

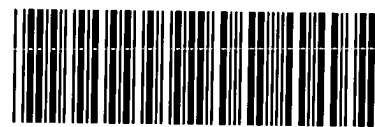


**3i plc**

Annual report and accounts for the year to 31 March 2020

Registered number: 00397156

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## Contents

Directors' report	1 - 3
Strategic report	4 - 5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Statement of changes in equity	9
Statement of financial position	10
Statement of cash flows	11
Accounting policies	12 - 16
Notes to accounts	17 - 30

## Directors' report

The Directors submit their report with the financial statements for the year to 31 March 2020.

## Principal activity

3i plc (the "Company") provides investment management, advisory, administrative and company secretarial services to the group of companies of which 3i Group plc (the "Group") is the ultimate parent company. In return for providing these services the Company receives management and advisory fee income, as well as being entitled to certain performance fees. The various types of revenue the Company receives are detailed further in Note 1 and Note 16 of these financial statements.

## Directors

The Directors of the Company during the year and up to the date of this report were:

K J Dunn

J S Wilson

## Dividends

The Directors do not recommend a final dividend for the year (2019: nil).

## Development

There has been no change in principal activity in the year and the Directors do not foresee any future changes.

## Events since the balance sheet date

There have been no events since the balance sheet date.

## Disclosure of information to the Auditors

Pursuant to s418(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 auditors are 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 auditors are aware of such information.

As part of the audit tender process conducted by 3i Group plc in 2018, KPMG LLP was selected as the auditor of the Company for the financial year ending 31 March 2021. Ernst & Young LLP will not be re-appointed as the auditors. KPMG LLP will be appointed as the auditors of the Company following the Annual General Meeting of 3i Group plc in June 2020. Further details on the change of auditors can be found in the Annual report and financial statements of 3i Group plc.

## Going concern

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 on a going concern basis, having considered the impact of coronavirus ("COVID-19") on its current operations and future outlook.

3i plc

No. 00397156

## Directors' report

### Going concern (continued)

3i Group plc is the ultimate parent undertaking of the Company. 3i Group plc has sufficient financial resources and liquidity and is well positioned to manage business risks in the current economic environment. 3i Group plc can support the Company where necessary to continue operations for a period of at least twelve months from the date of this report.

By order of the Board



**Jonathan Murphy**

Company Secretary

Date: 13 May 2020

Registered office:

16 Palace Street

London, SW1E 5JD

## Directors' report

### 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") that have been adopted by the European Union.

Under Company Law the Directors must not approve financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that year. In preparing financial statements the Directors are required to:

- (a) select suitable accounting policies in accordance with IAS 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 European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- (d) state that the Company has complied with IFRSs as adopted by the European Union, 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

## Strategic report

The Directors present their Strategic report for the year to 31 March 2020.

### Results and business review

The main key performance indicators are as follows:

	2020 £'000	2019 £'000
<b>Revenue</b>	176,896	190,607
<b>Total comprehensive income for the year</b>	53,637	65,431
<b>Net assets</b>	494,714	424,719

The results for the year and financial position of the Company are included in the financial statements.

The reduction in Total comprehensive income for the year is primarily a result of a lower performance fee accrued from 3iN in the year. The Directors are satisfied with the performance of the Company for the year.

### Principal risks and uncertainties

The Company is a subsidiary of 3i Holdings plc. The Group sets objectives, policies and processes for managing and monitoring risk as set out in the Directors' report in the 3i Group plc Annual report. The financial risks are discussed in further detail in Note 18.

The current coronavirus pandemic ("COVID-19") presents a major global risk to several organisations. In light of these circumstances, due to the nature of the Company providing investment management, advisory, administrative and company secretarial services, there is expected to be no material impact on the Company's operations and activities. The Directors are satisfied with the performance of the Company for the year.

### Duties under Section 172

The Directors of the Company are required to act in accordance with those requirements set out in section 172 of the UK Companies Act 2006 which is summarised below:

A Director of a company must act in the way they consider, 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; 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;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.


The matters set out in section 172 have been taken into account in Board discussions and decision making in the year. During the year, the Directors have made a key decision regarding the management charge payable by 3i Group plc.

## Strategic report

## Stakeholder engagement

Who are our stakeholders?	Why are they important?	How do we engage with them and foster business relationships?
Employees	Our people are critical to the success of the Company.	Our approach as a responsible employer is described in the Sustainability report and The Directors' report in the 3i Group plc Annual report.
Investee companies	The companies in which 3i Group plc invest are the source of returns to shareholders.	We take a long-term responsible approach in providing investment services, to create value for the shareholders of 3i Group plc.
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 and careful management of costs.
Fellow subsidiaries	Group companies provide services to each other which creates value.	We take a long-term responsible approach in providing investment management, advisory, administrative and company secretarial services, to create value for fellow subsidiaries.

