments and write-offs	**(142)**	(793)	**(142)**	(793)
Fair value movement[1]	**20**	66	**20**	66
Other movements and net cash movements[2]	**42**	24	**42**	24
Closing book value	**3,036**	1,193	**3,036**	1,193

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

Unquoted investments valued using Level 3 inputs also had the following impact on the Consolidated statement of comprehensive income: realised losses over value on disposal of investments of £29 million (2019: £33 million profit), dividend income of £7 million (2019: £12 million) and foreign exchange gains of £36 million (2019: £17 million).

13 Fair values of assets and liabilities continued

Level 3 inputs are sensitive to assumptions made when ascertaining fair value as described in the Portfolio valuation – an explanation section. On an IFRS basis, of assets held at 31 March 2020 classified as Level 3, 33% (31 March 2019: 77%) were valued using a multiple of earnings and the remaining 67% (31 March 2019: 23%) were valued using alternative valuation methodologies. Of the underlying portfolio held by investment entity subsidiaries, 41% (31 March 2019: 88%) were valued using a multiple of earnings and the remaining 59% (31 March 2019: 12%) were valued using alternative valuation methodologies.

Assets move between Level 1 and Level 3 when an unquoted equity investment lists on a quoted market exchange. There were no transfers in or out of Level 3 during the year.

Valuation multiple – The valuation multiple is the main assumption applied to a multiple of earnings-based valuation. The multiple is derived from comparable listed companies or relevant market transaction multiples. Companies in the same industry and geography and, where possible, with a similar business model and profile are selected and multiples are then adjusted for factors including liquidity risk, growth potential and relative performance. They are also adjusted to represent our longer-term view of performance through the cycle or our exit assumptions. Consideration has also been given to the impact of COVID-19 for the valuation at 31 March 2020. The pre-discount multiple used to value the portfolio ranged between 8.0x and 14.5x (31 March 2019: 7.5x and 18.9x).

If the multiple used to value each unquoted investment valued on an earnings multiple basis as at 31 March 2020 decreased by 5%, the investment portfolio value would decrease by £68 million (31 March 2019: £57 million) or 2% (31 March 2019: 3%). If the same sensitivity was applied to the underlying portfolio held by investment entity subsidiaries, this would have a negative value impact of £148 million (31 March 2019: £318 million) or 3% (31 March 2019: 5%).

If the multiple increased by 5% then the investment portfolio value would increase by £68 million (31 March 2019: £57 million) or 2% (31 March 2019: 3%). If the same sensitivity was applied to the underlying portfolio held by investment entity subsidiaries, this would have a positive value impact of £148 million (31 March 2019: £318 million) or 3% (31 March 2019: 5%).

Alternative valuation methodologies – There are a number of alternative investment valuation methodologies used by the Group, for reasons specific to individual assets. The details of such valuation methodologies, and inputs that are used, are given in the Portfolio valuation – an explanation section on pages 177 and 178.

Each methodology is used for a proportion of assets by value, and at year end the following techniques were used under an IFRS basis: 55% transaction value (31 March 2019: nil), 10% DCF (31 March 2019: 7%), nil industry metric (31 March 2019: 11%) and 2% other (31 March 2019: 5%).

Transaction value has been used to value Action at 31 March 2020 following on from the Action Transaction. To arrive at the fair value, detailed due diligence was completed by sophisticated investors on the Action business model and its 5-year plan. Further information can be found on page 19.

If the value of all of the investments valued under alternative methodologies moved by 5%, this would have an impact on the investment portfolio value of £101 million (31 March 2019: £14 million) or 3% (31 March 2019: 1%). If the same sensitivity was applied to the underlying portfolio held by investment entity subsidiaries, this would have a value impact of £126 million (31 March 2019: £33 million) or 3% (31 March 2019: 0.6%).

14 Carried interest and performance fees receivable

Accounting policy:

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

The carried interest receivable recognised at the balance sheet date is calculated based on the valuation of the remaining portfolio assets in the fund at that date, discounted to reflect the estimated realisation dates. An assessment of whether it is sufficiently certain that there will not be a significant reversal of this revenue is carried out on a fund by fund basis, based on its specific circumstances, including consideration of: remaining duration of the fund, position in relation to the cash hurdle, the number of assets remaining in the fund and the potential for clawback.

The Group earns performance fees from the investment management services it provides to 3i Infrastructure plc ("3iN") when 3iN's total return for the year exceeds a specified threshold. These fees are calculated on an annual basis and paid in three equal instalments over three years. The second and third instalments will only be recognised and received if either (a) 3iN's performance in the year in which the instalment is paid also triggers payment of a performance fee in respect of that year, or (b) if 3iN's performance over the three years starting with the year in which the performance fee is earned exceeds a specified threshold. In accordance with IFRS 15 revenue from performance fees is recognised when it is sufficiently certain that there will not be a significant reversal, which is usually at the end of the relevant financial year, when the calculation is finalised and agreed.

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

14 Carried interest and performance fees receivable continued

	Group 2020 Carried interest receivable £m	Group 2020 Performance fees receivable £m	Group 2020 Total £m	Group 2019 Carried interest receivable £m	Group 2019 Performance fees receivable £m	Group 2019 Total £m
Opening carried interest and performance fees receivable	**609**	**31**	**640**	501	90	591
Carried interest and performance fees receivable recognised in the Consolidated statement of comprehensive income during the year	**61**	**6**	**67**	132	31	163
Received in the year	**(647)**	**(31)**	**(678)**	(12)	(90)	(102)
Other movements[1]	**(11)**	**–**	**(11)**	(12)	–	(12)
Closing carried interest and performance fees receivable	**12**	**6**	**18**	609	31	640
Of which: receivable in greater than one year	**11**	**–**	**11**	605	–	605

	Company 2020 Carried interest receivable £m	Company 2020 Performance fees receivable £m	Company 2020 Total £m	Company 2019 Carried interest receivable £m	Company 2019 Performance fees receivable £m	Company 2019 Total £m
Opening carried interest and performance fees receivable	**662**	**–**	**662**	542	–	542
Carried interest and performance fees receivable recognised in the Consolidated statement of comprehensive income during the year	**102**	**–**	**102**	158	–	158
Received in the year	**(685)**	**–**	**(685)**	(26)	–	(26)
Other movements[1]	**(11)**	**–**	**(11)**	(12)	–	(12)
Closing carried interest and performance fees receivable	**68**	**–**	**68**	662	–	662
Of which: receivable in greater than one year	**22**	**–**	**22**	655	–	655

1 Other movements include the impact of foreign exchange.

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

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

15 Carried interest and performance fees payable

Accounting policy:

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

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

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

Under IFRS 10, where carried interest payable reduces the fair value of an investment entity subsidiary, that movement is recorded through "Fair value movements on investment entity subsidiaries". At 31 March 2020, £931 million of carried interest payable was recognised in the Consolidated statement of financial position of these investment entity subsidiaries (31 March 2019: £859 million).

	Group 2020 £m	Group 2019 £m
Opening carried interest and performance fees payable	**111**	160
Carried interest and performance fees payable recognised in the Consolidated statement of comprehensive income during the year	**23**	(12)
Cash paid in the year	**(31)**	(38)
Other movements[1]	**4**	1
Closing carried interest and performance fees payable	**107**	111
Of which: payable in greater than one year	**66**	86

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

The carry payable expense in the table above includes a £14 million (2019: nil) charge arising from share-based payment carry related schemes. The charge includes £6 million (2019: nil) of equity awards and £6 million (2019: nil) of cash-settled awards, see Note 27 Share-based payments for further details and £2 million (2019: nil) of social security cost. In the prior year the table above does not include £12 million associated with the share-based payment charge arising from related carry schemes.

A 5% increase in the valuation of all individual assets in the underlying investment portfolio (including those portfolio investments held by investment entity subsidiaries) would result in a £1 million increase in carried interest payable (31 March 2019: £1 million). Including carried interest payable recognised in investment entity subsidiaries, it would result in a £21 million increase (31 March 2019: £66 million).

A 5% decrease in the valuation of all individual assets in the underlying investment portfolio would result in a £1 million decrease in carried interest payable (31 March 2019: £1 million). Including carried interest payable recognised in investment entity subsidiaries, it would result in a £21 million decrease (31 March 2019: £40 million).

16 Other assets

Accounting policy:

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

	Group 2020 £m	Group 2019 £m	**Company 2020 £m**	Company 2019 £m
Prepayments	**3**	3	**–**	–
Other debtors	**60**	45	**31**	20
Proceeds receivable	**104**	–	**104**	–
Amounts due from subsidiaries	**–**	–	**1**	–
Total other assets	**167**	48	**136**	20
Of which: receivable in greater than one year	**23**	24	**14**	17

At 31 March 2020 no ECLs have been recognised against other assets as they are negligible (31 March 2019: nil).

17 Loans and borrowings

Accounting policy:

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

	Group 2020 £m	Group 2019 £m
Loans and borrowings are repayable as follows:		
Within one year	**–**	–
Between the second and fifth year	**200**	200
After five years	**375**	375
	575	575

Principal borrowings include:

	Rate	Maturity	**Group 2020 £m**	Group 2019 £m	**Company 2020 £m**	Company 2019 £m
Issued under the £2,000 million note issuance programme						
Fixed rate						
£200 million notes (public issue)	6.875%	2023	**200**	200	**200**	200
£375 million notes (public issue)	5.750%	2032	**375**	375	**375**	375
			575	575	**575**	575
Committed multi-currency facilities						
£400 million	LIBOR+0.50%	2025	**–**	–	**–**	–
			–	–	**–**	–
Total loans and borrowings			**575**	575	**575**	575

During the year the Company refinanced its syndicated multi-currency facility to 2025 (2019: 2021); increasing the size to £400 million (2019: £350 million) and improving pricing. The £400 million facility has no financial covenants. The RCF has two, one year extension options which if successfully exercised would extend the maturity date to April 2027. In addition, the Company has the right to seek additional lending commitments to increase the size of the RCF to £500 million, provided that existing lenders have a right of first refusal.

All of the Group's borrowings are repayable in one instalment on the respective maturity dates. None of the Group's interest-bearing loans and borrowings are secured on the assets of the Group. The fair value of the loans and borrowings is £671 million (31 March 2019: £709 million), determined with reference to their published market prices. The loans and borrowings are included in Level 2 of the fair value hierarchy.

17 Loans and borrowings continued

In accordance with the FCA Handbook (FUNDS 3.2.2. R and Fund 3.2.6. R), 3i Investments plc, as AIFM of the Company, is required to calculate leverage in accordance with a set formula and disclose this to investors. In line with this formula, leverage at 31 March 2020 for the Group is 115% (31 March 2019: 96%) and the Company is 104% (31 March 2019: 84%) under both the gross method and the commitment method. The leverage for 3i Investments plc at 31 March 2020 is 100% (31 March 2019: 100%) under both the gross method and the commitment method.

Under the Securities Financing Transactions Regulation ("SFTR") and AIFMD, 3i is required to disclose certain information relating to the use of securities financing transactions ("SFTs") and total return swaps. At 31 March 2020, 3i was not party to any transactions involving SFTs or total return swaps.