By order of the Board



**Jonathan Murphy**  
Company Secretary

Date: 13 May 2020  
Registered office:  
16 Palace Street  
London, SW1E 5JD

## Independent auditor's report to the members of 3i plc

### Opinion

We have audited the financial statements of 3i plc, for the year ended 31 March 2020 which comprise Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position, the Statement of cash flows, Accounting policies A to Q and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements 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 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, 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 going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## Independent auditor's report to the members of 3i plc

### Other information

The other information comprises the information included in the annual report, 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.

### Opinion on other matters prescribed by 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 light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or 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 financial statements 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.

## Independent auditor's report to the members of 3i plc

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### 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.

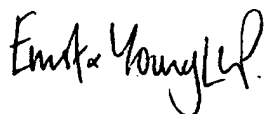
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### 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.

### Emphasis of matter

We draw attention to the Accounting policy B – Basis of preparation, of the financial statements, which describes the economic and operational consequences the Company is facing as a result of COVID-19, which is impacting financial markets. Our opinion is not modified in respect of this matter.



**Julian Young (Senior statutory auditor)**  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 13 May 2020

## Statement of comprehensive income

for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Revenue	1	176,896	190,607
Operating expenses	2	(155,816)	(140,118)
<b>Operating profit</b>		<b>21,080</b>	<b>50,489</b>
Interest received		60	9
Finance costs		(291)	-
Finance income on pension plan	6	166	486
Exchange movements		(2,224)	(3,771)
Other expense	6	-	(3,000)
<b>Profit before tax</b>		<b>18,791</b>	<b>44,213</b>
Income taxes	7	(700)	12,742
<b>Profit for the year</b>		<b>18,091</b>	<b>56,955</b>
<b>Other comprehensive income that will not be reclassified to the income statement</b>			
Re-measurement of defined benefit pension plan	6	35,546	8,476
<b>Total comprehensive income for the year</b>		<b>53,637</b>	<b>65,431</b>

All items in the above statement are derived from continuing operations.

## Statement of changes in equity

for the year ended 31 March 2020

	Issued share capital £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
<b>As at 1 April 2018</b>	110,000	27,827	202,396	340,223
Total comprehensive income for the year	-	-	65,431	65,431
Share based payments	-	19,065	-	19,065
Exercise of share awards	-	(12,788)	12,788	-
<b>Total change in equity for the year</b>	-	6,277	78,219	84,496
<b>As at 31 March 2019</b>	110,000	34,104	280,615	424,719
Total comprehensive income for the year	-	-	53,637	53,637
Share based payments	-	16,358	-	16,358
Exercise of share awards	-	(17,716)	17,716	-
<b>Total change in equity for the year</b>	-	(1,358)	71,353	69,995
<b>As at 31 March 2020</b>	110,000	32,746	351,968	494,714

The notes on pages 17 to 30 form an integral part of these financial statements.

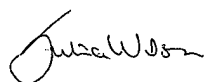
3i plc  
**Statement of financial position**  
as at 31 March 2020

No. 00397156

	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		10,000	10,000
Property, plant and equipment	9	4,882	3,612
Right of use asset	11	12,688	-
Retirement benefit surplus	6	172,787	134,024
Intangible assets	8	9,182	10,594
Amounts due from group undertakings	14	468,038	441,771
<b>Total non-current assets</b>		<b>677,577</b>	<b>600,001</b>
<b>Current assets</b>			
Trade and other receivables	12	10,620	34,381
Current income tax receivable		750	11,323
Amounts due from group undertakings	14	2,593	2,112
Cash and cash equivalents		3,975	3,599
<b>Total current assets</b>		<b>17,938</b>	<b>51,415</b>
<b>Total assets</b>		<b>695,515</b>	<b>651,416</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liability	11	(10,141)	-
Trade and other payables	13	(55,093)	(74,180)
Amounts due to group undertakings	15	(26,606)	(46,824)
Provisions		(1,232)	(1,232)
<b>Total non-current liabilities</b>		<b>(93,072)</b>	<b>(122,236)</b>
<b>Current liabilities</b>			
Lease liability	11	(2,576)	-
Trade and other payables	13	(71,351)	(75,150)
Amounts due to group undertakings	15	(33,802)	(29,022)
Provisions		-	(289)
<b>Total current liabilities</b>		<b>(107,729)</b>	<b>(104,461)</b>
<b>Total liabilities</b>		<b>(200,801)</b>	<b>(226,697)</b>
<b>Net assets</b>		<b>494,714</b>	<b>424,719</b>
<b>Equity</b>			
Issued share capital	10	110,000	110,000
Share based payment reserve		32,746	34,104
Retained earnings		351,968	280,615
<b>Total equity</b>		<b>494,714</b>	<b>424,719</b>

The notes on pages 17 to 30 form an integral part of these financial statements.

The financial statements have been approved and authorised for issue by the Board of Directors.



**J S Wilson**  
Director  
Date: 13 May 2020

## Statement of cash flows

for the year ended 31 March 2020

	2020 £'000	2019 £'000
<b>Cash flow from operating activities</b>		
Profit before tax	18,791	44,213
Adjustments for:		
Depreciation	4,033	1,640
Amortisation	1,412	1,412
Finance costs	291	-
Loss on sale of property, plant and equipment	-	548
Income taxes	9,873	(8,782)
Share based payment charge	16,358	19,065
(Increase)/Decrease in receivables and group undertakings	(1,004)	36,666
Decrease in payables and group undertakings	(42,513)	(96,144)
Decrease in provisions	(289)	(290)
Re-measurement of defined benefit pension plan	35,546	8,476
Increase in defined benefit pension plan surplus	(38,763)	(8,611)
Exchange movements	2,224	3,771
<b>Net cash flow from operating activities</b>	<b>5,959</b>	<b>1,964</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(2,765)	(2,498)
<b>Net cash flow from investing activities</b>	<b>(2,765)</b>	<b>(2,498)</b>
<b>Cash flow from financing activities<sup>1</sup></b>		
Leases paid	(2,525)	-
Finance costs	(291)	-
<b>Net cash flow from financing activities</b>	<b>(2,816)</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>378</b>	<b>(534)</b>
<b>Cash and cash equivalents at the start of the year</b>	<b>3,599</b>	<b>4,070</b>
Effect of exchange rate fluctuations	(2)	63
<b>Cash and cash equivalents at the end of the year</b>	<b>3,975</b>	<b>3,599</b>

<sup>1</sup> See Note 11 for details.

The notes on pages 17 to 30 form an integral part of these financial statements.

## Accounting policies

### A. Statement of compliance

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

The Company did not implement the requirements of any other standards or interpretations that were in issue; these were not required to be adopted by the Company 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 Company's financial statements.

These financial statements have been prepared in accordance with Companies Act 2006. The Company is a public limited company incorporated and domiciled in England and Wales.

### Accounting developments

On 1 April 2019, the Company adopted IFRS 16 Leases, which replaces IAS 17 Leases.

The only impact on the Company 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 Company considers whether any leases contain lease extensions or termination options that the Company is reasonably certain to exercise.

The Company has applied the simplified retrospective approach to IFRS 16 and therefore comparative information has not been restated. On adoption of IFRS 16, the Company recognised an additional £15,226k ROU asset and £15,242k 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 weighted average incremental borrowing rate of 2.05%. A reconciliation of the operating lease commitment as at 31 March 2019 to the opening lease liability at 1 April 2019 is presented below:

	2019 £'000
Operating lease commitments at 31 March 2019	16,645
Leases less than 12 months at 1 April 2019	(454)
Impact of discounting using incremental borrowing rate at 1 April 2019	(949)
<b>Opening lease liability at 1 April 2019</b>	<b>15,242</b>

During the year, £2,538k was recognised in operating expenses relating to depreciation of the ROU asset and £291k 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 preparation

The financial statements are presented in sterling, the functional currency of the Company and rounded to the nearest thousand and prepared under the going concern basis.

Under the provision of Section 400 of the Companies Act 2006, consolidated accounts have not been prepared as the Company is a wholly owned subsidiary undertaking of 3i Holdings plc which in turn is a wholly owned subsidiary undertaking of 3i Group plc, and both companies are incorporated in Great Britain and registered in England and Wales. 3i Group plc prepares consolidated accounts, within which the results of the Company are incorporated. Copies of the 3i Group plc financial statements are publicly available at its registered office: 16 Palace Street, London, SW1E 5JD.

## Accounting policies

### B. Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The most significant techniques for estimation are described in the accounting policies below.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. As disclosed above IFRS 16 has been adopted at 1 April 2019.

### Going Concern

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 yet, and the position will remain fluid until the length and extent of the crisis become clearer.

The Directors continue to monitor the impact of COVID-19 using information available to the date of issue of these financial statements. As part of this assessment, the Directors have reviewed the assessment of going concern at the Group level, which has modelled a number of adverse scenarios, to assess the potential impact COVID-19 may have on the Group's operations and liquidity. 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 to support the Company where necessary. Having reviewed this assessment the Directors considered it appropriate to prepare these financial statements on a going concern basis.

### C. Revenue recognition

Revenue comprises various types of advisory and management fee income, predominantly received from fellow subsidiaries and calculated in line with the relevant agreements. In addition the Company receives advisory and performance fee income from 3i Infrastructure plc. Revenue is recognised in accordance with IFRS 15, see Note 1 for further details.

### D. Foreign currency transactions

Transactions in currencies different from the functional currency of the Company are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of financial position date are translated to sterling at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling using exchange rates ruling at the date the fair value was determined.

### E. Property, plant and equipment

Office improvements are depreciated by equal annual instalments, over the shorter of their estimated useful lives and the lease term. Office equipment is depreciated by equal annual instalments over its estimated useful life as follows: office equipment five years; computer hardware three to five years; computer software three to five years.

## Accounting policies

### **F. Cash and cash equivalents**

Cash and cash equivalents in the Statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of cash flows, cash and cash equivalents comprise cash and short-term deposits as defined above.

### **G. Issued share capital**

Ordinary shares issued by the Company 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.