Reconciliation of liabilities arising from financing activities

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

	Loans and borrowings 2020 £m	**Lease liability 2020 £m**	Loans and borrowings 2019 £m	Lease liability 2019 £m
Opening liability	**575**	**–**	575	–
Adoption of IFRS 16 – Leases	**–**	**23**	–	–
Additions	**–**	**1**	–	–
Repayments	**–**	**(4)**	–	–
Closing liability	**575**	**20**	575	–

18 Derivatives

Accounting policy:

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

Statement of comprehensive income	**Group 2020 £m**	Group 2019 £m	**Company 2020 £m**	Company 2019 £m
Movement in the fair value of derivatives	**(9)**	21	**(9)**	21

Statement of financial position	**Group 2020 £m**	Group 2019 £m	**Company 2020 £m**	Company 2019 £m
Non-current assets				
Forward foreign exchange contracts	**7**	11	**7**	11
Current assets				
Forward foreign exchange contracts	**6**	7	**6**	7
Non-current liabilities				
Forward foreign exchange contracts	**(2)**	–	**(2)**	–
Current liabilities				
Forward foreign exchange contracts	**(2)**	–	**(2)**	–

The Company entered into forward foreign exchange contracts to minimise the effect of fluctuations arising from movements in exchange rates in the value of the Group's investment in Scandlines and Regional Rail.

As at 31 March 2020 the notional amount of the forward foreign exchange contracts held by the Company was €500 million (31 March 2019: €500 million) for Scandlines and $112 million (31 March 2019: nil) for Regional Rail.

19 Trade and other payables

Accounting policy:

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

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Trade and other payables	**73**	95	**11**	8
Amounts due to subsidiaries	**–**	–	**472**	475
Total trade and other payables	**73**	95	**483**	483
Of which: payable in greater than one year	**–**	1	**–**	–

20 Issued capital

Accounting policy:

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

Issued and fully paid	2020 Number	2020 £m	2019 Number	2019 £m
Ordinary shares of 7319⁄22p				
Opening balance	**973,000,665**	**719**	972,897,006	719
Issued under employee share plans	**73,920**	**–**	103,659	–
Closing balance	**973,074,585**	**719**	973,000,665	719

The Company issued 73,920 ordinary shares to the Trustee of the 3i Group Share Incentive Plan for a total cash consideration of £802,894 at various prices from 775.53 pence to 1,147.33 pence per share (being the market prices on the issue dates which were the last trading day of each month in the year, with the exception of December 2019, when the issue date was 3 January 2020). These shares were ordinary shares with no additional rights attached to them and had a total nominal value of £54,600.

21 Own shares

Accounting policy:

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

	Group 2020 £m	Group 2019 £m
Opening cost	**42**	26
Additions	**59**	29
Awards granted and exercised	**(23)**	(13)
Closing cost	**78**	42

During the year, the 3i Group Employee Benefit Trust acquired 7 million (2019: 3 million) shares at an average price of 821 pence per share (2019: 960 pence per share).

22 Capital structure

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

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Cash and deposits	**771**	1,033	**742**	1,008
Borrowings and derivative financial liabilities	**(579)**	(575)	**(579)**	(575)
Net cash[1]	**192**	458	**163**	433
Total equity	**7,757**	7,909	**7,374**	7,533
Gearing (net debt/total equity)	**nil**	nil	**nil**	nil

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

Capital constraints

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

The Group's regulated capital requirement is reviewed regularly by the Board of 3i Investments plc, an investment firm regulated by the FCA, and the Group's Audit and Compliance Committee. In addition, the Group's Internal Capital Adequacy Assessment Process ("ICAAP") report is updated as appropriate and reviewed by the Board of 3i Investments plc and the Audit and Compliance Committee. The Group complies with the Individual Capital Guidance as agreed with the FCA and operates with a significant consolidated regulatory capital surplus, significantly in excess of the FCA's prudential rules. The Group's Pillar 3 disclosure document can be found on **www.3i.com**.

23 Interests in Group entities

Accounting policy:

The Company has controlling equity interests in, and makes loans to, both consolidated and fair valued Group entities. Equity investments in, and loans to, investment entities are held at fair value in the Company's accounts. The net assets of these entities are deemed to represent fair value. Equity investments in other subsidiaries are held at cost less impairment and any loans to these subsidiaries are held at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses on initial recognition.

	Company 2020 Equity investments £m	Company 2020 Loans £m	Company 2020 Total £m
Opening book value	**3,577**	**1,644**	**5,221**
Additions	**25**	**1,200**	**1,225**
Share of profits from partnership entities	**–**	**1,470**	**1,470**
Disposals and repayments	**(14)**	**(2,265)**	**(2,279)**
Fair value movements	**(1,270)**	**(377)**	**(1,647)**
Exchange movements	**–**	**33**	**33**
Closing book value	**2,318**	**1,705**	**4,023**

	Company 2019 Equity investments £m	Company 2019 Loans £m	Company 2019 Total £m
Opening book value	2,417	1,695	4,112
Additions	554	251	805
Share of profits from partnership entities	–	176	176
Disposals and repayments	(16)	(483)	(499)
Fair value movements	622	12	634
Exchange movements	–	(7)	(7)
Closing book value	3,577	1,644	5,221

Details of significant Group entities are given in Note 30.

24 Commitments

Accounting policy:

Commitments represent amounts the Group has contractually committed to pay third parties but do not yet represent a charge or asset. This gives an indication of committed future cash flows. Commitments at the year end do not impact the Group's financial results for the year.

	Group 2020 due within 1 year £m	Group 2020 due between 2 and 5 years £m	Group 2020 due over 5 years £m	Group 2020 Total £m	Group 2019 due within 1 year £m	Group 2019 due between 2 and 5 years £m	Group 2019 due over 5 years £m	Group 2019 Total £m
Equity and loan investments	**21**	**1**	**–**	**22**	263	1	–	264

	Company 2020 due within 1 year £m	Company 2020 due between 2 and 5 years £m	Company 2020 due over 5 years £m	Company 2020 Total £m	Company 2019 due within 1 year £m	Company 2019 due between 2 and 5 years £m	Company 2019 due over 5 years £m	Company 2019 Total £m
Equity and loan investments	**21**	**1**	**–**	**22**	174	1	–	175

The amounts shown above are commitments made by the Group and Company respectively, to invest into funds. The Group and Company were contractually committed to these investments as at 31 March 2020.

25 Contingent liabilities

Accounting policy:

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

The Company has provided a guarantee to the Trustees of the 3i Group Pension Plan in respect of liabilities of 3i plc to the Plan. 3i plc is the sponsor of the 3i Group Pension Plan. On 4 April 2012, the Company transferred eligible assets (£150 million of ordinary shares in 3i Infrastructure plc) as defined by the agreement to a wholly-owned subsidiary of the Group. The Company will retain all income and capital rights in relation to the 3i Infrastructure plc shares, as eligible assets, unless the Company becomes insolvent or fails to comply with material obligations in relation to the agreement with the Trustees, all of which are under its control. The fair value of eligible assets held by this subsidiary at 31 March 2020 was £247 million (31 March 2019: £275 million). As part of the latest completed triennial valuation of the Plan as at 30 June 2016, the Company has agreed to pay up to £50 million to the Plan if the Group's gearing increases above 20%, gross debt above £1 billion or net assets fall below £2 billion. In addition, if the gearing, gross debt or net assets limits noted are reached, the Group may also be required to increase the potential cover provided by the contingent asset arrangement until the gearing, gross debt or net assets improve.

At 31 March 2020, there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

26 Retirement benefits

Accounting policy:

Payments to defined contribution retirement benefit plans are charged to the Consolidated statement of comprehensive income as they fall due.

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

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

A retirement benefit surplus is recognised in the Consolidated statement of financial position where the fair value of plan assets exceeds the present value of the defined benefit obligations limited to the extent that the Group can benefit from that surplus.

(i) Defined contribution plans

The Group operates a number of defined contribution retirement benefit plans for qualifying employees throughout the Group. The assets of these plans are held separately from those of the Group. The employees of the Group's subsidiaries in France are members of a state managed retirement benefit plan operated by that country's government. 3i Investments (Luxembourg) S.A.'s French branch is required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund these benefits.

The total expense recognised, in operating expenses, in the Consolidated statement of comprehensive income is £3 million (2019: £3 million), which represents the contributions paid to these defined contribution plans. There were no outstanding payments due to these plans at the balance sheet date.

(ii) Defined benefit plans

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

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

The valuation of the Plan was updated on an IAS 19 basis by an independent qualified actuary as at 31 March 2020.

Qualifying employees in Germany are entitled to a pension based on their length of service. The future liability calculated by German actuaries is £25 million (31 March 2019: £27 million). There was £1 million of expense (2019: nil) recognised, in operating expenses, in the Consolidated statement of comprehensive income for the year and a £2 million gain (2019: £3 million loss) in other comprehensive income for this scheme.

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

	2020 £m	2019 £m
Present value of funded obligations	**692**	757
Fair value of the Plan assets	**(958)**	(963)
Asset restriction	**93**	72
Retirement benefit surplus in respect of the Plan	**(173)**	(134)
Retirement benefit deficit in respect of other defined benefit schemes	**25**	27

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

26 Retirement benefits continued

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

	2020 £m	2019 £m
Included in interest payable		
Interest income on net defined benefit asset	–	1
Included in other expense		
Allowance for GMP equalisation	–	(3)
Included in other comprehensive income		
Re-measurement gain	55	11
Asset restriction	(19)	(3)
Total re-measurement gain and asset restriction	36	8
Total	36	6

The total re-measurement gain recognised in other comprehensive income was £38 million (2019: £5 million). There was a £2 million gain on our overseas schemes (2019: £3 million loss), as noted above.

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

	2020 £m	2019 £m
Opening defined benefit obligation	757	782
Interest on Plan liabilities	18	19
Re-measurement (gain)/loss:		
– loss/(gain) from change in demographic assumptions	5	(48)
– (gain)/loss from change in financial assumptions	(43)	44
– experience gains	(3)	(3)
Benefits paid	(42)	(40)
Allowance for GMP equalisation	–	3
Closing defined benefit obligation	692	757

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

	2020 £m	2019 £m
Opening fair value of the Plan assets	963	975
Interest on Plan assets	20	21
Actual return on Plan assets less interest on Plan assets	14	4
Employer contributions	3	3
Benefits paid	(42)	(40)
Closing fair value of the Plan assets	958	963

Contributions paid to the Plan are related party transactions as defined by IAS 24 Related party transactions.

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

	2020 £m	2019 £m
Equities	–	79
Corporate bonds	144	149
Gilts	529	411
Annuity contracts	239	254
Other	46	70
	958	963

The Plan's assets are predominantly invested with Legal and General Investment Management in quoted and liquid funds. The annuity contracts are bulk annuity (or "buyin") policies held with Pension Insurance Corporation and Legal and General Assurance Society. The 3i Group Pension Plan Trustees entered into these policies in March 2017 and February 2019 respectively. The buyin policies reduce the Plan's member longevity risk and are designed to provide an exact match for around 60% of the Plan's liabilities for pensions already in payment. The fair values of the insurance policies are calculated using the same assumptions and methodology as used to calculate the value of the pension liability as at 31 March 2020.

26 Retirement benefits continued

The Plan's assets do not include any of the Group's own equity instruments nor any property in use by the Group.