### **H. Provisions**

Provisions are recognised when the Company has a present obligation of uncertain timing or amount as a result of past events, and it is probable that the Company will be required to settle that obligation and a reliable estimate of that obligation can be made. The provisions are measured at the Directors' best estimate of the amount to settle the obligation at the Statement of financial position date, and are discounted to present value if the effect is material. Changes in provisions are recognised in the Statement of comprehensive income for the year.

### **I. Income taxes**

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited to the Statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity. The tax currently payable is based on the taxable profit for the year. This may differ from the profit included in the Statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

The carrying amount of deferred tax assets is reviewed at each Statement of financial position 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.

### **J. Investment in subsidiaries**

Subsidiaries of the Company are accounted for at cost less impairment.

### **K. Trade and other receivables and Amounts due from group undertakings**

Trade and other receivables and Amounts due from group undertakings are recognised initially at fair value and subsequently measured at amortised cost less expected credit loss allowance under IFRS 9. Impairment losses are presented as net impairment losses within Operating expenses. Subsequent recoveries of amounts previously impaired are credited against the same line item. A description of the Company's expected credit loss policy is disclosed within Note 18.

### **L. Trade and other payables and Amounts due to group undertakings**

Trade and other payables and Amounts due to group undertakings, other than those specifically accounted for under a separate policy, are stated based on the amounts which we consider to be payable in respect of goods or services received up to the Statement of financial position date.



## Accounting policies

### **M. Leases**

Leases where the lessee has the right to control and direct the use of an asset are classified as finance leases in line with IFRS 16. At commencement of a lease, a lease liability and right of use asset is recognised in the Statement of financial position. The lease liability is measured as the present value of future lease payments discounted using the incremental rate of borrowing. Subsequently, the carrying amount of the lease liability is increased by the interest charge and decreased by cash payments of the lease. A right of use 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. Depreciation is recognised within Operating expenses and interest expense is recognised within Interest paid within the Statement of comprehensive income.

### **N. Employee retirement benefits**

Payments to defined contribution retirement benefit plans are charged to the 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 Statement of financial position 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 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 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 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 Company can benefit from that surplus.

### **O. Share based payments**

The Company 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 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 shares 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 exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option 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 Statement of financial position date to reflect the actual number of forfeitures, cancellations and leavers during the period. The movement in cumulative charges since the previous Statement of financial position is recognised in the Statement of comprehensive income, with a corresponding entry in equity.

Liabilities arising from cash-settled share based payment transactions are recognised in the 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 are adjusted for the forfeitures of the participants' rights that no longer meet the plan requirements as well as for early vesting.

### **P. Carried interest and performance fees**

#### **Carried interest and performance fees receivable**

Carried interest and performance fees receivable include amounts receivable from 3i Infrastructure plc ("3iN"). An accrual for the performance fee receivable from 3iN is based on 3iN's most recently published NAV subject to a performance hurdle and a high water mark being achieved. The performance fee is recognised once it is sufficiently certain that there will not be a significant reversal, in accordance with IFRS 15.

## Accounting policies

### **P. Carried interest and performance fees (continued)**

#### **Carried interest and performance fees payable**

The Company offers its investment executives the opportunity to participate in the returns from successful investments known as investment performance plans ("IPP"). Under the IPP, payments are made on the basis of realised capital profits on investments pooled by team, by vintage or for a specific pre-determined purpose. The investments are not being held by the Company. Pay-out is accrued at the balance sheet date where the calculation indicates that the performance conditions would have been achieved and distribution arrangements met. Payments are made if the realised profits indicate that a performance hurdle has been met.

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 either 3i Group plc or 3i Infrastructure 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.

### **Q. Intangible assets**

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangibles are amortised on a straight line basis over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method is reviewed at least at the end of each reporting period. The amortisation expense is recognised in operating expenses in the Statement of comprehensive income.

## Notes to the accounts

1. Revenue	2020	2019
	£'000	£'000
Investment management fees from 3i Group plc	92,834	59,966
Investment advisory fees	11,600	11,600
Performance fees from 3i Infrastructure plc	5,558	31,051
Management fees	26,653	45,033
Management fees from 3i Infrastructure plc	29,033	30,948
Investment fees	9,886	7,018
Other income	1,332	4,991
<b>Total</b>	<b>176,896</b>	<b>190,607</b>

Investment management fees are earned from providing administration services and management services to 3i Group plc, the ultimate parent company. The fee comprises of a portfolio fee, calculated as a percentage of the cost of 3i Group plc's investment portfolio, an administration fee, calculated as a percentage mark up on the costs incurred by the Company in providing the administration services and a performance fee, calculated as a mark up on performance fees paid by the Company to the investment team. The fee is calculated and billed at the end of the year and the income is recognised over the year, in line with the services provided. See Note 16 for the receivable outstanding with 3i Group plc at the end of the year.

Investment advisory fees are earned from providing advisory services to 3i Investments plc, a fellow subsidiary. The fee is fixed and billed at the end of the year and the income is recognised over the year, in line with the services provided. There is no advisory fee receivable at the end of the year as it is netted with the management fee payable see Note 16 for the amount accrued at the year end.