Changes in the asset restriction were as follows:

	2020 £m	2019 £m
Opening asset restriction	72	68
Interest on asset restriction	2	1
Re-measurements	19	3
Closing asset restriction	**93**	72

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

	2020	2019
Discount rate	2.3%	2.4%
Expected rate of salary increases	5.3%	5.9%
Expected rate of pension increases	0% to 3.2%	0% to 3.5%
Retail Price Index ("RPI") inflation	2.8%	3.4%
Consumer Price Index ("CPI") inflation	2.0%	2.6%

In addition, it is assumed that members exchange 25% of their pension for a lump sum at retirement on the conversion terms in place at 31 March 2020 with an allowance for the terms to increase in future. The duration of the Plan's defined benefit obligation at the accounting date was around 18 years.

The post-retirement mortality assumption used to value the benefit obligation at 31 March 2020 is 80% of the S2NA Light tables, allowing for improvements in line with the CMI 2019 core projections with a long-term annual rate of improvement of 1.75% (31 March 2019: 80% of the S2NA Light tables, allowing for improvements in line with the CMI 2018 core projections with a long-term annual rate of improvement of 1.75%). The life expectancy of a male member reaching age 60 in 2040 (31 March 2019: 2039) is projected to be 32.4 (31 March 2019: 32.3) years compared to 30.5 (31 March 2019: 30.3) years for someone reaching 60 in 2020.

The sensitivity of the defined benefit surplus to changes in the weighted principal assumptions is:

		Impact on retirement benefit surplus	
	Change in assumption	2020	2019
Discount rate	Decrease by 0.1%	Decrease by £6 million	Decrease by £7 million
Retail Price Index ("RPI") inflation	Increase by 0.1%	Decrease by £3 million	Decrease by £6 million
Life expectancy	Increase by 1 year	Decrease by £11 million	Decrease by £15 million

The above sensitivity analysis is based on changing one assumption whilst all others remain constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated.

Through its defined benefit plan the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	A fall in the value of the Plan's assets may reduce the value of the defined benefit surplus and could affect the future funding requirements. To reduce the volatility of the Plan's assets, the Trustees have implemented an investment strategy that reduces the Plan's equity holdings by switching them to bonds over time. The Plan's assets are also diversified across different asset classes, including annuity contracts that are an exact match for a proportion of the Plan's liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the Plan's IAS 19 defined benefit obligation. However, the Plan holds a proportion of its assets in corporate bonds and so any increase in the defined benefit obligation would be partially offset by an increase in the value of the Plan's assets.
Inflation risk	The Plan's defined benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the Plan's assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation could reduce or eliminate the defined benefit surplus.
Life expectancy	The Plan's obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the Plan's defined benefit obligation.

26 Retirement benefits continued

As the Plan was closed to future accrual of benefits by members with effect from 5 April 2011, the Group ceased to make regular contributions to the Plan in the year to 31 March 2012.

The latest triennial valuation for the Plan was completed in September 2017, based on the position at 30 June 2016. The outcome was an actuarial deficit of £50 million. This valuation is produced for funding purposes and is calculated on a different basis to the IAS 19 valuation net asset of £173 million which is shown in the Note above. The actuarial funding valuation is as at 30 June 2016 and considers expected future returns on the Plan's assets against the expected liabilities, using a more prudent set of assumptions. The IAS 19 accounting valuation compares the 31 March 2020 fair value of plan assets and liabilities, with the liabilities calculated based on the expected future payments discounted using AA corporate bond yields.

As part of the triennial valuation it was agreed that it was not necessary for the Group to make any immediate contributions to the Plan, taking into account the volatile market conditions at the valuation date (immediately after the UK's referendum to leave the EU), and improvements in market conditions and liability management actions implemented since then. The Group has agreed to pay up to £50 million to the Plan if the Group's gearing increases above 20%, gross debt exceeds £1 billion, or net assets fall below £2 billion. The Plan also benefits from a contingent asset arrangement, details of which are provided in Note 25. If the gearing, net debt or net asset limits noted are reached, the Group may be required to increase the potential cover provided by the contingent arrangement until the gearing, gross debt or net assets improve.

During the year, an exercise commenced with the Plan's non-pensioner members being provided with details of options available to them in relation to their Plan benefits, including the option to transfer their Plan benefits to another pension arrangement. As at 31 March 2020, this exercise remained in progress, but no transfers had yet been paid by the Plan and so no allowance has been made for any transfers resulting from this exercise in the Plan's IAS 19 valuation.

Also during the year, the Group and the Trustees of the Plan commenced an exercise to consider a possible "buyout" of the Plan. This would involve the Trustees first completing a further "buyin" transaction with an insurance company to secure all remaining uninsured liabilities in the Plan, following which the expectation would be that the Plan's Trustees would, ultimately and at the appropriate time, exercise their right to convert the buyin policies held in the Plan into individual annuity policies in the names of Plan members.

27 Share-based payments

Accounting policy:

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

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

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

Share-based payments are in certain circumstances made in lieu of annual cash bonuses or carried interest payments. The cost of the share-based payments is allocated either to operating expenses (bonuses) or carried interest depending on the original driver of the award. Executive Director Long-term Incentive Plans are allocated to operating expenses.

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

	2020 £m	2019 £m
Share awards included as operating expenses[1,2]	**10**	10
Share awards included as carried interest[1]	**6**	9
Cash-settled share awards[3]	**8**	5
	24	24

1 Credited to equity.
2 For the year ended 31 March 2020, £8 million is shown in Note 6 (2019: £8 million), which is net of a £2 million (2019: £2 million) release from the bonus accrual.
3 For the year ended 31 March 2020, £2 million (2019: £4 million) is recognised in operating expenses and £6 million (2019: £1 million) is recognised in carried interest.

27 Share-based payments continued

The features of the Group's share schemes for Executive Directors are described in the Directors' remuneration report on pages 95 to 105. To ensure that employees' interests are aligned with shareholders, a significant amount of variable compensation paid to higher earning employees is deferred into shares that vest over a number of years. For legal, regulatory or practical reasons certain participants may be granted "phantom awards" under these schemes, which are intended to replicate the financial effects of a share award without entitling the participant to acquire shares. The carrying amount of liabilities arising from share-based payment transactions at 31 March 2020 is £13 million (31 March 2019: £12 million).

For the share-based awards granted during the year, the weighted average fair value of those awards at 31 March 2020 was 812 pence (31 March 2019: 778 pence).

The main assumptions for the valuation of certain share-based awards with market conditions attached comprised:

	Share price at issue[1]	Exercise price	Expected volatility	Expected award life in years	Dividend yield	Risk free interest rate
Valuation methodology						
Monte Carlo model	1,082	–	23%	3	–	0.57%
Black Scholes	1,056	–	25%	0.5-4	3%	0.58%

1 Where share awards are granted on multiple different dates the share price at issue disclosed is the average of the prices on those dates.

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

Movements in share awards

The number of share-based awards outstanding as at 31 March is as follows:

	2020 Number	2019 Number
Outstanding at the start of the year	**7,952,304**	8,078,446
Granted	**2,349,729**	3,083,767
Exercised	**(4,135,183)**	(3,144,407)
Lapsed	**(168,553)**	(65,502)
Outstanding at the end of year	**5,998,297**	7,952,304
Weighted average remaining contractual life of awards outstanding in years	**1.8**	1.7
Exercisable at the end of the year	**21,200**	39,016

The weighted average market price at the date of exercise was 1,073 pence (2019: 939 pence).

Holdings of 3i Group plc shares

The Group has established an employee benefit trust and the total number of 3i Group plc shares held in this trust at 31 March 2020 was 10 million (31 March 2019: 7 million). Dividend rights have been waived on these shares. During the year, the trust acquired 7 million shares (2019: 3 million) at an average price of 821 pence per share (2019: 960 pence per share). The total market value of the shares held in trust based on the year end share price of 792 pence (31 March 2019: 985 pence) was £82 million (31 March 2019: £69 million).

28 Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Risk management section on pages 48 to 59. This Note provides further detail on financial risk management, cross-referring to the Risk management section where applicable, and includes quantitative data on specific financial risks.

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

Financial risks

Concentration risk

3i seeks to diversify risk through significant dispersion of investments by geography, economic sector, asset class and size as well as through the maturity profile of its investment portfolio. Although 3i does not set maximum limits for asset allocation, it does have a maximum exposure limit for the cost of new investments. This is detailed in the Investment policy on page 112 in the Governance section. Quantitative data regarding the concentration risk of the portfolio across geographies can be found in the Segmental analysis in Note 1 and in the 20 large investments table on pages 175 and 176.

28 Financial risk management continued

The Group's total return may be materially and adversely affected by the unfavourable performance of the largest investment. This investment is concentrated in the general merchandise discount retail industry and thus the Group's performance will be closely linked to the performance of this industry and the Group could be severely impacted by adverse developments affecting this industry.

Credit risk

The Group is subject to credit risk on its unquoted investments, derivatives, cash and deposits. The maximum exposure is the balance sheet amount. The Group's cash is held with a variety of counterparties with 97% of the Group's surplus cash held on demand in AAA rated money market funds (31 March 2019: 89%).

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

Liquidity risk

The liquidity outlook is monitored at least monthly by management and regularly by the Board in the context of periodic strategic reviews of the balance sheet. The new investment pipeline and forecast realisations are closely monitored and assessed against our vintage control policy, as described on page 48 of the Risk management section. The table below analyses the maturity of the Group's gross contractual liabilities.

Financial liabilities

As at 31 March 2020	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Due more than 5 years £m**	**Total £m**
Gross commitments:					
Fixed loan notes	**35**	**35**	**278**	**547**	**895**
Committed multi-currency facility	**1**	**1**	**2**	**–**	**4**
Carried interest and performance fees payable within one year	**41**	**–**	**–**	**–**	**41**
Trade and other payables	**73**	**–**	**–**	**–**	**73**
Lease liabilities	**4**	**4**	**12**	**–**	**20**
Total	**154**	**40**	**292**	**547**	**1,033**

Gross commitments include principal amounts and interest and fees where relevant. Carried interest and performance fees payable within non-current liabilities of £66 million (31 March 2019: £86 million) has no stated maturity as it results from investment related transactions and it is not possible to identify with certainty the timing of when the investments will be sold. Carried interest and performance fees payable within non-current liabilities is shown after discounting, which has an impact of £2 million (31 March 2019: £1 million).

As at 31 March 2019	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due more than 5 years £m	Total £m
Gross commitments:					
Fixed loan notes	35	35	292	569	931
Committed multi-currency facility	1	1	–	–	2
Carried interest and performance fees payable within one year	25	–	–	–	25
Trade and other payables	94	1	–	–	95
Total	155	37	292	569	1,053

The Company disclosures are the same as those for the Group with the following exceptions: carried interest and performance fees payable due within one year is nil (31 March 2019: nil), trade and other payables due within one year is £483 million (31 March 2019: £483 million) and lease liabilities due within one year nil, lease liabilities due between one and two years nil and lease liabilities due between two and five years nil.

Market risk

The valuation of the Group's investment portfolio is largely dependent on the underlying trading performance of the companies within the portfolio but the valuation and other items in the financial statements can also be affected by interest rate, currency and quoted market fluctuations. The Group's sensitivity to these items is set out below. Towards the end of the financial year market price risk impacted the valuations of the Group's investments due to increased volatility within capital markets caused by the global economic impact of COVID-19, this is further detailed on page 52 in the Risk management section.

28 Financial risk management continued

(i) Interest rate risk

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

An increase of 100 basis points, based on the closing balance sheet position over a 12-month period, would lead to an approximate increase in total comprehensive income of £8 million (2019: £11 million) for the Group and £7 million (2019: £10 million) for the Company. In addition, the Group and Company have indirect exposure to interest rates through changes to the financial performance and the valuation of portfolio companies caused by interest rate fluctuations.

(ii) Currency risk

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

The Group considers currency risk on specific investment and realisation transactions. Further information on how currency risk is managed is provided on page 57.

As at 31 March 2020	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Other £m	Total £m
Net assets	**1,511**	**4,904**	**1,191**	**119**	**32**	**7,757**
Sensitivity analysis						
Assuming a 10% movement in exchange rates against sterling:						
Impact on net assets	**n/a**	**489**	**119**	**12**	**3**	**623**

As at 31 March 2019	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Other £m	Total £m
Net assets	1,657	4,966	1,098	152	36	7,909
Sensitivity analysis						
Assuming a 10% movement in exchange rates against sterling:						
Impact on net assets	n/a	452	110	15	4	581

(iii) Price risk – market fluctuations

The Group's management of price risk, which arises primarily from quoted and unquoted equity instruments, is through the careful consideration of the investment, asset management and divestment decisions at the Investment Committee. The Investment Committee's role in risk management is detailed on page 51 in the Risk management section. A 15% change in the fair value of those investments would have the following direct impact on the Consolidated statement of comprehensive income:

Group	Quoted investment £m	Unquoted investment £m	Investment in Investment entity subsidiaries £m	Total £m
At 31 March 2020	**63**	**455**	**590**	**1,108**
At 31 March 2019	70	179	774	1,023

Company	Quoted investment £m	Unquoted investment £m	Total £m
At 31 March 2020	**63**	**455**	**518**
At 31 March 2019	70	179	249

29 Related parties and interests in other entities

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

Related parties

Limited partnerships

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

Statement of comprehensive income	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Carried interest receivable	61	132	102	158
Fees receivable from external funds	14	19	–	–

Statement of financial position	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Carried interest receivable	12	609	68	662

Investments

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

Statement of comprehensive income	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Realised (losses)/profits over value on the disposal of investments	(29)	1	(29)	1
Unrealised profits on the revaluation of investments	66	23	66	23
Portfolio income	3	12	3	11

Statement of financial position	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Unquoted investments	354	415	354	415

Advisory and management arrangements

The Group acted as Investment Manager to 3i Infrastructure plc ("3iN"), which is listed on the London Stock Exchange, for the year to 31 March 2020. During FY2019, the Group acted as an adviser until 3iN's decision to move its tax residence and management to the UK, effective from 15 October 2018. The following amounts have been recognised in respect of the management and advisory relationship:

Statement of comprehensive income	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Unrealised (losses)/profits on the revaluation of investments	(48)	102	(48)	102
Fees receivable from external funds	29	31	–	–
Performance fees receivable	6	31	–	–
Dividends	15	14	15	14

Statement of financial position	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Quoted equity investments	418	469	418	469
Performance fees receivable	6	31	–	–

29 Related parties and interests in other entities continued

Subsidiaries

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

Management, administrative and secretarial arrangements

The Company has appointed 3i Investments plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, as its investment manager. 3i Investments plc received a fee of £13 million (2019: £13 million) from 3i plc, a fellow subsidiary, for this service.

The Company has appointed 3i plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, to provide the Company with a range of administrative and secretarial services. 3i plc received a fee of £93 million (2019: £60 million) for this service.

Key management personnel

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

Statement of comprehensive income	Group 2020 £m	Group 2019 £m
Salaries, fees, supplements and benefits in kind	**4**	4
Cash bonuses	**2**	2
Carried interest and performance fees payable	**9**	13
Share-based payments	**10**	10
Termination payments	**–**	1

Statement of financial position	Group 2020 £m	Group 2019 £m
Bonuses and share-based payments	**22**	17
Carried interest and performance fees payable within one year	**41**	2
Carried interest and performance fees payable after one year	**32**	51

No carried interest was paid or accrued for the Executive or non-executive Directors (2019: nil). Carried interest paid in the year to other key management personnel was £2 million (2019: £6 million).

Unconsolidated structured entities

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

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

Closed-end limited partnerships

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

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

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

	Carrying amount			
Balance sheet line item of asset or liability	Assets £m	Liabilities £m	Net £m	Maximum loss exposure £m
Unquoted investments	**58**	**–**	**58**	**58**
Carried interest receivable	**12**	**–**	**12**	**12**
Total	**70**	**–**	**70**	**70**

At 31 March 2019, the carrying amount of assets and maximum loss exposure of unquoted investments and carried interest receivable was £46 million and £609 million respectively. The carrying amount of liabilities was nil.

At 31 March 2020, the total assets under management relating to these entities was £4.3 billion (31 March 2019: £3.7 billion). The Group earned fee income of £14 million (2019: £19 million) and carried interest of £61 million (2019: £132 million) in the year.

29 Related parties and interests in other entities continued

Regulatory information relating to fees

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

Transaction fees

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

Payments for third-party services

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

Payments for services from 3i companies

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

30 Subsidiaries and related undertakings

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

Under IFRS 10, 23 of the Group's portfolio company investments are considered to be accounting subsidiaries. As the Group applies the investment entity exception available under IFRS 10, these investee companies are classified as investment entity subsidiaries.

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

The Company's related undertakings at 31 March 2020 are listed below:

Description	Holding/share class	Footnote
Subsidiaries		
3i Holdings plc	100% ordinary shares	1
3i Investments plc	100% ordinary shares	1
3i plc	100% ordinary shares	1
3i International Holdings	100% ordinary shares	1
Investors in Industry plc	100% ordinary shares/cumulative preference shares	1
Mayflower GP Limited	100% ordinary shares	1
3i Assets LLP	100% partnership interest	1
3i General Partner No 1 Limited	100% ordinary shares	1
3i Corporation	100% ordinary shares	2
3i Deutschland Gesellschaft für Industriebeteiligungen mbH	100% ordinary shares	4
Gardens Nominees Limited	100% ordinary shares	1
Gardens Pension Trustees Limited	100% ordinary shares	1
3i Europe plc	100% ordinary shares	1
3i Nominees Limited	100% ordinary shares	1
3i PVLP Nominees Limited	100% ordinary shares	1
3i APTech Nominees Limited	100% ordinary shares	1
3i APTech GP Limited	100% ordinary shares	1
3i Networks Finland Limited	100% ordinary shares	1
3i EFIV Nominees Limited	100% ordinary shares	1
3i EF4 GP Limited	100% ordinary shares	1
3i Osprey GP Limited	100% ordinary shares	1
3i Investments GP Limited	100% ordinary shares	1
3i IIF GP Limited	100% ordinary shares	19
3i Nordic plc	100% ordinary shares	1

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
3i GP 2004 Limited	100% ordinary shares	3
3i Ademas LP	100% partnership interest	3
The 3i Group Employee Trust	n/a	6
3i International Services plc	100% ordinary shares	1
3i EFV Nominees A Limited	100% ordinary shares	1
3i EFV Nominees B Limited	100% ordinary shares	1
3i India Private Limited	100% ordinary shares	7
3i Sports Media (Mauritius) Limited	100% ordinary shares	8
3i Asia Limited	100% ordinary shares	8
3i EFV GP Limited	100% ordinary shares	1
3i srl	100% ordinary shares	9
3i Infraprojects (Mauritius) Limited	100% ordinary shares	8
3i Research (Mauritius) Limited	100% ordinary shares	8
IIF SLP GP Limited	100% ordinary shares	3
3i Buyouts 2010 A LP	81% partnership interest	1
3i Buyouts 2010 B LP	74% partnership interest	1
GP CCC 2010 Limited	100% ordinary shares	3
3i GC GP Limited	100% ordinary shares	1
3i GP 2010 Limited	100% ordinary shares	1
3i Growth Capital A LP	100% partnership interest	1
3i Growth Capital G LP	100% partnership interest	1
3i Growth Capital (USA) D L.P.	100% partnership interest	17
3i Growth 2010 LP	85% partnership interest	1
3i Growth USA 2010 L.P.	83% partnership interest	17
3i Growth Capital (USA) P L.P.	100% partnership interest	17
Strategic Investments FM (Mauritius) Alpha Limited	70% ordinary shares	8
3i GC Nominees A Limited	100% ordinary shares	1
3i GC Nominees B Limited	100% ordinary shares	1
3i India Infrastructure B LP	99% partnership interest	19
3i Asia Pacific 2004-06 LP	100% partnership interest	1
3i 2004 GmbH & Co KG	100% partnership interest	4
3i General Partner 2004 GmbH	100% ordinary shares	4
Pan European Buyouts Co-invest 2006-08 LP	100% partnership interest	1
Pan Euro Buyouts (Dutch) A Co-invest 2006-08 LP	100% partnership interest	1
3i US Growth Partners LP	94% partnership interest	17
3i US Growth Corporation	100% ordinary shares	34
Global Growth Co-invest 2006-08 LP	100% partnership interest	17
Pan European Growth Co-invest 2006-08 LP	100% partnership interest	1
Pan European Growth (Dutch) A Co-invest 2006-08 LP	100% partnership interest	1
Asia Growth Co-invest 2006-08 LP	100% partnership interest	1
3i GP 2006-08 Limited	100% ordinary shares	1
Pan European Buyouts (Nordic) Co-invest 2006-08 LP	100% partnership interest	1
Pan European Growth (Nordic) Co-invest 2006-08 LP	100% partnership interest	1
GP CCC 08-10 Limited	100% ordinary shares	3
3i GP 08-10 Limited	100% ordinary shares	1
3i PE 2013-16A LP	100% partnership interest	1
3i PE 2013-16C LP	100% partnership interest	1
3i GP 2013 Ltd	100% ordinary shares	1
GP 2013 Ltd	100% ordinary shares	3
3i BIFM Investments Limited	100% ordinary shares	1
BIIF GP Limited	100% ordinary shares	1