The Company also earns a performance fee from the services it provides to 3i Infrastructure plc ("3iN") when 3iN's total return for the year exceeds a specified threshold. The fee is calculated on an annual basis and paid within 3 months. Revenue from the fee is recognised once it is sufficiently certain that there will not be a significant reversal, which is usually at the end of the year when the calculation is finalised and agreed. See Note 16 for the 3iN performance fee outstanding at the year end.

Management fees are earned from providing management services to general partners and other companies within the Group. The revenue is recognised in line with the services provided and is billed quarterly. £616k of management fees are outstanding within Trade and other receivables and Amounts due from group undertakings in the Statement of financial position at 31 March 2020 (2019: £857k).

Management fees are earned from providing services to 3iN. The revenue is recognised over the year in line with the services provided and is billed and paid quarterly, see Note 16 for the 3iN management fee outstanding at the year end.

Investment fees include negotiation fees earned for providing services relating to one off transactions, such as when a portfolio company is bought, sold or refinanced. The revenue is recognised in line with the services provided. £897k of negotiation fees is outstanding within Trade and other receivables in the Statement of financial position at 31 March 2020 (2019: nil).

Other income includes monitoring fees, directors fees and other fee income which is recognised in line with the services provided. £212k of other income is outstanding within Trade and other receivables in the Statement of financial position at 31 March 2020 (2019: £127k).

<b>2. Operating expenses</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs	63,212	66,520
Operating lease rentals - land and buildings	-	2,496
Auditor's remuneration - audit fees <sup>1</sup>	2,039	1,991
Amortisation of intangible assets	1,412	1,412
Depreciation on owned assets and leased assets	4,033	1,640
Carried interest and performance fees	10,235	(6,281)
Administrative expenses <sup>2</sup>	74,885	72,340
<b>Total</b>	<b>155,816</b>	<b>140,118</b>

<sup>1</sup> 3i plc pays the auditors' remuneration for the group and some of its subsidiaries. The auditor's remuneration for the 3i plc audit in the year was £22k (2019: £22k).

<sup>2</sup> Administrative expenses include non-audit services of £253k (2019: £258k).

<b>3. Staff costs</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	30,176	32,307
Social security costs	7,732	9,185
Share based payments	23,425	21,910
Pension and other costs	1,879	1,843
Redundancy costs	-	1,275
<b>Total</b>	<b>63,212</b>	<b>66,520</b>

The average number of employees during the year was 156 (2019: 156).

#### 4. Directors' emoluments

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and benefits	1,089	1,059
Bonuses and performance fees	369	318
Share based payments	2,614	2,246
<b>Total</b>	<b>4,072</b>	<b>3,623</b>

During the year the Directors exercised 427,211 (2019: 411,481) share awards at an average price of 1075p (2019: 927p). No retirement benefits accrued to Directors (2019: nil) under the defined benefit scheme. Emoluments, including share based payments, attributable to the highest paid Director were £2,498 (2019: £2,232k).

**5. Share based payment**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Equity settled share awards <sup>1</sup>	16,358	19,065
Cash settled share awards	7,927	5,427
<b>Total</b>	<b>24,285</b>	<b>24,492</b>

<sup>1</sup> Credited to equity.

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 is £12,942k (2019: £11,063k).

For the share based awards granted during the year, the weighted average fair value of those options was 811p (2019: 778p).

The main assumptions for the valuation of certain share-based awards with market conditions comprised of:

<b>Valuation methodology</b>	<b>Monte Carlo model</b>	<b>Black Scholes</b>
Share price at issue <sup>1</sup>	1,082p	1,056
Exercise price	-	-
Expected volatility	23%	25%
Expected option life in years	3	0.5-4
Dividend yield	-	3.0%
Risk free interest rate	0.57%	0.58%

<sup>1</sup> 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 option up to the date of grant.

The number of share based awards outstanding are as follows:

	<b>2020</b>	<b>2019</b>
Outstanding at start of the year	7,149,562	6,831,930
Granted	2,343,101	3,060,492
Exercised	(3,382,881)	(2,646,279)
Lapsed	(168,553)	(65,502)
Transfers	(14,834)	(31,079)
<b>Outstanding at end of the year</b>	<b>5,926,395</b>	<b>7,149,562</b>
Weighted average remaining contractual life of awards outstanding in years	1.86	1.84
Exercisable at the end of the year	21,200	39,016

The weighted average market price at the date of exercise was 1068p (2019: 936p).

**6. Retirement benefits****(i) Defined contribution plans**

The Company operates a defined contribution retirement benefit plan for qualifying employees. The assets of this plan are held separately from those of the Company. The total expense recognised in the Statement of comprehensive income is £1,879k (2019: £1,843k), which represents the contributions payable to this plan. There were no outstanding payments due to this plan at the Statement of financial position date.

**(ii) Defined benefit plans**

The Company 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 Company and managed by an independent set of Trustees, whose appointment is determined by the Plan's documentation. The Plan is subject to UK funding regulations, which require the Company and the Trustees to agree a funding strategy and contribution schedule where necessary.