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
BEIF II Limited	100% ordinary shares	1
3i BEIF II GP LLP	100% partnership interest	1
BAM General Partner Limited	100% ordinary shares	1
BEIF Management Limited	100% ordinary shares	1
3i BIIF GP LLP	100% partnership interest	1
3i PE 2016-19 A LP	100% partnership interest	1
3i Managed Infrastructure Acquisitions GP (2017) LLP	100% partnership interest	1
3i Managed Infrastructure Acquisitions GP Limited	100% ordinary shares	1
3i 2016 Gmbh & Co. KG	100% partnership interest	4
3i European Operational Projects GmbH & Co. KG	100% partnership interest	4
GP 2016 Limited	100% ordinary shares	3
3i GP 2016 Limited	100% ordinary shares	1
3i European Operational Projects GP s.a.r.l	100% ordinary shares	10
3i SCI Holdings Limited	100% ordinary shares	1
3i North American Infrastructure, LLC	80% ordinary shares	18
3i Abaco ApS	100% ordinary shares	25
3i Investments (Luxembourg) S.A.	100% ordinary shares	10
3i GC Holdings Ref 2 s.a.r.l	72% ordinary shares	10
3i 2019-22 DLP SCSp	100% partnership interest	10
3i PE 2019-22 A LP	100% partnership interest	1
3i PE 2019-22 B LP	100% partnership interest	1
3i PE 2019-22 Warehouse LP	100% partnership interest	3
3i 2020 Co-investment LP	100% partnership interest	3
3i GP 2019 Limited	100% ordinary shares	1
3i GP 2020 Limited	100% ordinary shares	3
3i GP 2019 s.a.r.l	100% ordinary shares	10
3i GP 2019 (Scots) Limited	100% ordinary shares	3
3i Venice GP s.a.r.l	100% ordinary shares	10
3i France SAS	100% ordinary shares	16
Associates		
3i Growth Carry A LP	25% partnership interest	3
3i Growth Carry B LP	25% partnership interest	3
3i Growth Capital B LP	36% partnership interest	1
3i Growth Capital (USA) E LP	36% partnership interest	17
3i Buyouts 2010 C LP	49% partnership interest	1
3i GC Holdings Ref 1 s.a.r.l	36% ordinary shares	10
3i GC Holdings U1 s.a.r.l	36% ordinary shares	10
Moon Topco GmbH	49% ordinary shares	13
Layout Holdco A/S	49% ordinary shares	14
Fuel Holdco SA	43% ordinary shares	10
Boketto Holdco Limited	47% ordinary shares	15
Klara HoldCo S.A.	43% ordinary shares	10
Shield Holdco LLC	49% ordinary shares	34
Q Holdco Ltd	42% ordinary shares	20
3i Infrastructure plc	30% ordinary shares	19
Peer Holding 1 BV	49% ordinary shares	21
AES Engineering Ltd	43% ordinary shares	22
Chrysanthes 1 s.a.r.l	49% ordinary shares	10
Carter Thermal Industries Limited	34% ordinary shares	23
Harper Topco Limited	42% ordinary shares	24
Orange County Fundo de Investmento EM Particpacoes	39% equity units	27

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
Permali Gloucester Limited	32% ordinary shares	28
Tato Holdings Limited	27% ordinary shares	30
Lilas 1 SAS	49% ordinary shares	31
Nimbus Communications Ltd	30% ordinary shares	32
Asia Strategic MedTech Holdings (Mauritius) Limited	36% ordinary shares	8
Aurela TopCo Gmbh	43% ordinary shares	5
Retina Holdco BV	49% ordinary shares	29
C Medical Holdco, LLC	49% ordinary shares	2
Crown Holdco BV	49% ordinary shares	12
3i India Infrastructure Holdings Ltd	21% ordinary shares	8
Racing Topco GmbH	49% ordinary shares	26
Panda Holdco LLC	49% ordinary shares	2
Scandlines Infrastructure ApS	35% ordinary shares	33
Alinghi 1 S.A.S	49% ordinary shares	11
CTS BP Holdco	49% ordinary shares	35

There are no joint ventures or other significant holdings. The 20 large portfolio companies by fair value are detailed on pages 175 and 176. The combination of the table above and that on pages 175 and 176 is deemed by the Directors to fulfil the requirements under IFRS 12 on the disclosure of material subsidiaries.

Footnote	Address
1	16 Palace Street, London, SW1E 5JD, UK
2	1 Grand Central Place, East 42nd Street, Suite 4100 New York, NY 10165, USA
3	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, UK
4	OpernTurm, Bockenheimer Landstresse 2-4, 60306 Frankfurt am Main, Germany
5	Seelbüde 13, 36110 Schlitz, Germany
6	Computershare, Queensway House, Hilgrove Street, St Helier, JE1 1ES, Jersey
7	Level 7, The Capital B-Wing, Bandra Kurla Complex, Bandra East, Mumbai, 400051, India
8	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene, Mauritius
9	Via Orefici 2, 20123 Milan, Italy
10	9 Rue Sainte Zithe, L-2763 Luxembourg, Grand Duchy of Luxembourg
11	16 place de l'Iris, 92 400 Courbevoie, France
12	Cornelis Schuytstraat 72, 1071JL Amsterdam, Netherlands
13	Gruber Str. 48, 85586 Poing, Germany
14	Mørupvej 16 Mørup 7400 Herning, Denmark
15	New Mill, New Mill Lane, Witney, Oxfordshire, OX29 9SX, UK
16	29-31, rue de Berri, 75008 Paris, France
17	2nd Floor, Gaspe House, 66-72 Esplanade, St Helier, JE1 1GH, Jersey
18	1209 Orange Street, Wilmington, Delaware 19801, USA
19	12 Castle Street, St Helier, JE2 3RT, Jersey
20	1 Bartholomew Lane, London, EC2N 2AX, UK
21	Perenmarkt 15, Zwaagdijk East, 1681PG, Netherlands
22	Bradmarsh Business Park, Mill Close, Rotherham, South Yorkshire, S60 1BZ, UK
23	90 Lea Ford Road, Birmingham B33 9TX
24	Building 5 First Floor, 566 Chiswick High Road, Chiswick Park, London W4 5YF, UK
25	Holbergsgade 14, 2tv, 1057, Copenhagen, Denmark
26	Hunsrückstr. 1 53842, Troisdorf, Nordrhein-Westfalen Germany
27	Avenida Brigadeiro Faria Lima, 2055, 19 andar, 01452-001 – Sao Paulo, SP, Brazil
28	Bristol Rd, Gloucester, GL1 5TT, UK
29	Papland 21, 4206CK Gorinchem, Netherlands

30 Subsidiaries and related undertakings continued

Footnote	Address
30	Thor Group Ltd, Bramling House, Bramling, Canterbury, Kent, CT3 1NB, UK
31	Park a Eco Vendee Sud Loire, 85600, Bouffere, France
32	44 Oberoi Complex, Andthei (West), Mumbai, India
33	Havneholmen 29, 6 sal Kobenhavn, 1561, Denmark
34	251 Little Falls Drive, Wilmington, DE 19808, New Castle, US
35	49 Pasture Rd, Stapleford, Nottingham NG9 8HR, United Kingdom

Independent Auditor's report to the members of 3i Group plc

Opinion

In our opinion:

- 3i Group plc's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU");
- the Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of 3i Group plc which comprise:

Group	Parent company
Consolidated statement of comprehensive income for the year to 31 March 2020	Company statement of financial position as at 31 March 2020
Consolidated statement of financial position as at 31 March 2020	Company statement of changes in equity for the year to 31 March 2020
Consolidated statement of changes in equity for the year to 31 March 2020	Company cash flow statement for the year to 31 March 2020
Consolidated cash flow statement for the year to 31 March 2020	
Significant accounting policies	
Related notes 1 to 30 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the EU and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual report set out on pages 52 to 59 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 52 in the Annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 117 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 54 in the Annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incorrect valuation of unquoted proprietary investments. • Incorrect calculation of carried interest. • Incorrect recognition of portfolio income and of realised profits on disposal of investments. • Going concern basis used in the preparation of the financial statements. The first two risks are considered to be significant risks, consistent with the 2019 audit. The fourth risk is a new key audit matter in the year as a result of the COVID-19 pandemic.
Audit scope	• The Group is principally managed from one location in London. All core functions, including finance and operations, are located in London. The Group operates seven international offices, which are primarily responsible for deal origination and investment portfolio monitoring. • The Group comprises 87 consolidated subsidiaries and 54 investment entity subsidiaries. Monitoring and control over the operations of these subsidiaries, including those located overseas, is centralised in London. • The London based Group audit team performed direct audit procedures on all items material to the Group financial statements. Our audit sample covered 99% of the investment portfolio. This approach is consistent with the 2019 audit.
Materiality	• Overall Group materiality is £78m (2019: £79m) which represents 1% of net assets. This approach is consistent with the 2019 audit.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
Group and Parent company risk **Incorrect valuation of unquoted proprietary investments (£7,340m, 2019: £6,555m)** *Refer to the Audit and Compliance Committee report (pages 86 to 89); Significant accounting policies (page 128); and Notes 11, 12 and 13 of the financial statements (pages 139 to 143)* The proprietary investment portfolio comprises a number of unquoted securities. In the Consolidated statement of financial position these are shown both as Investments (which are held directly by consolidated subsidiaries of the Group and Parent company), and as Investments in investment entities (which are typically limited partnerships and other holding structures). In the Company statement of financial position these are shown both as Investments (which are held directly by the Parent company), and as Investments in investment entities (which are included within the Interests in Group entities line item). The Group adopts a valuation methodology based on the International Private Equity and Venture Capital Valuation 2018 ("IPEV") guidelines, in conformity with IFRS 13 – Fair Value Measurements ("IFRS 13"). Owing to the unquoted and illiquid nature of these investments, the assessment of fair valuation is subjective and requires a number of significant and complex judgments to be made by management. The exit value will be determined by the market at the time of realisation and therefore despite the valuation policy adopted and judgments made by management, the final sales value may differ materially from the valuation at the year end. There is the risk that inaccurate judgments made in the assessment of fair value, in particular in respect of; earnings multiples, the application of liquidity discounts, calculation of discount rates and the estimation of maintainable earnings, could lead to the incorrect valuation of the unquoted proprietary investment portfolio. In turn, this could materially misstate the value of the Investment portfolio in the Consolidated statement of financial position, the Gross investment return and Total return in the Consolidated statement of comprehensive income, and the Net asset value per share. There is also the risk that management may influence the significant judgments and estimations in respect of unquoted proprietary investment valuations in order to meet market expectations of the overall Net asset value of the Group. The risk has increased in the current year due to the timing and uncertainty of the COVID-19 pandemic and the consequent impact on valuations.	Our procedures extended to testing 99% of the related balance. We obtained an understanding of management's processes and controls for determining the fair valuation of unquoted proprietary investments. This included discussing with management the valuation governance structure and protocols around their oversight of the valuation process and corroborating our understanding by attending Valuations Committee meetings. We have identified key controls in the process, assessed the design adequacy and tested the operating effectiveness of those controls. We were able to rely on controls over portfolio company and comparable company data used in the valuation of unquoted investments. We compared management's valuation methodology to IFRS and the IPEV guidelines. We sought explanations from management where there were judgments applied in its application of the guidelines and assessed their appropriateness. With the assistance of our valuations specialists, we formed an independent range for the key assumptions used in the valuation of a sample of unquoted investments, with reference to the relevant industry and market valuation considerations. We derived a range of fair values using our assumptions and other qualitative risk factors. We compared these ranges with management's assumptions, and discussed our results with both management and the Valuations Committee. With respect to unquoted investments, on a sample basis we corroborated key inputs in the valuation models, such as earnings and net debt to source data. We also performed the following procedures on key judgments made by management in the calculation of fair value: • assessed the suitability of the comparable companies used in the calculation of the earnings multiples; • challenged management on the applicability of adjustments made to earnings multiples by obtaining rationale and supporting evidence for adjustments made; • performed corroborative calculations to assess the appropriateness of discount rates; and • discussed with management the adjustments made to calculate maintainable earnings and corroborated this to supporting documentation. We have considered the impact of COVID-19 throughout the procedures performed on the valuation of unquoted investments, by challenging whether the valuation methodologies and assumptions used remained appropriate, with reference to the Special Valuation Guidance issued by the IPEV Board in March 2020. We held calls with management of the most material asset in the portfolio, accompanied by our valuations specialists, which enabled us to corroborate our understanding of, and gain specific insights into, the asset. We checked the mathematical accuracy of the valuation models on a sample basis. We recalculated the unrealised profits on the revaluation of investments impacting the Consolidated statement of comprehensive income. We discussed with management the rationale for any differences between the exit prices of investments realised during the year and the prior year fair value, to further verify the reasonableness of the current year valuation models and methodology adopted by management.

Key observations communicated to the Audit and Compliance Committee:

The valuation of the unquoted proprietary investment portfolio is determined to be within a reasonable range of fair values. All valuations tested are materially in accordance with IFRS and the IPEV guidelines. Reasonable inputs to the valuations were used. Based on our procedures performed we had no material matters to report to the Audit and Compliance Committee.

Risk	Our response to the risk
Group and Parent company risk **Incorrect calculation of carried interest (carried interest and performance fees receivable £17m, 2019: £640m; carried interest and performance fees payable £1,038m, 2019: £970m)** *Refer to the Audit and Compliance Committee report (pages 86 to 89); Significant accounting policies (page 128); and Notes 14 and 15 of the financial statements (pages 143 to 145)* Carried interest receivable is an accrual of the share of the profits from funds managed by the Group on behalf of third parties. Carried interest payable is an accrual of amounts payable to investment executives in respect of the returns on successful investments both from Group proprietary capital and third party capital. Carried interest is only paid on realisation of investments. Carried interest receivable and payable is calculated as a percentage of the profits that would be achieved, if the investments within each fund or scheme were realised at fair value at the year end date, subject to the relevant hurdle rates or performance conditions being met. Judgment is required in determining the fair value of the investment portfolio (as described in the preceding risk section) and therefore, whether hurdles or performance conditions have been achieved. There are multiple carried interest arrangements in place and investment executives may participate in more than one scheme. These arrangements have been structured over multiple periods and include different pools of investments. The process of calculating carried interest receivable and payable relies on manual calculations. Due to the complexities inherent in the arrangements and the manual nature of the recognition process, there is a risk that the carried interest calculations are incorrectly calculated or recognised in the wrong period. Carried interest is recorded in the Consolidated statement of financial position as Carried interest and performance fees receivable or Carried interest and performance fees payable, and is also recorded within Investments in investment entity subsidiaries. The risk has neither increased nor decreased in the current year.	We obtained an understanding of management's processes and controls for the calculation of carried interest by performing walkthrough procedures, and discussing with management the governance structure and protocols around their oversight of the carried interest arrangements. We adopted a substantive approach to our testing. We agreed a sample of calculation methodologies to their respective terms and conditions set out in the underlying agreements. Our audit procedures on the fair value of the underlying investments are described in the preceding risk section. We performed analytical procedures comparing the performance of the reference investments in each fund or scheme, taking into account the investment realisations, to the related accruals in the financial statements. On a sample basis we: • recalculated the returns on the fund or scheme to test that hurdles or performance conditions had been met where carried interest was being accrued; • recalculated the carried interest accruals for mathematical accuracy and agreed the investment fair values to our audit work on the fair value of the investment portfolio, the fee rates to the relevant agreements and realised gains to our audit work on realised profits; • determined the reasonableness of investment exit dates with reference to our audit work on the fair value of the investment portfolio and our understanding of the life cycle of the relevant investments, and then compared this against the anticipated payment dates used to discount the carried interest accrual; and • ensured the resulting cash flow was a result of a triggering event such as a realisation or a re-finance by verifying the cash flow to bank statements (and in the case of carry payable to award letters sent to investment executives).

Key observations communicated to the Audit and Compliance Committee:

Our audit procedures did not identify any matters regarding the recognition of carried interest in accordance with IFRSs as adopted by the EU. All calculations tested have been performed materially in accordance with contractual terms. Based on our procedures performed we had no material matters to report to the Audit and Compliance Committee.

Risk	Our response to the risk
Group and Parent company risk **Incorrect recognition of portfolio income and of realised profits on disposal of investments (£276m, 2019: £308m)** *Refer to the Audit and Compliance Committee report (pages 86 to 89); Significant accounting policies (page 129); and Note 2 of the financial statements (page 133)* Portfolio income is directly attributable to the return from investments. This includes dividends from investee companies and interest income from the investment portfolio. Realised profits originate from disposals of investments. Realised profits are calculated as the difference between the net proceeds and the investment's fair value at the beginning of the year. Market expectations and revenue based targets may place pressure on management to influence the timing of the recognition of portfolio income or realised gains. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations. Where income is recorded in a consolidated subsidiary, in the Consolidated statement of comprehensive income it is recorded as Portfolio income and Realised profits over value on the disposal of investments. Where the income is recorded in an investment entity subsidiary, it is recorded as Fair value movements on investment entity subsidiaries. The risk has neither increased nor decreased in the current year.	Our procedures extended to testing 88% of the related amount. We obtained an understanding of the processes and controls around accounting for portfolio income and realised gains by performing walkthroughs of the processes. We identified key controls in the processes, assessed design adequacy and tested the operating effectiveness of those controls. We performed detailed testing on a sample of transactions in order to confirm whether they had been appropriately recorded in the Consolidated statement of comprehensive income. For portfolio income, on a sample basis, we: • agreed dividends from investee companies to the dividend notice; and • recalculated interest income based on the terms of the underlying agreements. For all samples selected for testing we verified that revenue is recognised when the rights to receive the income have been established. For realised gains, on a sample basis, we: • analysed the contract and terms of the sale to determine whether the Group has met the stipulated requirements, confirming that the net proceeds and therefore the realised profits over opening value can be reliably measured; and • re-performed management's calculations to determine mathematical accuracy and confirmed the collection of the net proceeds by agreeing the cash receipt to bank statements. For all samples selected for testing we verified that revenue is recognised when the significant risks and rewards of ownership have been transferred. In order to address the risk of realised gains being recognised in the incorrect period, we performed enquiries of management, read minutes of meetings throughout the year and subsequent to the year end, and performed journal entry testing in order to address the risk of management override of controls to overstate or defer revenue recognition.

Key observations communicated to the Audit and Compliance Committee:

Our audit procedures did not identify any material matters regarding the recognition of portfolio income and of realised profits on disposal of investments. All transactions tested have been materially recognised in accordance with contractual terms and IFRSs as adopted by the EU. Based on our procedures performed we had no material matters to report to the Audit and Compliance Committee.

Risk	Our response to the risk
Group risk **Going concern basis used in the preparation of the financial statements** *Refer to the Audit and Compliance Committee report (pages 86 to 89); Significant accounting policies (page 126)* The Group financial statements are prepared on the going concern basis of accounting. This basis is dependent the Group's ability to meet its liabilities as they fall due and is supported by: the cash and cash equivalents balance at 31 March 2020 of £845m and access to an undrawn Revolving Credit Facility ('RCF') of £400m. The Directors are required to determine the appropriateness of preparing the financial statements on a going concern basis. The World Health Organization declared COVID-19 to be a public health emergency of international concern on 30 January 2020. This has severely restricted the level of economic activity around the world. In response to the pandemic, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions. Management has performed a COVID-19 impact analysis to support the Director's going concern assessment using information available to the date of issue of these financial statements. In addition to management's existing stress test scenarios modelled for the Viability Statement, management has modelled two adverse scenarios to assess the potential impact that COVID-19 may have on the Group's operations, liquidity, solvency and regulatory capital position. Management has also performed a combined recession and idiosyncratic risk scenario, and a reverse stress test that analyses the factors that would have to simultaneously occur for the Group to be forced into a wind-down scenario or sale. The duration and result of the COVID-19 pandemic remains highly uncertain. There is a risk that the Director's going concern analysis has not appropriately considered the full effect of COVID-19 on the Group. There is a risk that the disclosures in the financial statements related to going concern are not in compliance with reporting requirements. This a new risk in the year as a result of the COVID-19 pandemic.	We obtained an understanding of the Director's process and controls for determining the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. This included discussing with management and the Directors their governance structure and protocols around their going concern assessment and corroborating our understanding by attending Audit and Compliance Committee meetings. We assessed the reasonableness of management's base case strategic plan and appropriateness of the inputs and key assumptions used in the forecasts. We considered the accuracy of prior year forecasts against actual results to assess the accuracy of management's forecasting process. We obtained the stress test scenario analysis, including the COVID-19 impact analysis, and independently assessed the appropriateness of the inputs used by comparing them to publicly available information on economic and industry indicators as well as engaging our economic modelling specialists. We reviewed the impact on the group's cash and liquidity position under the scenarios, including the two COVID-19 scenarios and the combined scenario, to satisfy ourselves that the Group was able to meet its liabilities as they fall due under each scenario. We obtained the reverse stress test performed by management and reviewed the assumptions used and determined that management has several actions available to mitigate the impact of the reverse stress test. We considered the Group's available liquidity, including: confirming 100% of the cash and cash equivalents balance at 31 March 2020 with third party counterparties; reviewing the terms of the RCF to confirm that there are no financial covenants and confirming with the Agent that no amounts had been drawn down at 31 March 2020; reviewing the terms of the carried interest payable liability; testing that the Group has no material unfunded commitments at 31 March 2020; assessing the defined benefit pension scheme surplus; and reviewing the terms of the two long-dated bonds, confirming that there are no financial covenants associated and that they mature in 2023 and 2032. We reviewed the adequacy of the going concern disclosures by evaluating whether they were consistent with management's assessment and the viability statement. We reviewed the disclosures for compliance with the reporting requirements.

Key observations communicated to the Audit and Compliance Committee:

As a result of our procedures, we have determined that the Director's conclusion that there is no material uncertainty relating to going concern is appropriate. We have reviewed the disclosures relating to going concern and determined that they are appropriate.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

The investment portfolio balance is the most material part of the Consolidated statement of financial position. Monitoring and control over the valuation of investments is exercised by management centrally in London, and as such is audited wholly by the London based Group audit team. Monitoring and control over the operations of the subsidiaries within the Group, including those located overseas, is centralised in London. The Group audit team performed all the work necessary to issue the Group and Parent company audit opinion, including undertaking all audit work on the risks of material misstatement identified above.

In establishing our audit approach, we considered the type of audit procedures required to be performed and the audit evidence required to obtain sufficient and appropriate audit evidence as a basis of our opinion on the Group. As a result of COVID-19, the year-end audit fieldwork was executed remotely. All audit evidence was received electronically and there were no on-site visits. All meetings with management and the Directors were conducted virtually and all audit queries were discussed over video conferencing with audit evidence transferred via a secure SharePoint site. The audit team encountered no difficulties in connecting virtually with management or the Directors and were able to execute the year-end audit fieldwork effectively.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £78m (2019: £79m), which is 1% (2019: 1%) of net assets. We believe that net assets provides us with a consistent year on year basis for determining materiality, and is the most relevant measure to the stakeholders of the entity.

We determined materiality for the Parent company to be £74m (2019: £75m), which is 1% (2019: 1%) of net assets.