Membership of the Plan has not been offered to new employees joining the Company 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 will be maintained on existing accruals. Members of the Plan have been invited to join the Company'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 through changes to its investment policy.

The valuation of the Plan has been updated on an IAS 19 basis by an independent qualified actuary as at 31 March 2020.

The amount recognised in the Statement of financial position in respect of the Company's defined benefit plan is as follows:

	2020 £'000	2019 £'000
Present value of funded obligations	691,683	756,659
Fair value of the Plan assets	(957,509)	(962,850)
Asset restriction	93,039	72,167
<b>Retirement benefit surplus in respect of the Plan</b>	<b>(172,787)</b>	<b>(134,024)</b>

A retirement benefit surplus is recognised in respect of the Plan on the basis that the Company 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.

Amounts recognised in the Statement of comprehensive income in respect of the Plan are as follows:

	2020 £'000	2019 £'000
<b>Included in finance income on pension plan</b>		
Interest income on net defined benefit asset	166	486
<b>Included in other expense</b>		
Allowance for GMP equalisation	-	(3,000)
<b>Included in other Comprehensive income</b>		
Re-measurement gain	54,686	11,425
Asset restriction	(19,140)	(2,949)
<b>Total re-measurement gain and asset restriction</b>	<b>35,546</b>	<b>8,476</b>
<b>Total</b>	<b>35,712</b>	<b>5,962</b>

**6. Retirement benefits (continued)**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	756,659	782,218
Interest on plan liabilities	17,656	19,052
Re-measurement gain	(40,423)	(7,027)
Allowance for GMP equalisation	-	3,000
Benefits paid	(42,209)	(40,584)
Closing defined benefit obligation	691,683	756,659

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of the Plan assets	962,850	975,161
Interest on plan assets	19,554	21,226
Actual return on plan assets less interest on plan assets	14,263	4,398
Employer contributions	3,051	2,649
Benefits paid	(42,209)	(40,584)
Closing fair value of the Plan assets	957,509	962,850

Contributions paid to the Plan are related party transactions as defined by IAS 24. Related party transactions.

The fair value of the Plan assets at the Statement of financial position date is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Equities	-	78,695
Corporate bonds	144,305	148,985
Gilts	528,519	410,971
Annuity contract	238,453	254,190
Others	46,232	70,009
	957,509	962,850

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 "buy-in") 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 buy-in 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.

The Plan's assets do not include any of the Company's own equity instruments nor any property in use by the Company.

Changes in the asset restriction were as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening asset restriction	72,167	67,530
Interest on asset restriction	1,732	1,688
Re-measurements	19,140	2,949
Closing asset restriction	93,039	72,167

**6. Retirement benefits (continued)**

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 pension for 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% (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 (2019: 2039) is projected to be 32.4 (2019: 32.3) years compared to 30.5 (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.



**6. Retirement benefits (continued)**

Through its defined benefit plan the Company 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 member, so increases in life expectancy will result in an increase in the Plan's defined benefit obligation.

As the Plan was closed to future accrual of benefits by members with effect from 5 April 2011 the Company ceased to make regular contributions to the Plan in the year to 31 March 2012.

The latest triennial valuation for the Plan was completed on 25 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 generally 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 Company 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 Company 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.

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 Company and the Trustees of the Plan commenced an exercise to consider a possible 'buy-out' of the Plan. This would involve the Trustees first completing a further 'buy-in' 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 buy-in policies held in the Plan into individual annuity policies in the names of Plan members.

**7. Income taxes****Reconciliation of income taxes in the Statement of comprehensive income**

The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before tax	18,791	44,213
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2019: 19%)	3,570	8,400
Effects of:		
Expenses not deductible for tax purposes	812	740
Bonus accrual/payments relating to overseas employees	1,439	4,489
Employee share scheme charge/(relief)	-	982
Utilisation of tax losses claimed as group relief for nil consideration	(2,262)	(6,630)
Utilisation of previously unrecognised deferred tax	(3,559)	(7,431)
Adjustment for prior years	700	(13,292)
<b>Total income taxes in the Statement of comprehensive income</b>	<b>700</b>	<b>(12,742)</b>

In the Spring Budget 2020, the Government announced that from 1 April 2020 the 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.

At 31 March 2020 3i plc had deductible temporary differences of £48,190k (2019: £61,496k) for which no deferred tax asset has been recognised (made up of fixed asset temporary differences of £3,723k, share schemes of £17,988k and other short term temporary differences of £26,479k). It is considered uncertain that there will be sufficient taxable profits in the future against which the associated deferred tax assets can be offset and therefore the assets have not been recognised.

**8. Intangible assets**

	Intellectual property, books and records £'000
<b>Cost:</b>	
1 April 2019	13,065
31 March 2020	13,065
<b>Accumulated amortisation:</b>	
1 April 2019	2,471
Charge for the year	1,412
31 March 2020	3,883
<b>Net book value</b>	
31 March 2020	9,182
31 March 2019	10,594

The intangible assets consists of management contacts relating to 3i Managed Infrastructure Acquisitions LP ("MIA"). The useful life is based on the expected period over which income will be generated from managing MIA. This useful life has been assessed as nine years, which is the minimum period for which fee income is expected to be received. The remaining amortisation period is six years.