We calculated materiality during the planning stage of the audit and then during the course of our audit, we reassessed initial materiality based on 31 March 2020 net asset value and adjusted our audit procedures accordingly.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 50% (2019: 50%) of our planning materiality, namely £39m (2019: £39m). We set performance materiality at this percentage due to the judgmental nature of the valuations in the Consolidated statement of financial position and the relative value of transactions recorded in the other primary statements, to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality of £78m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Compliance Committee that we would report to them all uncorrected audit differences in excess of £3.9m (2019: £3.9m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual report set out on pages 1 to 117 and 174 to 182), including the Strategic report, Directors' report, Directors' remuneration report and Portfolio and other information section, other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- fair, balanced and understandable (set out on page 117) – the statement given by the Directors that they consider the Annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- audit committee reporting (set out on pages 86 to 89) – the section describing the work of the Audit and Compliance Committee does not appropriately address matters communicated by us to the Audit and Compliance Committee; or
- directors' statement of compliance with the UK Corporate Governance Code (set out on page 112) – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 117, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and have a direct impact on the preparation of the financial statements. We determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRSs as adopted by the EU, the Companies Act 2006 and the UK Corporate Governance Code) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements, being the Listing Rules of the UK Listing Authority and relevant FCA rules and regulations.
- We understood how 3i Group plc is complying with those frameworks by making enquiries of senior management, including the General Counsel and Company Secretary, Group Finance Director, Head of Compliance, Head of Internal Audit and also non-executive Directors including the Chairmen of the Audit and Compliance Committee and Valuations Committee. We corroborated our understanding through our review of board minutes, papers provided to the Audit and Compliance Committee and correspondence received from regulatory bodies.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by management to manage net asset value per share or the total return on equity. We considered the controls that the Group has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of senior management; and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Other matters we are required to address

- We were appointed by the board on 5 November 1973 to audit the financial statements for the year ending 31 March 1974 and subsequent financial periods. Our appointment was subsequently ratified at the Annual General Meeting of the company on 6 August 1974.
- Our total uninterrupted period of engagement is 47 years, covering periods from our appointment through to the period ending 31 March 2020. The Group undertook a competitive tender process for the position of statutory auditor in 2018 and we agreed with the Audit and Compliance Committee not to participate due to the duration of our tenure. Consequently, the current year audit is our final audit of the Group.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit.
- The audit opinion is consistent with the Audit Results Report to the Audit and Compliance Committee.

Use of our report

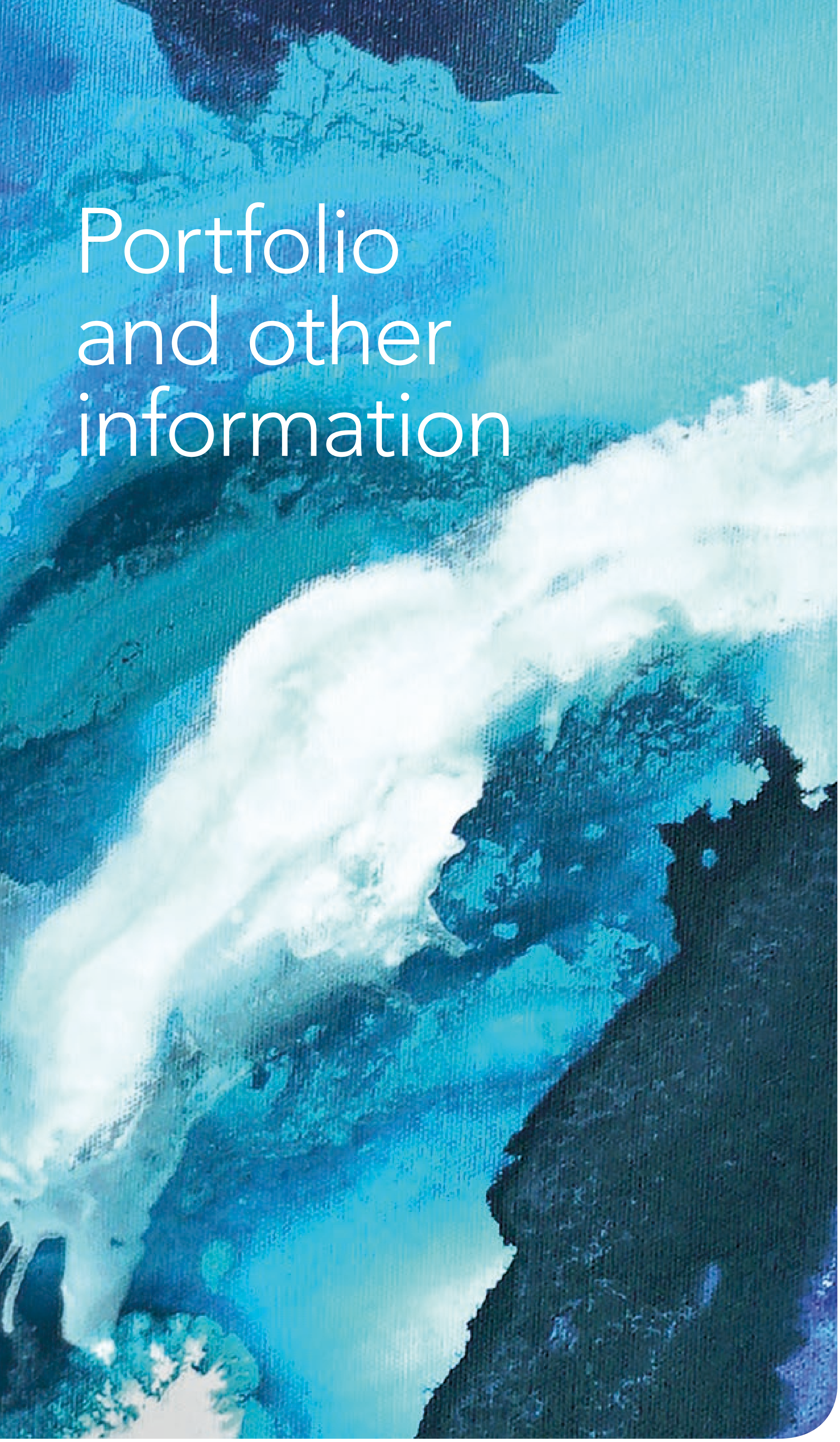
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julian Young (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

13 May 2020

Notes:
1 The maintenance and integrity of the 3i Group plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Portfolio and other information



20 large investments

The 20 investments listed below account for 95% of the portfolio at 31 March 2020 (31 March 2019: 94%). 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 2020 £m**	Residual cost[1] March 2019 £m	**Valuation March 2020 £m**	Valuation March 2019 £m	Relevant transactions in the year
Action* General merchandise discount retailer	Private Equity Netherlands 2011/2020 Fair value	**614**	24	**3,536**	2,731	Refer to Action Transaction on page 19
3i Infrastructure plc* Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	**305**	307	**665**	744	
Scandlines Ferry operator between Denmark and Germany	Scandlines Denmark/Germany 2018 DCF	**529**	529	**429**	529	Refinancing in August 2019 returning £91 million to 3i
Cirtec Medical* Outsourced medical device manufacturing	Private Equity US 2017 Earnings	**172**	172	**302**	248	
WP* Supplier of plastic packaging solutions	Private Equity Netherlands 2015 Earnings	**206**	187	**244**	241	Acquisition of Orange Poland in November 2019
Q Holding* Manufacturer of precision engineered elastomeric components	Private Equity US 2014 Earnings	**162**	162	**222**	241	Sale of Silicone Altimex and TBL Performance Plastics to combine with 3i's new investment in our Bioprocessing platform
Evernex* Provider of third-party maintenance services for data centre infrastructure	Private Equity France 2019 Earnings	**219**	–	**217**	–	New investment Acquisition of Storex in March 2020
Royal Sanders* Private label and contract manufacturing producer of personal care products	Private Equity Netherlands 2018 Earnings	**135**	135	**198**	147	
Tato Manufacturer and seller of speciality chemicals	Private Equity UK 1989 Earnings	**2**	2	**196**	117	£5 million dividend received
Hans Anders* Value-for-money optical retailer	Private Equity Netherlands 2017 Earnings	**221**	250	**196**	246	Return of overfunding of £35 million in December 2019
Regional Rail* Owns and operates short-line freight railroads and rail-related businesses	Infrastructure US 2019 DCF	**175**	–	**195**	–	New investment Acquisition of Pinsly Railroad Company's Florida operations and Carolina Coastal Railway
Havea* **(formerly Ponroy Santé)** Manufacturer of natural healthcare and cosmetics products	Private Equity France 2017 Earnings	**155**	147	**182**	174	Acquisition of Pasquali in May 2019

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost[1] March 2020 £m	Residual cost[1] March 2019 £m	Valuation March 2020 £m	Valuation March 2019 £m	Relevant transactions in the year
Smarte Carte* Provider of self-serve vended luggage carts, electronic lockers and concession carts	Infrastructure US 2017 DCF	**167**	164	**172**	181	Acquisition of Feel Good Chairs in October 2019
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	**30**	30	**158**	172	Acquisition of Van Geffen in January 2020
Lampenwelt* Online lighting specialist retailer	Private Equity Germany 2017 Earnings	**113**	101	**144**	119	Acquisition of Lampenlicht/QLF in July 2019
Formel D* Quality assurance provider for the automotive industry	Private Equity Germany 2017 Earnings	**154**	147	**141**	169	Acquisition of Vdynamics in September 2019 and CPS in October 2019
Audley Travel* Provider of experiential tailor-made travel	Private Equity UK 2015 Earnings	**137**	189	**124**	270	Completed refinancing in December 2019 and returned £65 million to 3i
Magnitude Software* Leading provider of unified application data management solutions	Private Equity US 2019 Earnings	**139**	–	**121**	–	New investment
BoConcept* Urban living designer	Private Equity Denmark 2016 Earnings	**149**	156	**119**	152	
Basic-Fit Discount gyms operator	Private Equity Netherlands 2013 Quoted	**6**	8	**93**	254	Acquisition of Fitland in July 2019 Sold 2.9 million shares at €31.25 per share, generating proceeds of £76 million
		3,790	2,710	**7,654**	6,735	

* Controlled in accordance with IFRS.
1 Residual cost includes capitalised interest.

Portfolio valuation – an explanation

Policy

The valuation policy is the responsibility of the Board, with additional oversight and annual review from the Valuations Committee. The policy is reviewed at least annually, with the last update in January 2020. Our policy is to value 3i's investment portfolio at fair value and we achieve this by valuing investments on an appropriate basis, applying a consistent approach across the portfolio. The policy ensures that the portfolio valuation is compliant with the fair value guidelines under IFRS and, in so doing, is also compliant with the IPEV guidelines. The policy covers the Group's Private Equity, Infrastructure and Scandlines investment valuations. Valuations of the investment portfolio of the Group and its subsidiaries are performed at each quarter end.

Fair value is the underlying principle and is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date" (IPEV guidelines, December 2018). IPEV issued additional guidelines in March 2020 given the COVID-19 outbreak. These guidelines were considered when completing the 31 March 2020 valuations. Fair value is therefore an estimate and, as such, determining fair value requires the use of judgement.

The quoted assets in our portfolio are valued at their closing bid price at the balance sheet date. The majority of the portfolio, however, is represented by unquoted investments.

Private Equity unquoted valuation

To arrive at the fair value of the Group's unquoted Private Equity investments, we first estimate the entire value of the company we have invested in – the enterprise value. We then apportion that enterprise value between 3i, other shareholders and lenders.