**9. Property, plant and equipment**

	Office improvements £'000	Office equipment £'000	Total £'000
<b>Cost:</b>			
1 April 2018	10,493	7,625	18,118
Additions	1,846	652	2,498
Disposals	(9,459)	(934)	(10,393)
31 March 2019	2,880	7,343	10,223
Additions	1,122	1,643	2,765
Transfer	(7)	7	-
31 March 2020	3,995	8,993	12,988
<b>Accumulated depreciation:</b>			
1 April 2018	9,351	5,465	14,816
Charge for the year	702	938	1,640
Disposals	(8,911)	(934)	(9,845)
31 March 2019	1,142	5,469	6,611
Charge for year	376	1,119	1,495
31 March 2020	1,518	6,588	8,106
<b>Net book value</b>			
31 March 2020	2,477	2,405	4,882
31 March 2019	1,738	1,874	3,612

**10. Issued share capital**

	Number of shares	Amount £'000
Authorised ordinary shares of £1 each	110,000,000	
Called up, allotted and fully paid ordinary shares of £1 each		
At 31 March 2020 and 31 March 2019	110,000,000	110,000

**11. Leases**

The Company leases its offices under finance leases. All leases are non-cancellable, with option to extend or terminate the agreed lease term. At 1 April 2019, IFRS 16 has been applied using the simplified retrospective approach. During the year, the following amounts in respect of finance leases were recognised in the financial statements.

**Right of use assets**

	2020 £'000	2019 £'000
1 April 2019 - on adoption of IFRS 16	15,226	-
Depreciation expense	(2,538)	-
31 March 2020	12,688	-

**11. Leases (continued)**

<b>Lease liabilities</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
1 April 2019 - on adoption of IFRS 16	15,242	-
Lease payments	(2,816)	-
Interest expense	291	-
<b>31 March 2020</b>	<b>12,717</b>	<b>-</b>

Lease liabilities of £10,141k are due in greater than one year.

**Amount recognised in profit or loss**

During the year, £2,538k was recognised in Operating expenses relating to depreciation of the ROU asset and £291k 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.

**12. Trade and other receivables**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current assets</b>		
Performance fee receivable (Note 17)	5,558	31,051
Other receivables	2,351	991
Prepayments and accrued income	2,711	2,339
<b>Total</b>	<b>10,620</b>	<b>34,381</b>

Under IFRS 9 no expected credit losses have been recognised, see Note 18 for details.

The carrying amount is a reasonable approximation of fair value.

**13. Trade and other payables**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Non-current liabilities</b>		
Carry payable	(55,093)	(74,180)
<b>Current liabilities</b>		
Accruals	(18,200)	(28,220)
Other taxes and social security costs	(1,376)	(1,161)
Carry payable	(40,995)	(24,561)
Other payables	(10,780)	(21,208)
<b>Total</b>	<b>(71,351)</b>	<b>(75,150)</b>

The carrying amount is a reasonable approximation of fair value.

**14. Amounts due from group undertakings**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>		
Amounts due from group undertakings	468,038	441,771
<b>Current assets</b>		
Amounts due from group undertakings	2,593	2,112

Under IFRS 9 an expected credit loss of £123k has been recognised (2019: £241k) within Operating expenses within the Statement of comprehensive income, see Note 18 for details.

The carrying amount is a reasonable approximation of fair value.

**15. Amounts due to group undertakings**

2020	2019
£'000	£'000

**Non-current liabilities**

Amounts due to group undertakings	(26,606)	(46,824)
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**Current liabilities**

Amounts due to group undertakings	(33,802)	(29,022)
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**16. Related parties**

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Each of these categories of related parties and their impact on the financial statements is detailed below. The Company's key management personnel are the Directors.

**Ultimate parent company***Management, administrative and secretarial arrangements*

Total fees charged for management, administrative and secretarial services to 3i Group plc are detailed below:

	2020 £'000	2019 £'000
Management, administrative and secretarial fees charged for the year	92,834	59,966
Outstanding at the end of the year	468,038	441,771

**Subsidiaries***Advisory fees*

Total fees charged for the provision of advisory services to 3i Investments plc are detailed below:

	2020 £'000	2019 £'000
Advisory fee for the year	11,600	11,600

*Management arrangements*

Total fees incurred for management services from 3i Investments plc are detailed below:

	2020 £'000	2019 £'000
Management fees incurred for the year	(12,800)	(12,800)
Of which accrued at the end of the year <sup>1</sup>	(13,394)	(12,194)

<sup>1</sup> The accrual is the net of the advisory and administration fee.

**Fellow subsidiaries and affiliated entities***Advisory and management arrangements*

Total fees incurred for advisory and management services from fellow subsidiary and affiliated entities are detailed below:

	2020 £'000	2019 £'000
Fees incurred during the year	(36,047)	(35,541)
Fees received during the year	29,917	49,426

**16. Related Parties (continued)***Outstanding balances*

The Company has receivables and payables from fellow subsidiaries of:

	2020 £'000	2019 £'000
Amounts due from subsidiaries	2,593	2,112
Amounts due to subsidiaries	(47,014)	(63,652)

*Management and performance fees*

Management and performance fees receivable from 3i Infrastructure plc are detailed below.

	2020 £'000	2019 £'000
Management fees received during the year	29,033	30,948
Of which payable at the end of the year	(661)	-
Performance fees received during the year	5,558	31,051
Of which receivable at the end of the year	5,558	31,051

**17. Parent undertaking and controlling party**

The Company's immediate parent undertaking is 3i Holdings plc.

The Company's ultimate parent undertaking and controlling party is 3i Group plc which is incorporated in Great Britain and registered in England and Wales. Copies of its group financial statements, which include the Company, are available from 16 Palace Street, London, SW1E 5JD and online at [www.3i.com](http://www.3i.com).

**18. Financial risk management**

The Company's ultimate parent company is 3i Group plc. 3i Group plc sets objectives, policies and processes for managing and monitoring risk as set out in the Directors' report in the 3i Group plc Annual report. This note provides further information on the specific risks faced by the Company.

**Financial risks**

The capital structure of the Company consists of equity and intercompany loans. There is sufficient capital in the Company to cover liabilities and the Company is free to transfer capital to the parent company subject to maintaining sufficient reserves to meet statutory obligations.

**Financial Liabilities**

	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 5 years £'000	Total £'000
<b>As at 31 March 2020</b>				
<b>Gross commitments</b>				
Lease liabilities	2,576	2,629	7,512	12,717
Trade and other payables	71,351	-	-	71,351
Amount due to group undertaking	33,802	-	-	33,802
<b>Total</b>	<b>107,729</b>	<b>2,629</b>	<b>7,512</b>	<b>117,870</b>

Carry payable of £55,093k within Trade and other payables in Note 13 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. Amounts due to group undertakings within non-current liabilities of £26,606k has no stated maturity due to its nature and it is not possible to identify with certainty the timing of when the liability will be paid.

**18. Financial risk management (continued)****Credit risk**

The Company is subject to credit risk on its receivables and cash and deposits. The Company's cash and deposits are held with a variety of well-rated counterparties. Credit risk is managed on a Company basis, third-party revenue is required to be settled in cash, mitigating the credit risk and there are no significant concentrations of credit risk.

IFRS 9 requires the Company to recognise expected credit losses ("ECLs") on its Amounts due from group undertakings, Trade receivables and Cash and cash equivalents.

The loss reconciliation for Amounts due from group undertakings is as follows:

	<b>Amounts due from group undertakings £'000</b>
<b>Opening ECLs as at 1 April 2019</b>	<b>2,891</b>
Increase in ECLs recognised in profit or loss during the year	123
Unused amount reversed	-
<b>ECLs as at 31 March 2020</b>	<b>3,014</b>

The ECL has been calculated based on the probability of the receivable going into default. The Company has adopted the simplified approach and the loss allowance shown is based on lifetime ECLs.

Trade and other receivables and Cash and cash equivalents are also subject to the requirements of IFRS 9, the identified impairment loss is negligible.

**Liquidity risk**

Liquidity risk is managed at the Group level as discussed in the Directors' report in the 3i Group plc Annual report. The Company's current liabilities are principally Amounts owed to group undertakings and staff remuneration including carry payable.

**Market risk**

The Company is not exposed to significant market risk as it does not hold fixed or floating rate loans or liabilities or investments which are exposed to market fluctuations.

**Sensitivity analysis**

<b>31 March 2020</b>	<b>Sterling £'000</b>	<b>US dollar £'000</b>	<b>Euro £'000</b>	<b>Others £'000</b>	<b>Total £'000</b>
Net assets	525,385	(70,027)	44,194	(4,838)	494,714

Assuming a 10% movement in exchange rates against sterling:

Impact on exchange movements in the Statement of comprehensive income

Total	-	(7,781)	3,890	(538)	(4,429)
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<b>31 March 2019</b>	<b>Sterling £'000</b>	<b>US dollar £'000</b>	<b>Euro £'000</b>	<b>Others £'000</b>	<b>Total £'000</b>
Net assets	445,380	(48,617)	32,230	(4,274)	424,719

Assuming a 10% movement in exchange rates against sterling:

Impact on exchange movements in the Statement of comprehensive income

Total	-	(5,402)	2,404	(475)	(3,473)
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**19. Subsidiaries and related undertakings**

The Companies Act 2006 requires disclosure of certain information about the Company's related undertakings and this is set out below. 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 Company's assets.

**19. Subsidiaries and related undertakings (continued)**

The Company's related undertakings at 31 March 2020 are listed below:

Description	Holding / share class	Registered address
<b>Subsidiaries</b>		
3i Investments plc	100% ordinary shares	16 Palace Street, London, SW1E 5JD, UK