Determining enterprise value

The enterprise value is determined using one of a selection of methodologies depending on the nature, facts and circumstances of the investment.

Where possible, we use methodologies which draw heavily on observable market prices, whether listed equity markets or reported merger and acquisition transactions, and trading updates from our portfolio.

As unquoted investments are not traded on an active market, the Group adjusts the estimated enterprise value by a liquidity discount. The liquidity discount is applied to the total enterprise value and we apply a higher discount rate for investments where there are material restrictions on our ability to sell at a time of our choosing.

The table on the next page outlines in more detail the range of valuation methodologies available to us, as well as the inputs and adjustments necessary for each. Given the higher level of judgement required as a result of the COVID 19 pandemic, the Group considered a broader range of inputs to cover the historical, current and forward-looking data to determine fair value.

Apportioning the enterprise value between 3i, other shareholders and lenders

Once we have estimated the enterprise value, the following steps are taken:

1. We subtract the value of any claims, net of free cash balances that are more senior to the most senior of our investments.
2. The resulting attributable enterprise value is apportioned to the Group's investment, and equal ranking investments by other parties, according to contractual terms and conditions, to arrive at a fair value of the entirety of the investment. The value is then distributed amongst the different loan, equity and other financial instruments accordingly.
3. If the value attributed to a specific shareholder loan investment in a company is less than its carrying value, a shortfall is implied, which is recognised in our valuation. In exceptional cases, we may judge that the shortfall is temporary; to recognise the shortfall in such a scenario would lead to unrepresentative volatility and hence we may choose not to recognise the shortfall.

Other factors

In applying this framework, there are additional considerations that are factored into the valuation of some assets.

Impacts from structuring

Structural rights are instruments convertible into equity or cash at specific points in time or linked to specific events. For example, where a majority shareholder chooses to sell, and we have a minority interest, we may have the right to a minimum return on our investment.

Debt instruments, in particular, may have structural rights. In the valuation, it is assumed third parties, such as lenders or holders of convertible instruments, fully exercise any structural rights they might have if they are "in the money", and that the value to the Group may therefore be reduced by such rights held by third parties. The Group's own structural rights are valued on the basis they are exercisable on the reporting date.

Assets classified as "terminal"

If we believe an investment has more than a 50% probability of failing in the 12 months following the valuation date, we value the investment on the basis of its expected recoverable amount in the event of failure. It is important to distinguish between our investment failing and the business failing; the failure of our investment does not always mean that the business has failed, just that our recoverable value has dropped significantly. This would generally result in the equity and loan components of our investment being valued at nil. Value movements in the period relating to investments classified as terminal are classified as provisions in our value movement analysis.

Infrastructure unquoted valuation

The primary valuation methodology used for unquoted Infrastructure investments is the discounted cash flow method ("DCF"). Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows and the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The discount rate is estimated with reference to the market risk-free rate, a risk-adjusted premium and information specific to the investment or market sector.

Scandlines unquoted valuation

Scandlines is valued on a DCF basis. This is consistent with the Infrastructure methodology.

Methodology	Description	Inputs	Adjustments	% of investment basis portfolio valued on this basis
Action (Private Equity)	Used for Action following the Action Transaction	Transaction fair value based on detailed due diligence conducted by sophisticated investors on the Action business model and its five-year plan	Transaction enterprise value of €10.25bn applied to the 31 March 2020 capital structure	**44%**
Earnings (Private Equity)	Most commonly used Private Equity valuation methodology Used for investments which are profitable and for which we can determine a set of listed companies and precedent transactions, where relevant, with similar characteristics	Earnings multiples are applied to the earnings of the Company to determine the enterprise value **Earnings** Reported earnings adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, run-rate adjustments to arrive at maintainable earnings Most common measure is earnings before interest, tax, depreciation and amortisation ("EBITDA") Earnings are usually obtained from the management accounts. For 31 March 2020 valuations, three data points were considered when selecting the base of earnings: December LTM; March LTM; and forecast **Earnings multiples** The earnings multiple is derived from comparable listed companies or relevant market transaction multiples We select companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus We adjust for relative performance in the set of comparables, exit expectations and other company specific factors	A liquidity discount is applied to the enterprise value, typically between 5% and 15%, using factors such as our alignment with management and other investors and our investment rights in the deal structure	**34%**
Discounted cash flow (Private Equity/ Infrastructure/ Scandlines)	Appropriate for businesses with long-term stable cash flows, typically in Infrastructure	Long-term cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment	Discount already implicit in the discount rate applied to long-term cash flows – no further discounts applied	**11%**
Quoted (Infrastructure/ Private Equity)	Used for investments in listed companies	Closing bid price at balance sheet date	No adjustments or discounts applied	**9%**
NAV (Private Equity/ Infrastructure)	Used for investments in unlisted funds	Net asset value reported by the fund manager	Typically no further discount applied in addition to that applied by the fund manager	**1%**
Other (Private Equity)	Used where elements of a business are valued on different bases	Values of separate elements prepared on one of the methodologies listed above	Discounts applied to separate elements as above	**1%**

Consistent with IPEV guidelines, all equity investments are held at fair value using the most appropriate methodology and no investments are held at historical cost.

Information for shareholders

Financial calendar

Ex-dividend date	Thursday 11 June 2020
Record date	Friday 12 June 2020
Annual General Meeting	Thursday 25 June 2020
Second FY2020 dividend to be paid	Friday 17 July 2020
Half-year results (available online only)	November 2020
First FY2021 dividend expected to be paid	January 2021

Information on ordinary shares

Shareholder profile: Location of investors at 31 March 2020

UK	59.3%
North America	24.4%
Continental Europe	12.8%
Other international	3.5%

Share price

Share price at 31 March 2020	792.2p
High during the year 27 September 2019	1,184.5p
Low during the year 18 March 2020	597.8p

Dividends paid in the year to 31 March 2020

Second FY2019 dividend, paid 19 July 2019	20.0p
First FY2020 dividend, paid 8 January 2020	17.5p

Balance analysis summary

	Number of holdings		Balance as at 31 March 2020				
Range	Individuals	Corporate bodies	Number of shares	% shares	Total holdings	Individual shares	Corporate shares
1–1,000	11,118	444	5,155,449	0.53	11,562	4,942,644	212,805
1,001–10,000	4,474	593	11,977,975	1.23	5,067	9,829,981	2,147,994
10,001–100,000	127	480	22,384,855	2.30	607	2,777,212	19,607,643
100,001–1,000,000	12	360	133,854,647	13.76	372	3,358,520	130,496,127
1,000,001–10,000,000	0	119	339,036,101	34.84	119	0	339,036,101
10,000,001–highest	0	17	460,665,558	47.34	17	0	460,665,558
Total	**15,731**	**2,013**	**973,074,585**	**100.00**	**17,744**	**20,908,357**	**952,166,228**

The table above provides details of the number of shareholdings within each of the bands stated in the register of members at 31 March 2020.

The Common Reporting Standard

Tax legislation under the Organisation for Economic Co-operation and Development ("OECD") Common Reporting Standard for Automatic Exchange of Financial Account Information requires investment trust companies to provide personal information about certain investors who hold shares in investment trusts to HMRC. As an investment company, 3i Group plc is therefore required to provide information annually to the local tax authority on certain certificated shareholders and corporate entities. This information includes country of tax residency as well as details of shares held and dividends received. The local tax authority to which the information is initially passed may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information. Certain shareholders have been and will in future be sent a certification form for the purposes of collecting required information.

Boiler room and other scams

Shareholders should be wary of any unsolicited investment advice, offers to buy shares at a discounted price or offers to buy 3i shareholdings. These fraudsters use persuasive and high-pressure tactics to lure shareholders into scams. We have become aware of what appears to be an increase in calls to current and former 3i shareholders.

The Financial Conduct Authority ("FCA") has found that victims of share fraud are often seasoned investors with victims losing an average of £20,000.

Please keep in mind that firms authorised by the FCA are unlikely to contact you unexpectedly with an offer to buy or sell shares. You should consider getting independent financial or professional advice before you hand over any money or even share any information with them.

If you receive any unsolicited approaches or investment advice, you should proceed with caution. Steps that you might wish to take could include the following:

- always ensure the firm is on the FCA Register and is allowed to give financial advice before handing over your money. You can check at **www.fca.org.uk/register**;
- double-check the caller is from the firm they say they are – ask for their name and telephone number and say you will call them back. Check their identity by calling the firm using the contact number listed on the FCA Register. This is important as there have been instances where an authorised firm's website has been cloned but with a few subtle changes, such as a different phone number or false email address;
- check the FCA's list of known unauthorised overseas firms. However, these firms change their name regularly, so even if a firm is not listed it does not mean they are legitimate. Always check that they are listed on the FCA Register; and
- if you have any doubts, call the FCA Consumer Helpline on 0800 111 6768. If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

Annual reports and half-yearly reports online

If you would prefer to receive shareholder communications electronically in future, including annual reports and notices of meetings, please visit our **Registrars' website at www.shareview.co.uk/clients/3isignup** and follow the instructions there to register.

The 2020 half-yearly report will be available online only. Please register to ensure you are notified when it becomes available at **www.3i.com/investor-relations/financial-news**.

More general information on electronic communications is available on our website at **www.3i.com/investor-relations/shareholder-information**.

Investor relations enquiries

For all investor relations enquiries about 3i Group plc, including requests for further copies of the Report and accounts, please contact:

Investor relations
3i Group plc
16 Palace Street
London, SW1E 5JD

Telephone +44 (0)20 7975 3131

email **IRTeam@3i.com**

or visit the Investor relations section of our website at **www.3i.com/investor-relations**, for full up-to-date investor relations information, including the latest share price, results presentations and financial news.

Registrars

For shareholder administration enquiries, including changes of address please contact:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex, BN99 6DA

Telephone 0371 384 2031

Lines are open from 9.00am to 5.00pm, Monday to Friday (international callers +44 121 415 7183).

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, Formel D, Hans Anders, ICE, Lampenwelt, Havea, Royal Sanders and Schlemmer.

Alternative Investment Funds ("AIFs") At 31 March 2020, 3i Investments plc as AIFM, managed five AIFs. These were 3i Group plc, 3i Growth Capital Fund, 3i Eurofund V, 3i Managed Infrastructure Acquisitions LP and 3i Infrastructure plc. 3i Investments (Luxembourg) SA as AIFM, managed one AIF, 3i European Operational Projects Fund.

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

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.

Automatic Exchange of Information ("AEOI") regulation covers the combined legislative requirements of Common Reporting Standards ("CRS") and the Foreign Account Tax Compliance Act ("FATCA"). Both sets of rules require financial groups to identify investors and report details to their local authority who will then exchange the information with other relevant tax authorities.

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.

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

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

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

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

Company 3i Group plc.

Country-by-Country reporting ("CbC Reporting") refers to a requirement for large multinational groups, operating in different countries, to file an annual report with their head office tax authority. This provides information about the activities of the entities in the Group, on a country-by-country basis, across the countries in which the Group operates.

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.

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

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

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

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

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

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

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

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

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

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, other losses and carried interest.

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. A new fee arrangement came into place on 1 April 2019.

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

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

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

Watercloud Series No.2
by Claire Luxton

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3i Group plc

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